LLOYD'S

2025

Annual Report

We bring together the world's leading risk takers to advance global progress

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Lloyd's reporting suite

Follow link for more information and to view our 2025 reporting suite

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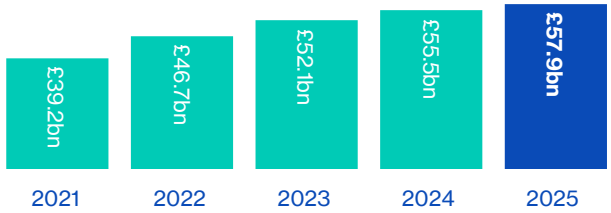
Lloyd's is the only insurance marketplace of its kind in the world. We bring together the world's leading risk takers to advance global progress.

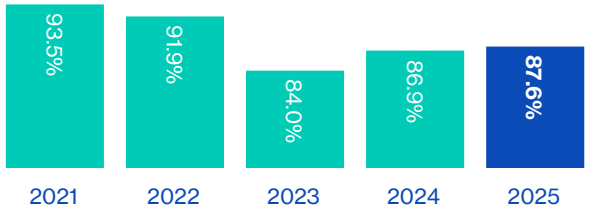
Performance at a glance

Financial key performance indicators

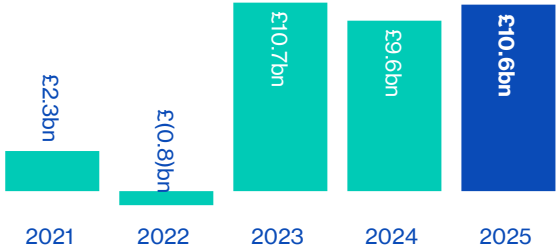
Gross written premium
£57.9bn



Combined ratio
87.6%



Result before tax
£10.6bn



Underwriting result
£5.2bn
(2024: £5.3bn)

Underlying combined ratio
81.8%
(2024: 79.1%)

Expense ratio
35.6%
(2024: 34.4%)

Investment return
£6.0bn
(2024: £4.9bn)

Return on capital
22.0%
(2024: 21.0%)

Total capital, reserves and subordinated loan notes
£49.8bn
(2024: £47.1bn)

Central solvency coverage ratio
496%
(2024: 435%)

Market-wide solvency coverage ratio
200%
(2024: 205%)

Read more about performance in the Market Results section on pages 27 to 64

The above metrics include alternative performance measures. Definitions are on pages 165 to 166

Market impact highlights

£26bn
claims paid to global customers in the wake of 2025 disasters

4,807
volunteer hours from Society and market employees

165
insuretechs supported through the Lloyd's Lab accelerator

234
partnerships forged between Lloyd's Lab alumni and the market

Financial strength ratings

A.M. Best
A+
stable outlook

S&P Global
AA-
stable outlook

Fitch Ratings
AA-
stable outlook

KBRA
AA-
stable outlook

Strategic Report

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Chair's Statement

"The results reported for 2025 reflect the underlying strength and resilience of the Lloyd's market. They demonstrate the benefits of disciplined underwriting, improved performance and reforms undertaken in recent years. They also underline Lloyd's continued relevance to clients and capital providers."

It is a great honour to be writing my first statement as Chair of Lloyd's. I am acutely conscious of the responsibility that accompanies this role: stewarding a global institution with a long and distinguished history, ensuring the Corporation is governed to the highest standards, and supporting the long-term success of a market that plays a critical role in managing risk around the world.

As I write this message, we are acutely aware of the conflict in the Middle East, and deeply mindful of the human consequences. In situations such as this, the value of Lloyd's is clearly demonstrated – as a stable and financially strong marketplace, carefully managing global risk and providing vital insurance coverage.

At Lloyd's, my goal is straightforward: to fulfil our vision for Lloyd's to be the world's pre-eminent global marketplace for insurance risk. This is not an abstract ambition. It is a practical test against which strategic choices should be judged. It requires Lloyd's to compete effectively for global capital, remain relevant to clients facing increasingly complex exposures, provide high standards of service to the businesses that operate within the market, and act with credibility in the eyes of governments and regulators worldwide.

I am grateful to Bruce Carnegie-Brown for his support during my induction and transition. Over Bruce's tenure as Chair, the market's performance and reputation improved materially. I consequently inherited an institution that was fundamentally strong and performing well.

My first priority as Chair was to lead the search process for a new Chief Executive. This was a critical decision at an important juncture. The search was rigorous and wide-ranging, reflecting the importance of the role. Patrick Tiernan emerged as the outstanding candidate. He brings deep market knowledge, international experience and a clear understanding of the Corporation's role as an enabler of market success.

Patrick has moved quickly to establish a strong executive team, sharpen the Corporation's commercial focus and align activity more closely with our strategic priorities.

He has been equally clear that culture, openness, accountability and delivery matter. There is more to do, but a clear direction of travel has been set.

As Chair, I am responsible for ensuring the Corporation is governed to the highest possible standard. This is critical. Governance underpins the Corporation's legitimacy and the confidence placed in Lloyd's by market participants and regulators.

Work undertaken in recent months has shown the Corporation's governance could be strengthened. Roles and accountabilities needed to be clearer, decision-making more transparent and oversight more focused on the issues that matter most to the market's long-term success.

We have undertaken an intensive programme of reform. This has included clarifying the respective responsibilities of Council, the sub-committees and the executive; raising the level of challenge and debate in Council; strengthening accountability for key decisions; improving the quality and consistency of management information; and changing committee structures to ensure they support effective oversight rather than muddling responsibility. Further detail is set out in the Governance section of this report.

Chair's Statement

continued

These changes reflect a simple principle: the Corporation exists to serve the market. Its governance arrangements must therefore be proportionate, transparent, accountable and internationally credible. Council is committed to ensuring that Lloyd's governance meets those expectations.

Council is also responsible for the Corporation's strategy. During the summer, we asked Patrick to lead the development of a new strategy to deliver our vision of Lloyd's being the pre-eminent global marketplace for insurance risk. Council was closely engaged throughout, providing challenge as proposals were developed.

The resulting strategy is deliberately focused. It recognises that Lloyd's distinctive value is as a marketplace.

The strategy concentrates on areas where the Corporation can make the greatest difference: supporting sustainable underwriting performance; improving the efficiency, speed and competitiveness of the Lloyd's platform; strengthening Lloyd's global presence and licence network; and ensuring that the Corporation operates with greater discipline and clarity of purpose.

Council is pleased to endorse the strategy proposed by Patrick and the executive team. We will now monitor progress closely and hold management to account for delivery. The strategy is set out in detail in the Chief Executive's Report.

Representing Lloyd's in our engagement with governments and regulators is a central part of my role. Lloyd's operates in a complex international environment, shaped by differing regulatory regimes, political priorities and economic conditions. Constructive engagement with public authorities is essential to the market's long-term success.

"The Corporation exists to serve the market. Its governance arrangements must therefore be proportionate, transparent, accountable and internationally credible. Council is committed to ensuring that Lloyd's governance meets those expectations"

In the UK, I welcome the Government's recognition of insurance and reinsurance as one of the country's frontier industries within its modern industrial strategy. Lloyd's and the wider London market make a substantial contribution to the UK economy, generating significant economic value, supporting highly skilled employment and reinforcing the UK's position as a leading global financial centre. This contribution depends on Lloyd's ability to attract global business to the UK.

Our relationship with UK regulators remains extremely constructive. We work closely with the Prudential Regulation Authority and the Financial Conduct Authority on our core responsibilities. We are also engaging collaboratively on opportunities to simplify and streamline regulatory processes where appropriate, with the shared aim of enhancing competitiveness while maintaining high standards of prudential soundness and market integrity.

Internationally, our unparalleled global licence network is a strategic asset. It enables the market to operate locally while underwriting globally, supporting Lloyd's role in addressing risks that do not respect national boundaries. Maintaining and extending this network requires sustained senior engagement.

During the past year, I travelled extensively, meeting regulators, policymakers, brokers and carriers, and visiting colleagues across the Corporation. These discussions reinforced the importance of Lloyd's acting as a responsible, long-term partner in the jurisdictions in which it operates. I have been greatly encouraged by the high standing in which Lloyd's is held by its international stakeholders.

The financial results reported for 2025 reflect the underlying strength and resilience of the Lloyd's market. They demonstrate the benefits of disciplined underwriting, improved performance, and reforms undertaken in recent years. They also underline Lloyd's continued relevance to clients and capital providers.

The external environment remains demanding. Risks are becoming more complex and interconnected. Competition for capital is intensifying. The expectations around institutions such as Lloyd's continue to rise, not only in financial terms but with regard to governance, transparency and contributing to global resilience.

I remain confident in the enduring strengths of Lloyd's: its global reach, concentration of expertise and ability to convene capital around the world's most complex risks. With disciplined governance, focused execution and sustained international engagement, Lloyd's is well placed to fulfil its vision to be the pre-eminent global marketplace for insurance risk.

Sir Charles Roxburgh
Chair of Lloyd's

Chief Executive's Statement

"Renewed investment in defence capabilities, energy security and infrastructure – particularly in advanced manufacturing and artificial intelligence – is creating the requirement for new categories of complex cover"

It is a privilege to write my first statement as Chief Executive of Lloyd's. I am grateful for the support I have received from the market and colleagues since my appointment in June. It has been both humbling and energising.

Over recent months I have spent time talking to colleagues, market participants and investors as we shaped our strategy. Those conversations have reconfirmed to me this institution's unique strength: Lloyd's can shoulder more insurance risk for each unit of capital than any other organisation in the world.

The external environment underlines the importance of such an attribute. The traditional world order, trade flows and security alliances that created the conditions for broad-based stability since the end of the Cold War are coming under pressure.

At the same time, renewed investment in defence capabilities, energy security and infrastructure – particularly in advanced manufacturing and artificial intelligence – is creating the requirement for new categories of complex cover.

The AI shift is driving significant investment into the real economy, creating new insurable assets and exposures. It is also reshaping the nature of risk itself, from life sciences to kinetic conflict.

Taken together, these developments dramatically alter the risk-reward calculus. This context highlights the value in a stable and neutral marketplace for managing risk.

Lloyd's benefits from 337 years of lived experience. It has endured countless wars, multiple financial crises and at least four industrial revolutions. The characters and context change. But Lloyd's underlying role – to host a marketplace that understands, prices and therefore helps manage emerging risks – does not.

Our global footprint, combined with deep local engagement, allows us to support people, communities and businesses as they navigate political and economic complexity.

I believe the Lloyd's market is well positioned to deliver financial returns and increase its global relevance.

Performance

The Lloyd's market produced a strong set of results in 2025 with profit of £10.6bn, up 10.1% and beating the forecast set out at the start of the year.

The market maintained underwriting discipline, delivered innovative structured solutions and benefitted from a conservative investment policy. The balance sheet remains very strong, positioning the market well for the next phase of the cycle.

I would like to congratulate market participants for their professionalism in delivering these results. I would also like to thank members for supporting the market with their capital, and Corporation colleagues for their hard work over the past 12 months.

While the financial toll on the Lloyd's market from catastrophes this year has been modest, the human toll has been a heavy one. We never lose sight of those whose lives have been lost, shattered or upended.

In March 2025, the Lloyd's market forecast gross written premiums of £60bn for the year. The market closed the year at £58bn, an increase of 4.2% compared to 2024 and comfortably within the 5% guidance range, demonstrating discipline in the face of moderating pricing conditions.

Growth was mostly derived from areas where the market rightly saw price adequacy and from structured products and portfolio solutions.

The underlying combined ratio – defined as the combined ratio, excluding major losses – was 81.8% in 2025, 2.7 percentage points higher than the prior year, while remaining indicative of disciplined underwriting and resilient underlying profitability.

Chief Executive's Statement

continued

The full-year combined ratio closed at 87.6%, driven by comparatively benign catastrophe losses in the second half of the year. The Californian wildfires in the first quarter was the largest event of the year. Major claims were again below the ten-year average of 10.4% and below market forecasts.

The attritional loss ratio remained relatively stable at 47.9%, compared to 47.1% in 2024. Prior year releases were (1.7)%, down 0.7 percentage points from 2024, with favourable movement in Property exposures partly offset by strengthening in Aviation and Casualty reserves.

The expense ratio increased to 35.6% up 1.2 percentage points, reflecting profitability-driven commissions, mix-driven acquisition costs and foreign-exchange impacts. This is a trend that we and the market must pay close attention to in 2026.

The composition of growth over the past year is instructive. Existing syndicates delivered 7.2% volume growth. New syndicates contributed a further 3.1%. This exposure growth was partly offset by price decreases of (3.7)% following seven years of strengthening and a (2.4)% foreign exchange headwind.

The market continues to allocate capital to sectors and classes where it sees price adequacy and structural opportunities. Reinsurance enjoyed the strongest expansion during 2025, driven by new entrants and innovative structured solutions.

Property continued to grow, albeit at a slower pace in competitive US direct and facultative markets. The overall business mix remains stable with the only notable new area of interest being trade credit.

The platform itself continues to generate high interest from potential new entrants. During the year, Lloyd's received more than 50 serious underwriting enquiries. Seven new syndicates commenced business in 2025, with a further 13 launching on 1 January 2026.

> "These results provide a firm foundation on which to build for the future. My focus is on setting a clear strategic direction that sharpens our financial edge and maximises our unique capital advantage"

The investment return from Lloyd's conservative and well-balanced portfolio also exceeded forecasts. A significant proportion of that return was derived from income in the form of interest and dividends, along with mark-to-market gains on fixed income assets.

Assets remain predominantly allocated to high-quality government and corporate bonds. Although the framework allows for greater allocation to equities and alternatives, this has been used cautiously. The emphasis remains on capital preservation, liquidity and alignment with the risk profile of underwriting liabilities.

Return on capital

Strong underwriting and investment performance resulted in a return on capital of 22.0% in 2025. This is the third year in a row in which returns on capital have exceeded 20%. However, the ten year rolling average is still in single figures at 9.5%.

It should be noted that, while mean return on equity has been solid, there is a fair dispersion among syndicates. Historical evidence demonstrates that the better performers at Lloyd's maintain returns across the cycle. As we prepare for more difficult conditions, it is worth restating that we will not stand idly by and let poor cycle management drag down the market.

In many areas, and particularly in large US commercial accounts, pricing conditions are getting tougher and volatility is increasing. However, our requirements remain constant: we expect and will support underwriting discipline, innovative growth and sustainable returns.

Touching briefly on the outlook, our forecast for 2026, based on market submissions, is for gross written premium of £64bn (+/-5%), a combined ratio of 90% to 95% and investment return of 3%.

We are confident in the market's ambitions based on the commitment to underwriting and expense discipline and growth driven by sectors and classes where rate adequacy remains strongest. Forecasts are conservative and do not rely on prior-year reserve releases.

Strategy and Culture

These results provide a firm foundation on which to build for the future. My focus is on setting a clear strategic direction that sharpens our financial edge and maximises our unique capital advantage to ensure Lloyd's is the pre-eminent global marketplace for insurance risk.

At its core, Lloyd's is a marketplace, stewarded by the Corporation on behalf of its members. Our role is to protect and advance the market – protect it by maintaining underwriting discipline and our financial strength; advance it by attracting expertise, innovation and scale.

Seen through that lens, our strategic choices become clearer. Over the past few months, I have taken a hard look at Lloyd's strengths and its position in the global insurance landscape. We are performing well, but we are not yet performing at our full potential.

Chief Executive's Statement

continued

Our strategy is designed to raise the bar. That requires us to build on what is distinctive about Lloyd's while removing the friction that constrains performance. We will foster a faster, simpler operating environment, informed by principles-based oversight, clearer reporting and more predictable decision making.

The strategy has four drivers. First, leading underwriting performance. Sustainable profitability through-the-cycle remains the primary measure of success. We will promote expertise and underwriting discipline, while remaining bold in embracing nascent risks.

Second, building a more efficient marketplace. We will reduce friction, lower costs and create predictable, risk-based oversight so that capital and talent can move at pace.

Third, maximising our capital advantage. Our unique structure allows more risk to be taken per unit of capital than elsewhere. We will protect and deploy that advantage to increase returns for the same level of risk.

Fourth, creating a Lloyd's to be proud of. Focus, innovation and talent are not soft ambitions. They are competitive necessities. We will invest where we can increase return or relevance, and we will stop doing what does not.

Delivery will be phased and deliberate. We will prioritise initiatives with clear economic benefit and implement change over defined horizons. The strategy is explained on pages 9 to 20 of the annual report. But I briefly want to touch on two aspects of it.

The future of the Lloyd's market infrastructure is not one platform, mandated across hundreds of market participants – each with different strategies, priorities, systems and vendors. It is an ecosystem of intelligent solutions, built on common data standards and interoperability.

We remain committed to supporting the re-platforming of the market to a resilient, cloud-based operational infrastructure, increasing operational resilience and reducing costs. This must be done on a phased basis with minimum disruption to the market.

Blueprint Two was a courageous undertaking. We have learned a great deal. However, despite the efforts of many skilled and committed people, the project has not yielded the benefits that were originally envisioned. We have, therefore, taken the decision to sunset some of the project's original vision.

The technology being deployed by market participants has advanced markedly since Blueprint Two was first conceived. Lloyd's has a critical role to play in setting standards and organising data. Where we have data that is useful, we will share it with the market.

We have a clear understanding of our role as a minority shareholder in Velonetic. We will work closely with Velonetic – alongside our counterparts at DXC and the IUA – as it moves forward with its revised plan.

I want to finish on culture. It is not listed as a strategic driver. That is deliberate. Culture is not a separate initiative or workstream. It is the context in which every strategic choice is made at Lloyd's.

The culture we build will be visible in the decisions we take and the standards we uphold. We will celebrate the behaviours that strengthen Lloyd's – taking the risk, making it happen and owning the outcome. And we will challenge those that fall short.

Over time, our shared beliefs will become self-reinforcing. That discipline is beginning to take hold. We will work together to embed it more firmly. It will influence how leadership and performance are assessed and rewarded.

As the body that oversees the culture of the Lloyd's market, we must hold ourselves to the highest possible standard. Credibility starts at home.

For as long as I lead Lloyd's, culture will be the first thing I consider each morning and the last thing I reflect on each evening. Focus, openness, integrity and empowerment are not slogans. They give us the confidence to act with conviction in all situations.

The strategy, roadmap and governance framework set out in this report explain how we will convert today's strong performance into durable competitiveness through-the-cycle. Our culture will determine whether we succeed.

Our Chair, Sir Charles Roxburgh, has introduced clearer governance structures and sharper accountability. He has also been clear in his expectation of candour from his Chief Executive. He will have it. And so will you.

Patrick Tiernan
Chief Executive

About Lloyd's

Lloyd's is the only insurance marketplace of its kind in the world.

In 2025, the Lloyd's market wrote £57.9bn of insurance premium. Risks are considered, priced and insured by a marketplace of 60,000 risk professionals, protected by £49.5bn of capital.

Lloyd's is uniquely structured to connect the global insurance ecosystem. We are committed to bringing together risk takers to protect and advance global progress and economic growth.

From its inception more than 300 years ago, Lloyd's has been a market of firsts – helping global commerce flourish by allowing risk to be pooled and shared. It has developed into a key pillar of risk management in the global financial system.

Lloyd's has consistently turned emerging threats into insurable realities – from shipping and aviation, space and cyber, to renewable energy and storage. The risks have changed over the years. But our fundamental principle – helping people, organisations and businesses move forward boldly and with confidence – has not.

We have launched a new strategy to make Lloyd's the pre-eminent global marketplace for insurance risk.

Our purpose
We bring together the world's leading risk takers to advance global progress.

Our strategy
A disciplined, market-led and necessary sharpening of our financial edge.

Our unique advantage
Lloyd's can shoulder more insurance risk per dollar of capital than any other financial institution in the world.

Strengths underpinning our marketplace

In addition to our **unique capital advantage**, Lloyd's role as an ecosystem that connects customers, capital, brokers and underwriting is underpinned by an enviable array of strengths:

Licences
We offer unparalleled access to global insurance markets, with 80 direct licences and 200 reinsurance licences across the world, many of which are embedded in local legal systems.

Syndication
Our ability to syndicate risk across multiple carriers provides optionality and efficiency for brokers.

Settlement
Central settlement, and the Settlement and Trust Fund Office, reinforce our strong position for complex risk placement.

Expertise
Our marketplace balances competition with collaboration, enabling policyholders to access world-leading underwriting, structuring, and capital expertise.

Innovation
Lloyd's reputation for product, distribution and capital innovation has made it a market of firsts throughout its history, a reputation that is being extended into the future by the success of the Lloyd's Lab and London Bridge 2.

Brand
Lloyd's has an iconic reputation around the world with underwriters, capital providers, brokers, regulators and policyholders.

Our strategy:

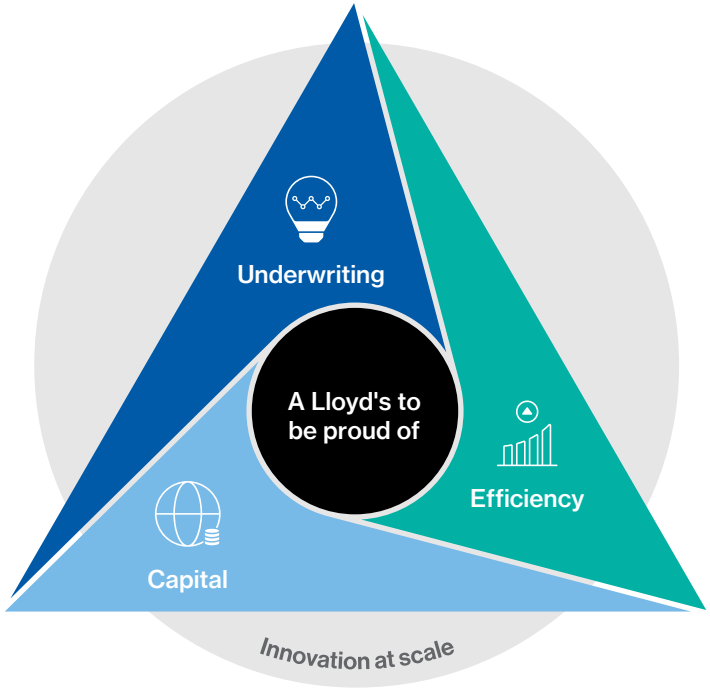
Market-led with a necessary sharpening of our financial edge

There is a single, foundational truth at the heart of the Corporation's thinking: that Lloyd's is a marketplace and a Society for its members.

Our purpose — We bring together the world's leading risk takers to advance global progress

Leading underwriting performance — Market through-the-cycle COR of sub-95%

Maximised capital advantage — Market through-the-cycle return on capital above 12%



Efficient flexible marketplace — 1% incremental cost to operate at Lloyd's

A Lloyd's to be proud of
- Excellent culture
- Corporation cost-to-income ratio sub-80%
- Top-tier customer Net Promoter Score

Our behaviours
- Take the risk
- Make it happen
- Own the outcomes

Our purpose

To create alignment and clarity on the Corporation's future role, we have a new purpose:

"We bring together the world's leading risk takers to advance global progress."

Our purpose recognises:

We are the Corporation

A global collection of experts who run the marketplace.

We bring together

Convening stakeholders in one place has been and will continue to be an important role. We will react to the changing nature of risk and commerce and will be fast, flexible and efficient.

We focus on world-leading risk takers

Existing not to avoid risk, but to enable those who take it on – no matter how complex, global or new. We seek to attract the very best – be they underwriters, brokers, capital providers or customers; those who will lead solutions, pricing, terms and conditions, but also those who embrace our standard of excellence.

We enable global progress

Facilitating our members to advance global progress, however they define it, within the limitations of the law and sanctions.

Strategic drivers

Our new strategy is designed to sharpen our financial edge and meet our vision to be the pre-eminent global marketplace for insurance risk.

Underpinning this ambition are four strategic drivers:

Leading underwriting performance

A thriving market must be able to attract the world's best risk takers and have them operating at scale to provide bold but disciplined underwriting.

We will promote expertise and discipline in the marketplace with the most respected oversight regime in the world to ensure we are rigorous in underwriting core risks and bold in embracing nascent risks.

This will be achieved by:

- Attracting the leading global underwriters to Lloyd's.
- Creating internal and external clarity on our approach to risk.
- Making the Corporation more predictable, and the market more investable, by setting out transparent, risk-based stances on topics relevant to the operation of the market.
- Supporting innovation in areas such as risk structuring, capital, and product.
- Enabling the development of innovative market solutions and the creation of blocks of capacity of the scale necessary to address the world's most pressing issues.
- Making it easier for firms to enter the marketplace and grow within it, if they meet our exacting requirements.

We will succeed when:

- All the best underwriters are operating at Lloyd's at scale and with purpose.
- There is a sustained increase in the pace and ambition of innovation.
- Lloyd's is the world's leading underwriting market by performance and relevance.

Ambition

Market through-the-cycle* combined operating ratio of below

95%

* 10 year average

Strategic drivers

continued

Efficient and flexible marketplace

Operating at Lloyd's offers market participants unparalleled structural advantages. To fully realise these, the cost and speed of doing business at Lloyd's must be competitive with other international insurance hubs.

We will lower the burden and speed up processes to reduce friction through flexible infrastructure, risk-based oversight and predictable decision-making.

This will be achieved by:

- Adapting our oversight to the range of business models, maturity, capabilities and risk materiality of market participants.
- Making our oversight approach more targeted on risks as we further embed Principles Based Oversight, removing activity that does not directly relate to risks impacting market financial performance, capital, regulatory permissions and reputation.
- Stripping back reporting to only what is necessary and valued.
- Speeding up our response times.
- Pivoting towards an open architecture ecosystem.
- Transitioning away from Blueprint Two and refocusing Velonetic on incremental technology modernisation, protecting market operational resilience.
- Partnering with the market to enable process simplification, common data standards and technology modernisation.

We will succeed when:

- The friction, measured by cost and time that the Corporation imposes on the market, has been reduced to a minimum.
- We have embedded Principles Based Oversight so it is more targeted and focused on key risks.
- We have minimised duplication of regulatory activity in collaboration with the PRA, FCA and international regulators.
- We have replaced centralised enforcement of market infrastructure with operational resilience, flexible open architecture, and enablement of individual strategic choice.
- We have streamlined our data requirements, with common data standards, to collect only the data required to deliver our core responsibilities, reducing friction and simplifying our offering.

Ambition

1%

incremental cost
to operate at Lloyd's

Strategic drivers

continued

Maximised capital advantage

Lloyd's today is the most capital-efficient place in the world to connect capital to insurance risk. We provide unrivalled flexibility to underwriters looking to source capital to back insurance risk. Our underwriters can trade on their own balance sheets, leveraging the resources of third-party institutional capital and/or by connecting to Names capital.

We will protect, advance and deploy our unique capital advantage to allow increased return for the same level of risk within the marketplace compared to outside Lloyd's.

This will be achieved by:

- Creating a fortress balance sheet designed to withstand the scale and volatility of the risks ahead.
- Broadening the benefit of capital efficiency provided by Lloyd's by removing pain points from our end-to-end capital journey.
- Introducing more flexibility for capital entering, investing in, and seeking to realise investments from Lloyd's.
- Creating the optionality to extend the market's unique capital advantage by increasing the financial strength of the market.
- Removing barriers to market innovation on assets and capital.
- Tailoring oversight and requirements for different types of capital provider.
- Introducing efficiency for Names capital through simpler processes and a more predictable service model.

We will succeed when:

- Lloyd's has an unassailable balance sheet, fit to handle market expansion and volatility.
- We have increased flexibility around entry, exit and deployment of capital.
- We have put in place enhanced capital management capabilities and tooling that are better suited to the breadth of capital providers in the market.

Ambition

Market through-the-cycle* return on capital of above

12%

which members could choose to increase through the use of Lloyd's unique capital advantages.

* 10 year average

Strategic drivers

continued

A Lloyd's to be proud of

Leading Lloyd's comes with the duty to protect and advance a marketplace that the world has trusted for centuries.

That is why the Corporation itself is at the heart of the strategy and will strive to achieve a pride in all our dealings that is felt by all with whom we deal.

We must become a leading hub for the next generation of insurance talent and the preferred partner in innovation. We must focus relentlessly on the Corporation's own performance, and our service to customers and stakeholders.

We will improve focus and clarity, boost innovation and talent, and mutualise the benefits for our members. We will invest in the people, process, data and technology capabilities required to achieve the Corporation's ambition.

This will be achieved by:

- Focusing relentlessly on the culture of the Lloyd's Corporation and market, and empowering the Corporation with our target behaviours.
- Constantly listening and reacting to the needs of managing agents and members where the Corporation can drive financial or efficiency outcomes.
- Improving the Corporation's change delivery track record.
- Doubling the Corporation's early careers intake.
- Enhancing training and development of Corporation talent.
- Defining our Corporation data, technology and AI strategies.
- Having a highly skilled, AI-trained global team in place.

We will succeed when:

- The Corporation is delivering the strategy and increasing trust with the market.
- The Corporation's culture is excellent, universally recognised and a beacon for global talent.
- There is a consistent front-of-house offering focused on customer service, and delivering outcomes for our market.
- The Corporation can respond rapidly to the strategies of market participants.
- The Corporation is generating a surplus that can be deployed to give the Council options to strengthen the capital advantage, invest in the future of the market, or reduce market overheads.
- The Corporation is an organisation that people are proud to work for and with.

Ambition

Cost-to-income ratio below

80%

Excellent culture
as measured against industry benchmarks.

Top-tier Net Promoter Score
from managing agents and members.

The only insurance marketplace of its kind

Building on our strengths

Our market traces its origins to Edward Lloyd's coffee house in late 17th century London. From this humble beginning, our market has developed into a key pillar of risk management in the global financial system.

From its inception, Lloyd's has helped global commerce flourish by allowing risk to be pooled and shared. Although the nature of the risks has evolved considerably over the past 337 years, we still play the same fundamental role to this day.

Lloyd's was not designed; it has evolved over time. This process has bestowed the marketplace with a unique advantage and many fundamental strengths.

We will create the conditions that attract the world's leading underwriters and investors and allow them to operate at scale to serve brokers and clients around the globe.

We must build on the strengths, but, above all, we must maintain and extend that which makes us unique.

Lloyd's is the only insurance marketplace of its kind in the world. Its capital structure is the unique advantage that can drive superior returns and rebalance the risk-reward equation.

The strengths of the Lloyd's marketplace – from our brand, expertise and innovation to licences, syndication, and central settlement – are especially valuable in the risk environment that we face.

The strengths of the Lloyd's marketplace – from our brand, expertise and innovation to licences, syndication, and central settlement – are especially valuable in the risk environment that we face.

The market requires a more efficient, flexible and simple operating environment.

We will streamline decision making, adopt more targeted and proportionate oversight, and increase regulatory and reporting transparency and predictability. We are committed to maintaining high bars for entering and operating within the market.

This is how Lloyd's can increase its relevance in the coming years, by bringing together the world's leading risk takers to advance global progress.

Lloyd's unique capital advantage

Protect, advance and deploy our unique capital advantage

At Lloyd's, capital is protected by a chain of security that is more than $160 billion deep, comprising Premium Trust Funds, Funds at Lloyd's (members' capital deposited at Lloyd's), and finally the Central Fund.

Rather than a single balance sheet, it has a layered and legally segregated capital stack, which acts like a shock-absorber.

Policyholder premiums are held in ring-fenced trusts. Investor funds held by Lloyd's are not co-mingled. And the Central Fund acts as a permanent and mutual backstop for extreme events.

This unique level of diversification makes Lloyd's the most capital-efficient platform to write insurance at a AA- financial strength rating. Members can then choose to further enhance this capital advantage through member-level diversification, and the ability to use Letters of Credit.

Our capital advantage: Lloyd's can shoulder more insurance risk per dollar of capital than any other financial institution in the world.

Our capital structure

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. Often referred to as the Chain of Security, the capital structure provides the financial strength that ultimately backs all insurance policies written at Lloyd's and the common security that underpins the market's strong ratings and global licence network.

Syndicate assets

All premiums received by syndicates are held in trust by the managing agents as the first resource for paying customers' claims.

Funds at Lloyd's

Each member must provide sufficient capital to support their underwriting at Lloyd's. Managing agents assess the Solvency Capital Requirement (SCR) for each syndicate that they manage, which sets out how much capital the syndicate requires to cover its underlying business risks at a 99.5% confidence level. The Economic Capital Assessment (ECA) which is the amount of solvency capital members must post to support a given syndicate, is equal to 1.35x the ultimate solvency capital requirement.

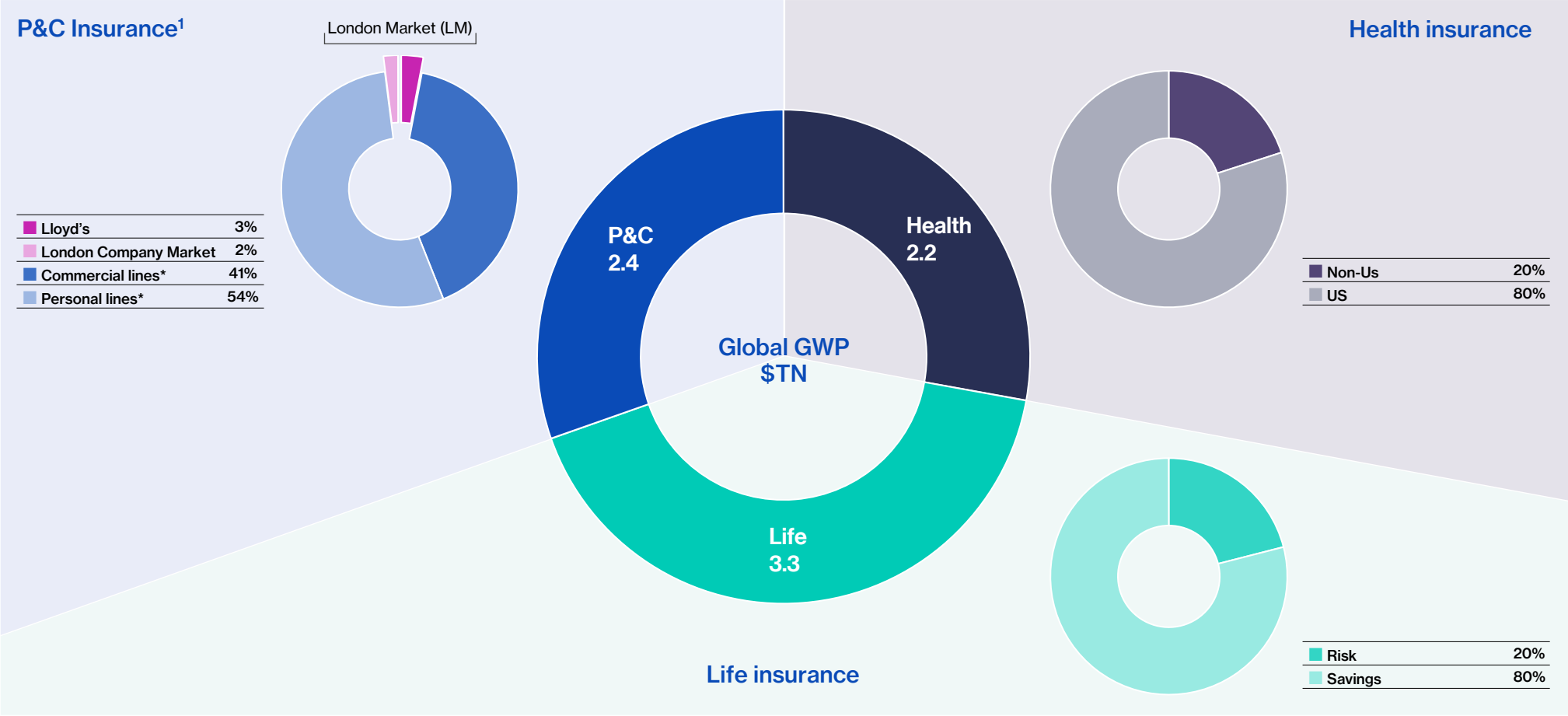
Lloyd's central assets

Our central assets, at the discretion of the Council of Lloyd's, are available to meet any valid claims that cannot be met from the resources of any member. This includes Lloyd's Central Fund, which is a fund held by Lloyd's to protect policyholders in the rare event that a member needs additional assets to meet its liabilities.

Lloyd's share of the global insurance market

Lloyd's GWP of $76 billion in 2025 represents a ~3% share of wallet of the $2.4 trillion global P&C insurance market.

We are absent from the broader $5.5 trillion insurance universe of Health, Life and Savings. We lack a clear right to win in these adjacent markets which require access, licences, and infrastructure we do not have today. Given this, we will remain a P&C market and focus on the $1 trillion total addressable market within commercial insurance.



1. London Market split subtracted from commercial lines GWP | Source: Oliver Wyman analysis | * Excluding LM

Lloyd's in its wider global context

To successfully open up access to this $1 trillion opportunity, we will need to navigate profound shifts occurring both within the Lloyd's marketplace and in the wider global (re)insurance industry.

Global context

- Complex geopolitical and macro environment
- Boom of private equity and private credit as significant power brokers in the global economy
- Rapidly scaling or shifting risk vectors driving opportunities for insurance solutions
- Continued secular increase in the P&C risk environment, at odds with near-term market conditions
- Generational shift in AI and technology capabilities globally

There are profound shifts occurring both within the Lloyd's marketplace and in the wider global insurance and reinsurance industries.

Lloyd's market context

- A financially strong marketplace which is facing pricing headwinds
- Influx of different forms of capital and renewed interest of private asset providers
- Legacy market infrastructure and poor track record of steering evolution
- Significant changes in the way risk is traded and the role of underwriters and follow solutions
- A Corporation with a broad and self-defined mandate, and a historical tendency to dictate rather than enable the market

We must position Lloyd's to thrive amid geopolitical instability, evolving distribution models, structural changes in the risks underwritten by the market.

The market must deliver sustainable returns across the pricing cycle.

Innovation at scale

We are entering a new market phase – one that demands that we perform and innovate at the same time. Lloyd's is a market of firsts. We excel in nascent technologies and risks where there is a lack of precedent or data.

The risks have changed over the years. But the principle – helping people move forward boldly and with confidence – has not.

Lloyd's is a natural innovation partner because we have:

- A capital model that shoulders more risk per dollar than any other financial institution.
- Capital mobility, with capital able to flow into London efficiently through London Bridge 2.
- Structuring flexibility to build solutions across members, third-party capital, ILS, captives and efficient reinsurance to home balance sheets.
- The world's best risk takers with a wealth of expertise in the London Market.
- The ability to build scale quickly through consortia and other lead underwriting arrangements.
- The capacity to syndicate efficiently to avoid concentration risk.
- Over 200 local licences to deliver global solutions.

Innovation at scale, the golden thread that pulls together our new strategy across performance, operations and capital, will equip us to handle the unpredictable, but exciting, future that we face.

We ask the market to hold us to account when it comes to:

- Speed to market, challenge us to increase our pace and remove barriers to action.
- Scale, challenge whether the line sizes market participants can lead with are in keeping with their capability and financial strength.
- Concentration risk, challenge the structures available to syndicate, use third-party capital, outwards reinsurance, and other innovative structures.
- Policy, challenge whether we are consistent and competitive to avoid chasing trends and losing credibility with investors.

How we respond to this challenge will determine whether we lead the next development of global risk. We must embrace the technological advances of our time. Innovation can make us a beacon for risk takers and for capital, setting us up for future success.

We expect AI to:

- Drive investment into the real economy, creating new insurable assets and exposures.
- Enhance underwriting insight, speed and portfolio management while keeping human judgement central.
- Rely on strong data quality and robust governance to scale safely and underpin regulatory confidence.
- Strengthen human decision-making rather than replace it, reinforcing specialist underwriting expertise.
- Be shaped by the Lloyd's Lab and the market's development of AI-related insurance solutions globally.

Each of these has impacts on the market and the Corporation, but also on the world around us. While it is critical for us to embrace AI, we need to consider the risk and opportunity implications holistically, beyond operations, data and people.

Time horizons and strategy activation

While the Corporation is ambitious about what it is seeking to achieve for the market, it is realistic about the pace of delivery. Our strategy will pursue transformative outcomes incrementally – we will not entertain a 'Big Bang' approach.

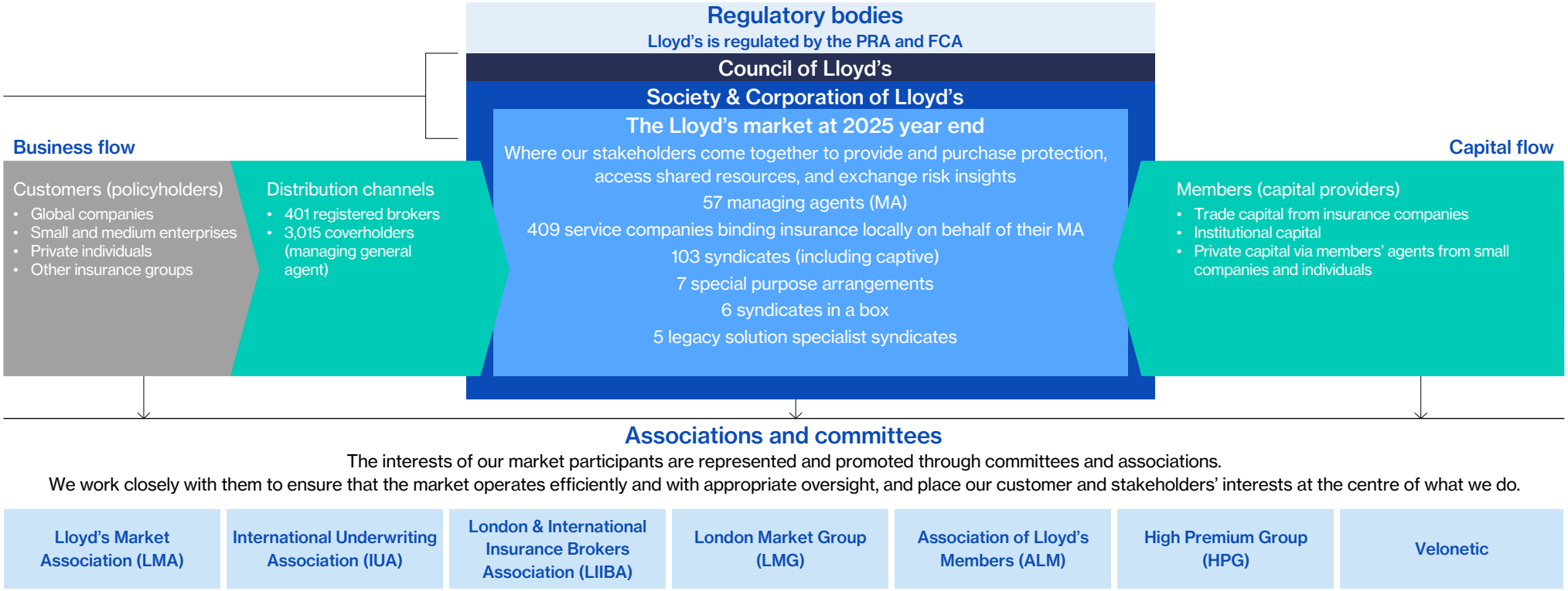
This strategy will be implemented over three time horizons:

Horizon 1: 2026-2027	Horizon 2: 2028-2029	Horizon 3: 2030 onwards
Focus the business to unlock our existing strengths	Build new advantages	Succeed from a position of strength and strategic optionality

Our ambition for 2031, is that Lloyd's will:

- Be recognised as the most capital-efficient marketplace for complex risk
- Operate across the full spectrum of commercial and specialty risk
- Retain and attract global talent and sophisticated capital as a matter of course
- Command a share of wallet proportionate to its inherent strengths
- Be predictable, transparent and investable
- Sit at the forefront of innovation in underwriting, capital and oversight

Lloyd's business model



Associations and committees

The interests of our market participants are represented and promoted through committees and associations.
We work closely with them to ensure that the market operates efficiently and with appropriate oversight, and place our customer and stakeholders' interests at the centre of what we do.

Lloyd's Market Association (LMA)	International Underwriting Association (IUA)	London & International Insurance Brokers Association (LIIBA)	London Market Group (LMG)	Association of Lloyd's Members (ALM)	High Premium Group (HPG)	Velonetic

Our business model

The insurance written at Lloyd's is brought to the market by brokers and coverholders, to specialist underwriters who price and underwrite the risk.

Syndicates are managed by 'managing agents' who employ the underwriters to 'bind' the contracts of insurance and reinsurance on behalf of the members of Lloyd's. Managing agents will also carry out all the other activities of insurance business at Lloyd's on behalf of the members. Syndicates are formed by members joining together to underwrite insurance, each for their own share. Members provide the capital to back the underwriting.

Much of the insurance and reinsurance capacity available at Lloyd's is provided on a subscription basis, where syndicates each take a share of large and complex risks. Combined with the choice, flexibility and financial security of the market, this makes Lloyd's the world's leading platform to underwrite and purchase insurance and reinsurance cover.

Behind the Lloyd's market is the Society. While the Society does not underwrite insurance risks, it acts as the market operator: providing the infrastructure and regulatory oversight needed for the market to succeed.

The Lloyd's Council is responsible for the governance, management and supervision of the Society and the market. The governance and oversight frameworks are designed to ensure the Society and Lloyd's market actively manage risks to the Central Fund, Lloyd's licences, ratings and brand in order to create good outcomes for customers. We work closely with market associations to continue evolving our oversight to make sure our stakeholders' interests are reflected appropriately.

The Society is authorised under the Financial Services & Markets Act 2000 and is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Managing agents are authorised by the PRA and are regulated by the PRA and FCA. Additionally, all managing agents are approved by the Society and are subject to the Society's market oversight regime.

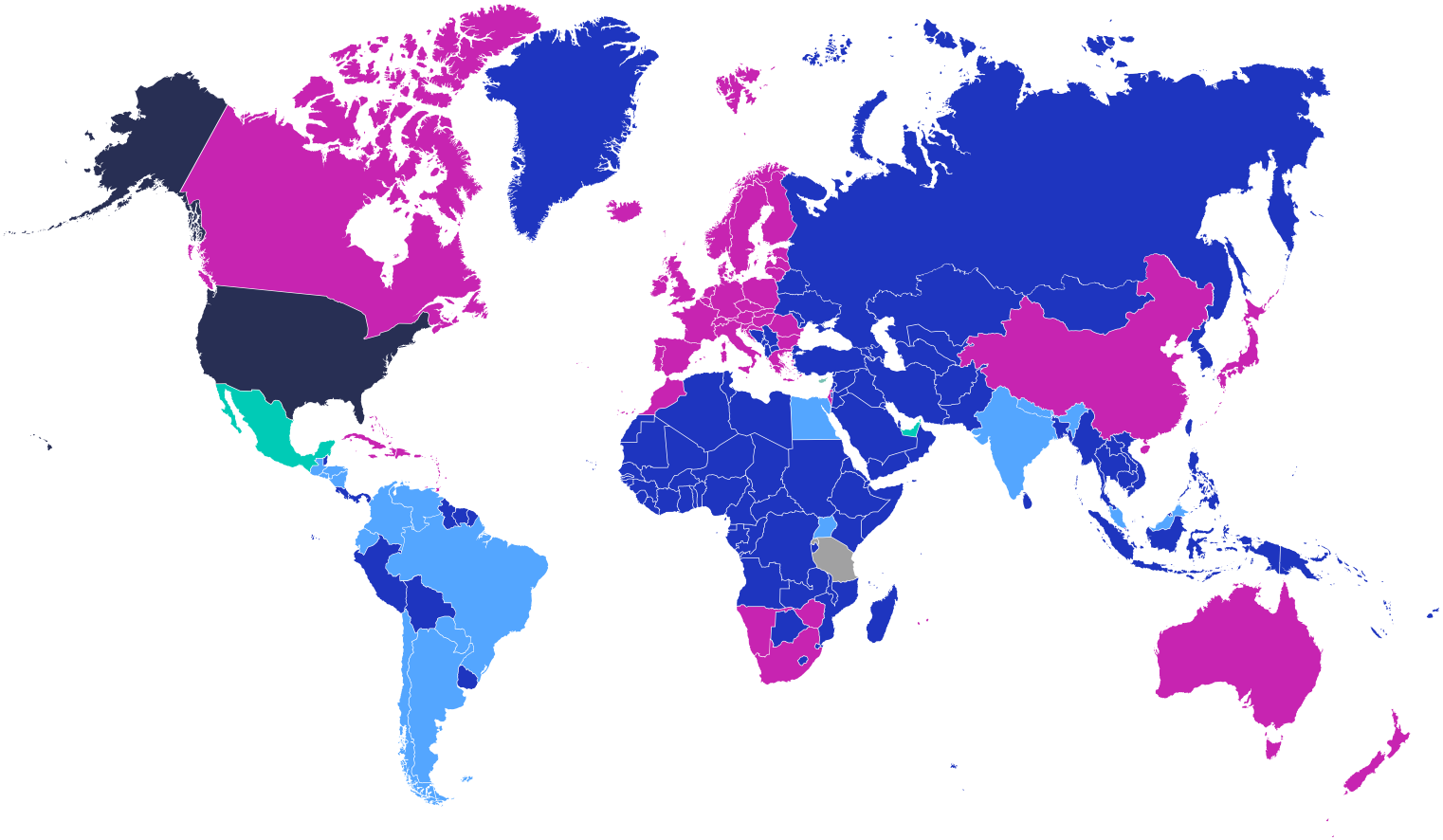
Lloyd's business model

continued

Lloyd's global network

Lloyd's provides global solutions across more than 200 territories worldwide. Our extensive suite of trading rights enables underwriters to transact business globally with efficiency, flexibility, and regulatory certainty. These capabilities are supported by a global network of local expertise that helps ensure compliance, insight, and on-the-ground market understanding. Lloyd's underwriters can write across a wide spectrum of classes and jurisdictions through a combination of licences, authorisations, regulatory permissions and local partners.

Lloyd's suite of trading rights enables underwriters to transact business across the globe



Insurance & reinsurance licence
Lloyd's has licences in more than 80 territories that allow managing agents to write business with reduced local policy requirements. These licences function as locally admitted placements, improving placement efficiency and reducing the friction typically associated with issuing local policies.

US surplus lines access
Lloyd's unique status enables the market to write US surplus lines business, as well as both onshore and cross-border reinsurance in all US states.

Reinsurance only
Territories where Lloyd's is licensed to write reinsurance business only.

Cross border reinsurance
Territories from where Lloyd's can transact cross-border reinsurance with all underwriting activity taking place outside of the territory (subject to sanctions).

Local partners for local policy issuance
To complement our insurance licences, Lloyd's has a suite of trusted local partners in key jurisdictions who can issue policies locally on behalf of managing agents.

Principal risks

Lloyd's continues to identify, manage and monitor the principal risk themes which could have a significant impact on Lloyd's strategy, and the actions we need to take to mitigate these risks.

The changing and evolving external landscape creates significant uncertainty, and unexpected events can become significant risks. The principal risks have been aligned to the new strategy and are set out below. Our principal risks are a subset of risks from our taxonomy which have been identified as risks that are most likely to affect Lloyd's strategic objectives, financial performance, capital, regulatory permissions, reputation or operations over the next 12 months. We believe that our strategy materially improves our position relative to these risks, whether by increasing the financial resilience of the market, or by equipping the Corporation and the market to better navigate them. The risk areas are being actively monitored by the Lloyd's Risk Committee and the Council to provide assurance that risks, issues and impacts are appropriately managed.

Risk	Mitigation
Sustainable market performance and oversight	
Risk that underwriting performance deteriorates as a result of pricing, market or systemic shifts.	Sustainable market performance through the cycle was the focus for the 2026 business planning process and will remain a focus of our future strategy. Our focus on underwriting discipline has yielded strong results with continued profitable underwriting growth for syndicates despite negative risk adjusted rate change across most classes. In tandem with the changes in pricing conditions, we have also seen a shift in how risk is underwritten in the market, in particular, the growth of portfolio underwriting and fast follow models. In our view these models could, if overseen appropriately, deliver sustainably profitable and diversifying growth. **Safely capturing the benefit of this shift is a focus of the strategy, and will require us to evolve how we manage performance risk for delegated underwriting.** Our Principles Based Oversight (PBO) framework is the key control in managing performance. As we have embedded PBO, and through our engagement with regulators and market participants, we have identified areas where our oversight could be more risk and outcomes focused. In addition, the increased pace of change in the wider risk environment, from a geopolitical, economic, and underwriting perspective, has created a need for greater agility to allow our oversight to keep pace. **A critical focus of our strategy will therefore be enhancing PBO to make our oversight more focused on the key risks of financial performance, capital, regulatory permissions and reputation, while increasing the flexibility of PBO to adapt as the nature of these key risks changes.**
Mapping to Strategy • Efficient, flexible marketplace • Leading underwriting performance	

Risk	Mitigation
Systemic risk	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of changing geopolitical pressures, macroeconomic challenges, climate change risk and global events.	The severity and likelihood of geopolitical, macroeconomic, and climate risk has continued to increase through 2025. We have actively monitored the evolution of these systemic threats to ensure that risks, issues and impacts are appropriately managed as situations evolve. The Corporation maintains appropriate governance processes to manage key risks, including but not limited to: • Regular scenario analysis to assess the potential impacts of plausible but hypothetical situations across areas such as capital, operations and business continuity. • Forecasting the outlook for key risks like climate change and inflation within reserves, pricing and investments. • Stress testing to demonstrate balance sheet resilience. • Operating cross-functional working groups to co-ordinate a response to the escalating risks associated with the wider systemic risk context. • A decision-making playbook for plausible extreme downside scenarios, supported by war-gaming exercises to test Lloyd's strategic resilience and governance readiness will be delivered in 2026. Through this work it has become apparent that, while the market is well positioned to manage these systemic risks, we cannot rely on a reversion to the status quo and must be prepared for a world where systemic risk remains elevated. **Our strategy will therefore help the market manage systemic risk by: supporting the market in diversifying across lines of business and geographies; further enhancing the Corporation's ability to proactively manage risks; and increasing the financial resilience of the Central Fund.**
Mapping to Strategy • Maximising capital advantage • Leading underwriting performance	

Principal risks

continued

Risk	Mitigation
Technology and artificial intelligence (AI)	
Risk that market infrastructure falls behind rival hubs / markets, weakening the market's competitive position.	Maintaining modern, reliable technology is essential to the resilience and competitiveness of the Lloyd's market. Our strategic approach will ensure our infrastructure is open to market-led digital innovation, while ensuring that the underlying market infrastructure can securely and efficiently support evolving technology requirements. Velonetic, our joint venture technology and processing partner, provides the core infrastructure that supports key market functions, including accounting, settlement and claims. Ensuring the ongoing operational resilience of this infrastructure, both in the near and longer term, remains a priority. 2025 saw an acceleration in investment in, and adoption of, technology and AI tools across the world. The Lloyd's market has not been immune to this shift, with market participants investing in AI based solutions in areas ranging from risk placement, to claims handling. While individual market participants include a number global leaders in technology and AI, we have historically struggled to deliver significant transformation of shared market infrastructure. As a result, market infrastructure has not kept pace with technology evolution in the wider economy. While the adoption of AI does introduce new operational risks which we will continue to monitor as they evolve, a critical risk to the Lloyd's market is therefore that the sophistication of market technology does not keep up with rival hubs and company markets globally. Failure to keep up would harm the market's competitive position and global relevance. **Our strategy will therefore remove barriers to market-led technology and AI innovation, and improve the Corporation's own ability to support market innovation, including by enhancing the Corporation's change delivery capabilities.**
Mapping to Strategy • A Lloyd's to be proud of	

Risk	Mitigation
Capital risk (including growth in investment structures)	
Risk that market capital base is inadequate to ensure claims are paid as they fall due.	Investment sophistication continues to increase across the Lloyd's market, reflecting broader developments in global financial markets and our success at attracting new sophisticated capital providers to the market. Market participants are utilising more sophisticated investment structures including new capital partnerships, private asset allocations and new syndicate strategies. While this evolution presents significant opportunities to the market, it also introduces risk. Through our Realistic Disaster Scenario (RDS) framework, PBO, and the governance over systemic risk discussed above, we believe that the market is well placed to manage these risks while capturing the benefit from this change.
Mapping to Strategy • Efficient, flexible marketplace • Maximised capital advantage	**Protecting the financial resilience of the market while maximising the benefit from the increased sophistication of capital in the market is central to the strategy. In parallel to our strategic initiatives to better address the needs of our diverse set of capital providers, we will evolve our risk framework and our capital setting regime to ensure that we are delivering risk-based, proportionate, and outcomes focused oversight of increasing capital risk.**

Principal risks

continued

Risk	Mitigation
Strategy and change delivery	
Risk that the strategy is not delivered, or delivered late / over budget. **Mapping to Strategy** • A Lloyd's to be proud of • Efficient, flexible marketplace • Maximised capital advantage • Leading underwriting performance	This strategy has taken on board the lessons learned from past challenges. We will deliver transformation outcomes incrementally, rather than under a 'Big Bang' approach. We have: • Focused our strategy on enhancing our strengths, and avoided ambitious change in areas which have historically yielded fewer benefits • Tested and validated our initiatives with a wide array of internal and external stakeholders to ensure they are achievable • Designed and sequenced our delivery plan to ensure the work is well within our change capacity • Designed the strategy into the BAU roles and responsibilities of Corporation staff, rather than something that happens to staff • Built in robust governance and KPIs over change delivery • Enhanced our change delivery capabilities **These steps give us confidence that the strategy will be delivered successfully.**
People	
Risk that Lloyd's fails to deliver its strategic objectives as a result of failing to attract and retain highly skilled talent. **Mapping to Strategy** • A Lloyd's to be proud of	Rapidly developing technology and shifting demographics have continued to change the nature of the global workforce over 2025. Strong competition has developed for attracting and retaining the best talent, particularly where specialist skills are required. In the context of our new strategy, there is a risk to the Corporation's ability to deliver the strategy without having the right skills and experience. **Our aim is to create "A Lloyd's to be proud of" with an empowered, effective, and dynamic workforce. Our strategy will refresh our culture and behaviours, focus our activities, enhance career pathways in the Corporation, and improve our proposition to new talent, ensuring we are equipped to successfully deliver our strategic goals.**

Risk	Mitigation
Operational resilience	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of not maintaining robust and resilient operations, or not embedding cyber resilience, data capability and effective third party risk management. **Mapping to Strategy** • A Lloyd's to be proud of • Efficient, flexible marketplace	Operational risk continues to be a principal risk, driven by persistent threats from the possibility of major or systemic cyber or other operational events. As businesses become more connected and reliant on a number of material service providers, and technologies like AI and machine learning become more sophisticated, risk management remains fundamental to ensure continuity of operations in the face of material service disruption. Through 2025, the Corporation has strengthened early identification of risks and reinforce the strategic importance of market resilience within its overall risk profile. We have continued to operate our existing operational resilience framework, with governance and assurance programmes to ensure risks are identified and understood, and risk opinions provided to support key decisions. **Enhancing the robustness of our processes and systems is central to the strategy and will address operational and technical debt in order to enhance Lloyd's operational resilience.**

Principal risks

continued

Risk	Mitigation
Regulatory risk	
Risk that we fail to appropriately manage our global regulatory relationships, introducing risk to our global license network and our ability to deliver the strategy. **Mapping to Strategy** • A Lloyd's to be proud of • Efficient, flexible marketplace • Maximised capital advantage • Leading underwriting performance	As a regulated marketplace with a network of global licences, maintaining constructive relationships with our regulators, both domestic and international, is critical. In recent years we worked effectively with our regulators to find opportunities to improve the experience of operating at Lloyd's, for example our recent efforts to de-duplicate activities with the PRA and FCA. **As we deliver the strategy we will seek to build on this momentum, working collaboratively with regulators to explore areas where we can streamline processes, while still maintaining our high standards of governance, conduct, prudential soundness and operational resilience.**

Emerging risks

The Corporation continues to closely monitor emerging risks to understand potential impacts to the risk profile.

Emerging risks have the potential to significantly impact the Lloyd's market and Corporation in the future but there is a high degree of uncertainty as to how and/or when the risk will crystallise. These risks are typically new or evolving due to external factors such as changes in technology, environment, society or regulations.

Our emerging risk management process ensures we continue to review and monitor developments with emerging risks. Emerging risks are highly interdependent and require close monitoring to understand potential impacts. This includes a regular working group to review and assess emerging risks and Council-level reviews of emerging risks through regular management and risk reporting. Our view of the key emerging risks is outlined below:

Theme	Impact on risk profile
Climate change risk	
	Climate change may lead to risks emerging over different time horizons with impacts across the risk profile. Physical risk impacts need regular monitoring in respect of underwriting risk, our position on sustainability matters may lead to brand implications and there is increasing compliance risk due to focus on regulating climate and sustainability. Over the longer term, there may be capital, reserving and investments risk due to changes in energy mix and security.
Technology and AI	
	Technology risks continue to evolve, particularly with the proliferation of generative artificial intelligence, and continued reliance on 'big tech'. This may change the nature of cyber underwriting risk and the likelihood and severity of cyber attacks and service outages due to concentration risk of service providers.
Geopolitical and macroeconomic interdependencies	
	Geopolitical and macroeconomic interdependencies are likely to continue to be significant concerns in the near future. In addition to existing risks such as conflict in Europe and the Middle East, and trade tensions, there may be new economic risks such as the risk of a global downturn, increased defaults on non-bank lending or a sudden collapse in the valuations of highly leveraged AI and technology companies, impacting assets and liabilities in the market.
Regulatory	
	Regulatory risks may become more central as regulatory divergence in respect of international matters can have the potential to cause commercial and compliance challenges.
Insurance talent	
	Skills shortages may make recruitment challenging, especially for technical roles relating to new or emerging areas (e.g. AI). There may also be longer-term challenges attracting future talent to form a sustainable talent pipeline to lead and innovate the industry going forwards.

Market Results

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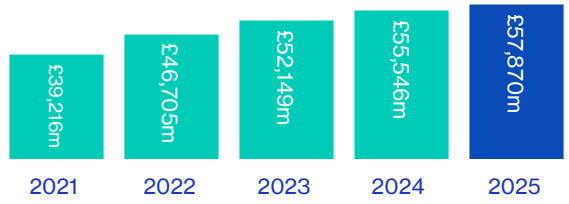
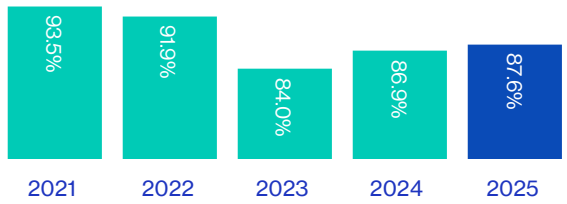
Market financial review

Financial highlights

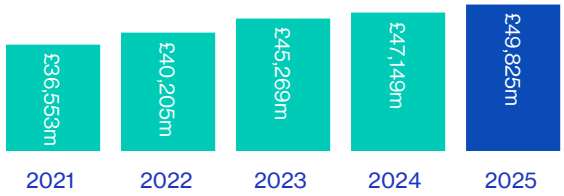
Gross written premium
£57,870m



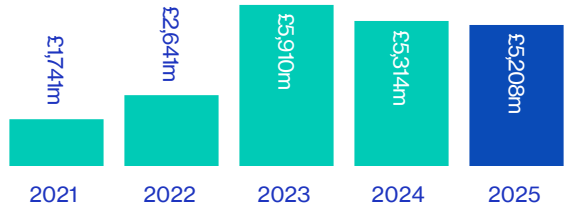
Combined ratio[1]
87.6%



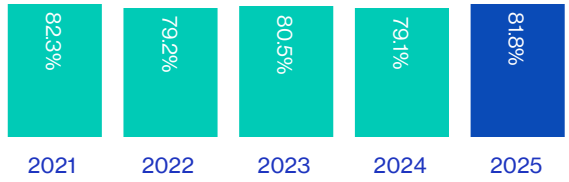
Capital, reserves and subordinated loan notes
£49,825m



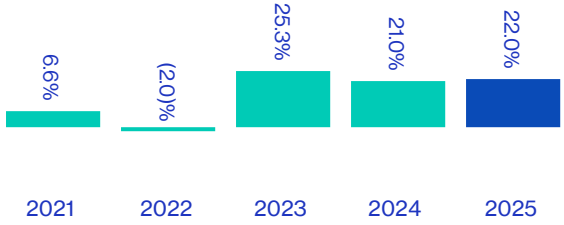
Underwriting result[1]
£5,208m



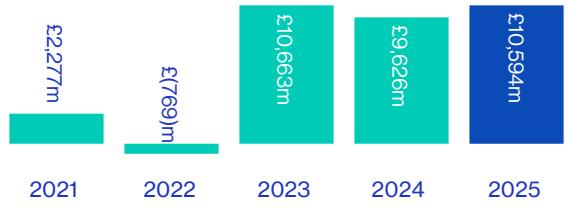
Underlying combined ratio[1]
81.8%



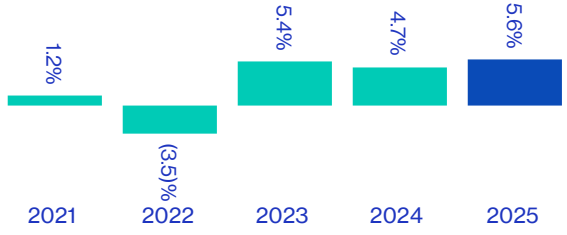
Return on capital[1]
22.0%



Result before tax
£10,594m



Return on investment[1]
5.6%



The Pro Forma Financial Statements (PFFS) are prepared so that the financial results and net assets of Lloyd's and its members, taken together, can be compared as closely as possible with general insurance companies. The PFFS include the aggregate of syndicate annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL), the Society of Lloyd's financial statements and any central adjustments. Further information concerning the basis of preparation of the PFFS is set out on pages 39 to 42.

1. The underwriting result, underlying combined ratio, return on investment and return on capital are metrics that are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society report. These metrics (wherever used in this Annual Report) are alternative performance measures (APMs), with further information available on pages 165 and 166.

Market financial review

continued

Market results

The Lloyd's market delivered a strong financial performance in 2025. Gross written premium was £57.9bn up 4.2%, with 10.3% volume growth offset by a (3.7)% price change and a (2.4)% adverse foreign-exchange impact. The market reported an underwriting profit of £5.2bn and a combined ratio of 87.6%, reflecting comparatively benign catastrophe losses in the latter part of the year. Net investment return was £6.0bn, representing a 5.6% return. Profit before tax increased by 10.1% to £10.6bn, driven by reduced major losses and the investment result.

Underwriting result

Premium growth in 2025 reflected both increased participation in the market and continued expansion by existing syndicates. Gross written premium rose by 4.2% to £57.9bn (2024: £55.5bn), with 10.3% volume growth made up of 7.2% from existing participants and 3.1% from new entrants. This was offset by a (2.4)% (2024: (2.3)%) adverse foreign exchange impact reflecting the strengthening of Sterling against the US dollar, and a (3.7)% reduction (2024: 0.3% improvement) in price consistent with a more competitive pricing environment, although disciplined underwriting continues to support price adequacy. Reinsurance recorded the strongest growth during 2025, driven by new entrants and continued demand in selected segments, while Property continued to grow, albeit at a slower pace in competitive US markets.

The market reported an underwriting profit of £5.2bn (2024: £5.3bn). Performance varied by line of business: Property and Reinsurance benefited from lower catastrophe activity and stable underlying loss experience, while Aviation reflected further reserve strengthening related to Russia-Ukraine conflict exposures.

The underlying combined ratio was 81.8% (2024: 79.1%). The attritional loss ratio increased to 47.9% (2024: 47.1%), while prior year development of (1.7)% (2024: (2.4)%) continued to contribute positively, with favourable movement in property exposures partly offset by strengthening in Aviation and Casualty reserves. The expense ratio increased to 35.6% (2024: 34.4%), reflecting higher profit commissions, including catch-up adjustments on prior underwriting years, increased acquisition costs associated with new business, and impacts of foreign exchange.

The combined ratio was 87.6% (2024: 86.9%). Total major losses were £2.4bn (2024: £3.2bn), producing a major claims ratio of 5.8% (2024: 7.8%), below the 10 year average of 10.4%.

Major claims

Major claims for the market totalled £2.4bn in 2025 (2024: £3.2bn), net of reinsurance and inclusive of reinstatements payable and receivable. The year was marked by several severe events, including Hurricane Melissa, which, despite their wider human and environmental impact, did not generate material insured losses for the market. As a result, the Californian wildfires recorded in the first quarter remained the most material loss of the year, contributing approximately £1.6bn to the total major loss reported.

Prior year development

2025 marked the 20th consecutive year of prior year releases, with the current year benefiting from releases amounting to £721m (1.7)% (2024: £986m; (2.4)%).

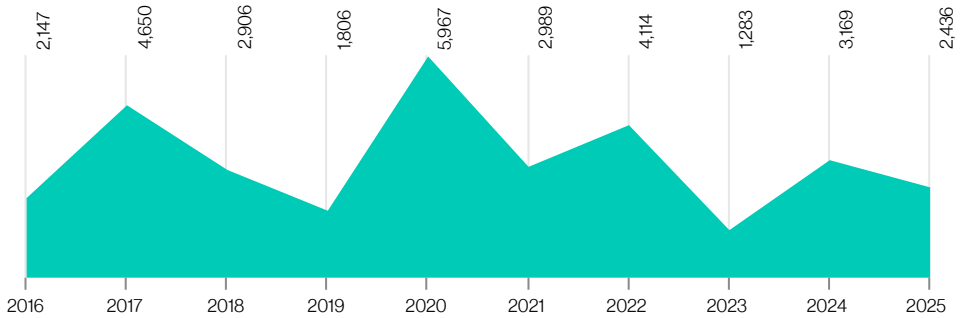
Direct and Reinsurance Property lines benefited from favourable prior year development in respect of major catastrophe events. Aviation experienced significant strengthening in respect of increases in the Russia-Ukraine conflict loss estimates. Direct Casualty lines saw deteriorations overall due to a mixture of experience and updates to assumptions.

Lloyd's will continue to monitor reserves closely and act to ensure that adequate market discipline is being maintained – particularly focusing on the adequacy of Casualty reserves, including allowance for social inflation and changes in the macroeconomic and geopolitical environment, as well as reserves held in respect of Russia-Ukraine conflict losses in response to continued uncertainty. The market continues to reserve prudently, with a reserve margin of £6,620m (2024: £5,411m).

Major claims	% of net earned premium
2021	11.2
2022	12.7
2023	3.5
2024	7.8
2025	**5.8**
Five year average	7.8
Ten year average	10.4

Underlying combined ratio	%
2021	82.3
2022	79.2
2023	80.5
2024	79.1
2025	**81.7**
Five year average	80.5
Ten year average	85.1

Lloyd's major claims: net ultimate claims (£m)



Five year average: £3,037m; 10 year average: £3,747m. Indexed for inflation to 2025. Claims in foreign currency are translated at the exchange rates prevailing at the date of loss.

Market financial review

continued

Investment review

The Lloyd's market generated an investment return of £6,010m (or 5.6%) (FY 2024: £4,914m, 4.7%), driven by strong income and realised gains from fixed income assets, alongside positive equity market performance. Interest rate yields fell during the period, which also contributed to unrealised gains on fixed income assets.

Investment return	2025 £m	2024 £m
Interest and similar income	2,579	2,375
Notional investment return on members' funds at Lloyd's	1,887	1,865
Investment expenses	(97)	(88)
Total	**4,369**	**4,152**
Gains on the realisation of investments	518	451
Unrealised gains on investments	1,114	311
Other relevant gains	9	–
Total	**1,641**	**762**
Total investment return	**6,010**	**4,914**

Overall market returns in 2025 were strong, supported by an improved risk environment following the initial volatility triggered by the introduction of US tariffs early in the year and ongoing geopolitical uncertainty. As the year progressed, concerns regarding higher tariffs eased as several countries secured negotiated tariff reductions with the US administration, contributing to a more constructive market backdrop.

Returns were further supported by resilient corporate earnings and the gradual easing of interest rates, as inflation began to moderate and tariff-related inflation fears did not materialise. The artificial intelligence theme continued to play a significant role in equity market performance, although investor selectivity increased due to the high capital expenditure requirements within the sector. Economic growth in the US remained stronger than expected, although labour market conditions softened, while the UK economy showed signs of fragility.

Across asset classes, global equity markets experienced double-digit gains, with emerging markets outperforming developed markets. Within fixed income, both Government bonds and credit in developed markets generated positive returns, supported by the cutting of interest rates and the tightening of spreads, with the latter ending the year tight by historical standards. Emerging market debt performed strongly, helped by resilient growth and a cautious monetary policy by major Central banks. Finally, private markets also generated positive returns across both equity and credit.

Capital

The Lloyd's market continues to be strongly capitalised with total capital, reserves and subordinated loan notes of £49,825m at 31 December 2025, a 5.7% increase from the £47,149m reported at 31 December 2024. This reflects additional capital in line with exposure as the market continued to grow, offset by profit distribution of £5,072m (2024: £3,429m).

At 31 December 2025, Funds at Lloyd's (FAL) has increased by £632m, bringing the total to £31,132m. Of this increase, £400m was provided by institutional investors with support from the London Bridge 2 platform, taking the total amount invested through London Bridge to $2.9bn.

Investor type	2025 £m	2025 %	2024 £m	2024 %
Underwriter	21,583	69	21,497	70
Trade Capital	3,133	10	3,197	10
Institutional Investor	3,909	13	3,509	12
Private Capital	2,507	8	2,297	8
Total FAL	**31,132**	**100**	**30,500**	**100**

Underwriter: Insurers that directly participate through a managing agent or syndicate.
Trade capital: Other insurers that provide capital to syndicates but do not have an operational presence.
Institutional investor: Asset managers, private equity investors and other investors that participate in syndicates.
Private capital: Individuals that participate in syndicates in a limited or unlimited capacity.

Solvency

The central solvency ratio increased from 435% at 31 December 2024 to 496% at 31 December 2025. This primarily reflects a reduction in the central solvency capital requirement (central SCR) alongside an increase in Society Own Funds, after taking into account the repayment of the 2020 tranches of syndicate loans.

The market-wide solvency ratio decreased from 205% at 31 December 2024 to 200% at 31 December 2025. This is due to an increase in the market-wide solvency capital requirement (market-wide SCR) partially offset by an increase in members' balances, underpinned by resilient underwriting and investment returns.

The central SCR decreased by £125m to £1,275m at 31 December 2025, following improvements to the modelling of extreme syndicate loss risk to the Central Fund, partially offset by market growth. The market-wide SCR increased by £1,950m to £27,550m at 31 December 2025, as market exposures grew and pricing conditions softened.

Market financial review

continued

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protection remains extremely high, with 99% (2024: 99%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 44.6% of gross written premium or 54.8% of members' assets (2024: 49.7% of gross written premium or 62.7% of members' assets).

The overall reinsurance recoverable asset has shown a further small reduction over the position of the last three years, reflecting a continued low level of catastrophe losses to reinsurance programmes in 2025. The position over the last 12 months reflects further increases in some gross and ceded reserves for Russia-Ukraine conflict losses being offset by a broader trend of reserve reduction and settlement of outstanding claims on other prior year losses. No negative settlement trends have been witnessed to date.

2025 saw an acceleration of the reinsurance market softening that emerged during 2024. In general, Lloyd's syndicates have focused more on their core needs, tail risk and capital protection since the material reinsurance rate increases seen in 2023. The improving picture for reinsurance buyers over the last year has allowed a slight shift in strategies for some purchasers as potential savings were reinvested to help achieve broader or lower attaching coverage, though the overall impact for 2025 was very modest. The level of reinsurance transfer remains within risk appetite.

Result for the closed year and run-off years of account

Under Lloyd's three year accounting policy for final distribution of each underwriting year of account, the 2023 underwriting year of account reached closure at 31 December 2025. The 2023 underwriting year was characterised by losses arising from a number of significant catastrophe events, including the wildfires in Hawaii, earthquakes in the Middle East, Hurricane Idalia and Tropical Cyclone Gabrielle, as well as non-natural catastrophe losses arising from the conflict in Sudan.

Despite these major claim events, the 2023 underwriting year of account reported an underwriting result of £5,482m. Combined with strong investment gains of £3,250m on the 2023 underwriting year, the total result was an overall profit of £8,732m (2022 underwriting year profit: £4,933m).

At the beginning of 2025, there were five syndicates whose 2018, 2021 or 2022 underwriting years remained open, and all continued to remain open post 31 December 2025. The run-off years reported an aggregate loss, net of investment return, of £8m (2024: loss of £48m). The total number of open underwriting years at 1 January 2026 is five.

Line of business:

Reinsurance

Property catastrophe excess of loss represents the largest class in this line. Other key sectors include property facultative, marine treaty and property risk excess.

Reinsurance	2025	2024
Gross written premium (£m)	20,053	18,729
Accident year ratio (%)	88.8	89.5
Prior year movement (%)	(3.2)	(1.8)
Combined ratio (%)	85.6	87.6
Underwriting result (£m)	2,046	1,680

2025 performance

Reinsurance premium for 2025 was £20,053m (2024: £18,729m), an increase of 7.1%. The line reported an accident year ratio of 88.8% (2024: 89.5%), representing a 0.7pp improvement year on year. Following several years of rate increases, the property catastrophe market experienced price softening in 2025, particularly in US-exposed business, where there has been an increase in the availability of capacity. This is despite the segment being impacted by California wildfires in January. Although the segment is more competitive, structural changes implemented in 2023, particularly in respect of attachment points, largely remain in place. Reinsurers remain focused on factors affecting insured losses, including changes in demographics, asset values and changes in frequency and severity of catastrophe losses.

Prior year movement

The prior year movement was a release of (3.2)% (2024: (1.8)%). Releases are generally expected as claims estimates for older losses become more certain and margins for uncertainty are released. Releases in the reinsurance segment were driven by loss portfolio transfer activity within the market. Property reinsurance also drove releases with favourable development on established catastrophe events, such as 2024 hurricanes Milton and Helene. Releases were partially offset by strengthening seen in respect of Russia-Ukraine conflict losses.

Looking ahead

Given the continued strong results in the property catastrophe segment, it is anticipated that, absent any significant catastrophe activity, the reinsurance market will remain competitive in 2026. However, given the volatile nature of the class, (re)insurers will maintain a clear focus on catastrophe pricing to ensure this remains aligned to long-term return metrics.

Market financial review

continued

Property

Property consists of a broad range of risks written worldwide, made up of predominantly excess and surplus lines business. Delegated authority arrangements such as coverholder frameworks represent a high proportion of the distribution mix for this class.

Property	2025	2024
Gross written premium (£m)	13,026	12,398
Accident year ratio (%)	84.8	89.4
Prior year movement (%)	(9.4)	(7.3)
Combined ratio (%)	75.4	82.1
Underwriting result (£m)	2,373	1,659

2025 performance

Property premium for 2025 was £13,026m (2024: £12,398m), an increase of 5.1%. The line reported an accident year ratio of 84.8% (2024: 89.4%), representing a 4.6pp improvement year on year. 2025 was a highly competitive year in the property segment, particularly for US-domiciled risks. From an insured catastrophe loss perspective, 2025 was relatively light following material reduction of direct California exposure in prior years. As with the reinsurance segment, catastrophe insurers continue to grapple with increases in insured values, risks being located in high hazard locations, claims inflation and changes in overall vulnerability. In terms of the Political Violence and Terrorism segments of the portfolio, heightened geopolitical risk remains in focus with a clear need for sensible accumulation management and appropriate risk pricing.

Prior year movement

The prior year movement was a release of (9.4)% (2024: (7.3)%). Over the 2025 calendar year, there have been large releases driven by reductions in estimates relating to major catastrophe claims, particularly Hurricanes Beryl, Helene and Milton. Releases were also driven by non-catastrophe losses due to benign claims activity and favourable experience, particularly on attritional claims.

Looking ahead

It is anticipated that the property market will remain highly competitive, particularly in the US market, where domestic carriers seek to win business that has shown historical profitability. For the Political Violence and Terrorism segments, ongoing heightened geopolitical uncertainty will likely drive additional demand for the product, particularly in impacted territories.

Casualty

Casualty business encompasses long-tail general liability (both international and US), financial and professional, workers' compensation/employers' liability and medical malpractice. Other key sectors include shorter tail lines such as accident and health as well as the cyber class (both cyber liability and cyber physical damage).

Casualty	2025	2024
Gross written premium (£m)	14,682	14,411
Accident year ratio (%)	98.6	96.0
Prior year movement (%)	2.2	(4.4)
Combined ratio (%)	100.8	91.6
Underwriting result (£m)	(87)	880

2025 performance

Casualty premium for 2025 was £14,682m (2024: £14,411m), a 1.9% increase on the prior period. The line reported an accident year ratio of 98.6% (2024: 96.0%), representing a deterioration of 2.6pp year on year. 2025 saw continued competition across the Financial and Professional lines, particularly in Commercial Directors and Officers (D&O) and Cyber. Both of these lines have seen multiple years of rate reductions with limited signs of plateauing in 2025. While there had been significant remediation prior to these reductions, both lines are approaching or are at marginal pricing. Transactional Liability has grown in 2025, with much of the growth focused in Warranty & Indemnity and Tax products, avoiding the Contingent market which has experienced significant losses in recent years. US General Liability continues to experience rate increases, though these are moderating. There also remains some uncertainty as to whether the cumulative increases are sufficient to offset the threat of social inflation.

Prior year movement

The prior year movement was a strengthening of 2.2% (2024: release of (4.4)%), predominantly driven by Non-marine General Liability with regards to large losses, and updates to assumptions in respect of this experience. Reserve strengthening in some lines or specific underwriting years were offset by releases in others, without clear systemic drivers. Given the long term nature of the underlying policies and sensitivity to social inflation, we expect a continuation of the heightened level of uncertainty being factored into the reserves.

Looking ahead

Macroeconomic uncertainty remains a key consideration for (re)insurers writing Financial & Professional Lines, particularly D&O, alongside emerging risks such as AI. In General Liability, social inflation continues to rise. The market must also ensure prior year development patterns are adequate, reflecting reduced claims and delayed settlements in the COVID-affected 2020 and 2021 underwriting years.

Market financial review

continued

Marine, Aviation and Energy

Marine, Aviation and Energy encompasses a broad grouping of classes including marine hull and cargo, aviation all risks and general aviation, as well as onshore and offshore energy.

Marine, Aviation and Energy	2025	2024
Gross written premium (£m)	6,826	6,425
Accident year ratio (%)	92.2	88.9
Prior year movement (%)	11.3	10.3
Combined ratio (%)	103.5	99.2
Underwriting result (£m)	(178)	40

2025 performance

Marine, Aviation and Energy gross written premium for 2025 was £6,826m (2024: £6,425m), an increase of 6.2%. The line reported an accident year ratio of 92.2% (2024: 88.9%), a 3.3pp deterioration year on year. The Marine market has experienced favourable pricing conditions for several years, although this began to moderate in 2025. In general margin remains in the portfolio although there are differentials across the segments with Cargo delivering stronger pricing than Marine Hull. The energy market, particularly the downstream segment continues to experience heightened loss activity. Overall, Aviation pricing remains marginal for sustainable profitability, although the abundance of capacity allows an element of the gross result to be transferred into the reinsurance market. Continued adverse development of Aviation War losses associated with the Russia-Ukraine conflict has impacted the 2025 result.

Prior year movement

The prior year movement was a strengthening of 11.3% (2023: 10.3%). This is primarily driven by prior year reserve increases in respect of Russia-Ukraine conflict losses, which have increased following judgements and settlements in 2025, as well as increased clarity on exposures.

Looking ahead

The recent regional conflict in the Persian Gulf has underscored the importance of war risk insurance, a class in which Lloyd's is a recognised global leader. Continued availability of this cover is essential to supporting business operations and maintaining the flow of global trade, even as the market reassesses pricing to reflect elevated risk levels.

Outside the war market, several areas of the marine, aviation and energy portfolio are expected to face increased competition as capacity moves into lines that have performed strongly in recent years. While many classes continue to retain margin, rate pressure could erode this quickly. This is particularly relevant for Aviation, which has struggled to achieve meaningful rate improvements despite significant losses across All Risks, Aerospace and War lines.

Specialty

The primary component of this portfolio is political risk and credit business, encompassing a broad spectrum of products including contract frustration, trade credit and political risk cover.

Specialty	2025	2024
Gross written premium (£m)	3,250	3,543
Accident year ratio (%)	95.5	84.1
Prior year movement (%)	(8.9)	(5.5)
Combined ratio (%)	86.6	78.6
Underwriting result (£m)	275	397

2025 performance

Specialty gross written premium for 2025 was £3,250m (2024: £3,543m), a decrease of (8.3)%. The line reported an accident year ratio of 95.5% (2024: 84.1%), an 11.4pp deterioration year on year.

The political risk and credit portfolio has grown in Lloyd's in 2025, primarily following the ratings upgrade which has made Lloyd's an attractive counterparty, particularly for financial institutions. Macroeconomic and geopolitical uncertainty present challenges to the class, though they have also increased demand for coverage. Exposures range across the globe and counterparties include financial institutions, private companies and governments. The growth in the political risk and credit portfolio has been offset by a reduction in the Specialty Property segment, though much of this premium now appears in the Property segment following reclassification of certain lines of business for the 2025 Annual Report.

Prior year movement

The prior year movement was a release of (8.9)% (2024: (5.5)%). This is primarily driven by releases for specific exposures on Political Risks and Terrorism, supplemented by smaller releases across multiple lines following benign experience.

Looking ahead

Demand is expected to increase for these products, particularly against the backdrop of global uncertainty for which insurance presents an attractive risk transfer offering. Pricing will need to keep pace with the increased risk environment.

Statement of Council's responsibilities

Statement of the Council's responsibilities in respect of the Pro Forma Financial Statements

The Pro Forma Financial Statements (PFFS) are prepared so that the financial results of the Society of Lloyd's (the Society) and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

The Council of Lloyd's is responsible for the preparation and approval of the PFFS in accordance with the basis of preparation set out in note 2.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation of financial statements may differ from legislation in other jurisdictions.

Pro Forma Financial Statements

The Lloyd's Annual Report presents the financial results of the Society of Lloyd's and its members. Lloyd's is not an insurance company. It is a Society of members, both corporate and individual, which underwrite insurance via syndicates. These syndicates can comprise one single corporate member or any number of corporate and individual members, underwriting severally for their own account. In view of Lloyd's unique structure, the Annual Report includes two sets of financial statements.

The PFFS include the results of the syndicates as reported in the syndicate annual accounts, members' funds at Lloyd's (FAL), the Society of Lloyd's Group financial statements and any central adjustments (see note 2).

Society of Lloyd's Group Financial Statements

The consolidated financial statements of the Society (the Group financial statements) comprise the consolidated financial statements of the Society and its subsidiaries, the Lloyd's Central Fund and the Society's interest in associates and joint ventures (the Group).

Report of PricewaterhouseCoopers LLP to the Council on the 2025 Pro Forma Financial Statements

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2025 Lloyd's Pro Forma Financial Statements

Opinion

In our opinion the Council of Lloyd's has prepared the Lloyd's Pro Forma Financial Statements (the "PFFS") for the financial year ended 31 December 2025, defined below, in all material respects in accordance with the basis of preparation set out in note 2 (the "basis of preparation").

This opinion is to be read in the context of what we say in the remainder of this report.

What we have assured

The PFFS, which are prepared by the Council of Lloyd's, comprise: the Pro Forma Balance Sheet as at 31 December 2025; the Pro Forma Profit and Loss account, the Pro Forma Statement of Comprehensive Income, and the Pro Forma Statement of Cash Flows for the year then ended; and the notes to the Pro Forma financial statements. The financial reporting framework that has been applied in the preparation of the PFFS is set out in note 2, the "basis of preparation".

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Lloyd's Annual Report 2025 within which the PFFS for the year ended 31 December 2025 are included.

Professional standards applied and level of assurance

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) - 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Board.

Our independence and quality control

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants (IESBA)'s International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

The PFFS have been compiled by aggregating financial information reported in syndicate annual accounts, which have been submitted to the Council of Lloyd's and on which the auditors of each syndicate have reported, members' Funds at Lloyd's, the financial statements of the Society of Lloyd's, and overlaying central adjustments.

Our procedures consisted principally of:

- obtaining an understanding of how the Council of Lloyd's has compiled the PFFS from the audited syndicate annual accounts, the Society of Lloyd's books and records and members' Funds at Lloyd's;
- checking (on a sample basis) that the financial information included in the PFFS was correctly extracted from the syndicate annual accounts and the Society of Lloyd's books and records;
- evaluating evidence to support the existence and valuation of members' Funds at Lloyd's; and
- evaluating the evidence supporting the adjustments made in the preparation of the PFFS and obtaining evidence that the PFFS have been prepared in accordance with the basis of preparation set out in the PFFS notes.

The engagement also involves evaluating the overall presentation of the PFFS. We do not independently assess and do not opine on the appropriateness of the basis of preparation of the PFFS.

Our work did not involve assessing the quality of the work performed by the respective auditors of the syndicate annual accounts or the Society of Lloyd's group financial statements, nor performing any audit procedures over the financial or other information of the syndicates. Our audit of the financial statements of the Society of Lloyd's is the subject of a separate report.

The responsibilities of the Council of Lloyd's and our responsibilities

The Council of Lloyd's is responsible for establishing and selecting suitable criteria (the basis for preparing the PFFS) and the preparation and approval of the PFFS in accordance with the basis of preparation set out in note 2, including the appropriateness of the central adjustments. According to the Statement of Council's Responsibilities, the PFFS are prepared so that the financial results of the Society of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

We are responsible for:

- planning and performing the engagement to obtain reasonable assurance about whether the compilation of the PFFS is free from material misstatement, whether due to fraud or error;
- forming an independent opinion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our opinion to the Council of Lloyd's.

Intended users and purpose

This report, including our conclusion, has been prepared solely for the Council of Lloyd's in accordance with our engagement letter dated 1 September 2025. Our examination has been undertaken so that we might state to the Council of Lloyd's those matters which we are required to state in this report in accordance with the engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Council of Lloyd's for our work or this report, except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
18 March 2026

Pro Forma Profit and Loss Account and Statement of Comprehensive Income

(For the year ended 31 December 2025)

Profit and Loss Account	Note	2025 £m	2024 £m
Technical account			
Gross written premiums	9	57,870	55,546
Outward reinsurance premiums		(14,041)	(13,005)
Net written premiums		**43,829**	**42,541**
Change in gross provisions for unearned premiums		(2,596)	(2,628)
Change in provisions for unearned premiums, reinsurers' share		761	511
Change in net provisions for unearned premiums		**(1,835)**	**(2,117)**
Earned premium, net of reinsurance		**41,994**	**40,424**
Allocated investment return transferred from the non-technical account	9	**3,582**	**2,637**
Gross claims paid		(25,939)	(22,298)
Claims paid, reinsurers' share		7,782	6,585
Net claims paid		**(18,157)**	**(15,713)**
Change in provision for gross claims		(3,266)	(6,299)
Change in provision for claims, reinsurers' share		(424)	790
Change in net provision for claims		**(3,690)**	**(5,509)**
Claims incurred, net of reinsurance		**(21,847)**	**(21,222)**
Net operating expenses	11	(14,939)	(13,888)
Balance on the technical account for general business		**8,790**	**7,951**

Profit and Loss Account	Note	2025 £m	2024 £m
Non-technical account			
Balance on the technical account for general business		**8,790**	**7,951**
Investment return on syndicate assets		3,790	2,778
Notional investment return on members' funds at Lloyd's	6	1,887	1,865
Investment return on Society assets		333	271
Total investment return	12	**6,010**	**4,914**
Allocated investment return transferred to the technical account		(3,582)	(2,637)
Loss on foreign exchange		(121)	(124)
Other income		88	79
Other expenses		(591)	(557)
Result for the financial period before tax		**10,594**	**9,626**

Statement of Comprehensive Income	Note	2025 £m	2024 £m
Result for the financial period before tax	8	**10,594**	9,626
Currency translation differences		(852)	80
Other comprehensive gains		3	13
Remeasurement gain on pension assets and liabilities in the Society accounts		2	7
Total comprehensive income for the period		**9,747**	**9,726**

All operations relate to continuing activities.

Pro Forma Balance Sheet

(As at 31 December 2025)

	Note	2025 £m	2024 Restated £m
Financial investments	13	97,140	93,162
Deposits with ceding undertakings		126	252
Provision for unearned premiums	20(a)	6,002	5,570
Claims outstanding	20(c)	25,833	27,628
Reinsurers' share of technical provisions		**31,835**	**33,198**
Debtors arising out of direct insurance operations	14	17,995	17,149
Debtors arising out of reinsurance operations	15	9,798	9,314
Other debtors		1,605	1,319
Debtors		**29,398**	**27,782**
Tangible assets		37	33
Cash at bank and in hand	16	12,061	12,039
Other		2,979	2,829
Other assets		**15,077**	**14,901**
Accrued interest and rent		335	300
Deferred acquisition costs	20(b)	6,905	6,476
Other prepayments and accrued income		455	446
Prepayments and accrued income		**7,695**	**7,222**
Total assets		**181,271**	**176,517**

	Note	2025 £m	2024 Restated £m
Members' funds at Lloyd's	6	31,132	30,500
Members' balances	19	15,981	13,533
Members' assets (held severally)		**47,113**	**44,033**
Central reserves (mutual assets)		2,414	2,818
Total capital and reserves	8	**49,527**	**46,851**
Subordinated loan notes	2, 4	298	298
Total capital, reserves and subordinated loan notes		**49,825**	**47,149**
Provision for unearned premiums	20(a)	28,808	27,651
Claims outstanding	20(c)	84,643	85,395
Technical provisions		**113,451**	**113,046**
Deposits received from reinsurers		985	1,128
Creditors arising out of direct insurance operations	22	1,214	1,280
Creditors arising out of reinsurance operations	23	9,115	9,017
Other creditors including taxation		295	307
Amounts owed to credit institutions		4,130	2,573
Senior debt	2, 4	303	303
Creditors		**15,057**	**13,480**
Accruals and deferred income		1,953	1,714
Total capital, reserves and liabilities		**181,271**	**176,517**

Comparative values for the year ended 31 December 2024 have been restated - refer to note 2 for details of the restatement. In addition, amounts owed to credit institutions have been reclassified from other creditors including taxation to report the balance separately on the balance sheet, including for comparative amounts.

The Pro Forma Financial Statements on pages 36 to 64 were approved by the Council on 18 March 2026 and signed on its behalf by:

Sir Charles Roxburgh
Chair

Patrick Tiernan
Chief Executive

Pro Forma Statement of Cash Flows

(For the year ended 31 December 2025)

	Note	2025 £m	2024 Restated £m
Result for the financial period before tax		**10,594**	**9,626**
Increase in gross technical provisions		5,412	9,089
Increase in reinsurers' share of gross technical provisions		(124)	(1,302)
Increase in debtors		(2,950)	(2,027)
Increase/(decrease) in creditors		1,149	(50)
Movement in other assets/liabilities		(509)	520
Investment return		(5,921)	(4,776)
Depreciation, amortisation and impairment charge		28	16
Tax paid		(79)	(97)
Foreign exchange		414	167
Other		(69)	118
Net cash inflows from operating activities		**7,945**	**11,284**
Cash flows from investing activities			
Purchase of equity and debt instruments		(57,804)	(56,635)
Sale of equity and debt instruments		51,978	48,066
Purchase of derivatives		(218)	(105)
Sale of derivatives		238	121
Investment income received		2,619	2,179
Other		458	516
Net cash outflows from investing activities		**(2,729)**	**(5,858)**

	Note	2025 £m	2024 Restated £m
Cash flows from financing activities			
Net (distribution of profits)/collection of losses		(4,310)	(3,358)
Net capital transferred into/(out of) syndicate premium trust funds		31	(809)
Redemption of subordinated loan notes		–	(306)
Interest paid on subordinated and senior loan notes		(23)	(37)
Net movement in members' funds at Lloyd's		536	522
Other cash flows from financing activities		(342)	(106)
Net cash outflows from financing activities		**(4,108)**	**(4,094)**
Net increase in cash and cash equivalents		**1,108**	**1,332**
Cash and cash equivalents at the beginning of the year		15,212	13,937
Foreign exchange on cash and cash equivalents		(284)	(57)
Cash and cash equivalents at the end of the year	17	**16,036**	**15,212**

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

Notes to the Pro Forma Financial Statements

(For the year ended 31 December 2025)

1. The Pro Forma Financial Statements

The Pro Forma Financial Statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

2. Basis of preparation

General

The PFFS for the 12 months ended 31 December 2025 have been prepared by aggregating audited financial information reported in syndicate annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL), the audited financial statements of the Society of Lloyd's (the Society) on pages 128 to 131, together with any central adjustments noted below and elsewhere in the report.

The Aggregate Accounts report the audited results for calendar year 2025 and the financial position at 31 December 2025 for all life and non-life syndicates that transacted business during the year. The results and total capital and reserves for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 9). The Aggregate Accounts are reported as a separate document and can be viewed at www.lloyds.com.

The profit and loss account in the PFFS aggregates the syndicate results, the notional investment return on members' capital and the results of the Society. The balance sheet in the PFFS aggregates the assets and liabilities held at syndicate level, members' assets held as FAL and the central resources of the Society. Central adjustments are overlaid.

In determining the central adjustments, the Council considers the environment in which the Society and Lloyd's market participants operate, along with any associated risks that could affect the reasonableness of the financial information presented. Where deemed appropriate, central adjustments are included in the PFFS to reflect the impact of additional risks identified during preparation.

Having assessed the principal risks, the Council considered it appropriate to adopt the going concern basis of accounting in preparing the PFFS; the going concern and viability statement of the Society is included within the Society Report on page 119 to 120. The PFFS have, where practicable, been prepared in compliance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice (UK GAAP)), including Financial Reporting Standard 102 (FRS 102) and the applicable accounting standard on insurance contracts Financial Reporting Standard 103 (FRS 103). In preparing the PFFS, note disclosures have been included for those areas the Council considers material to enable the PFFS to depict a comprehensive view of the financial results and position of the Lloyd's market and to enable comparison with general insurance companies.

Application of UK GAAP is not practicable for the following items:

- Use of the aggregation basis to prepare the PFFS
- Notional investment return on members' funds at Lloyd's
- The statement of changes in equity
- Taxation
- Related party transactions
- Restatements

The approach taken in preparing the PFFS is outlined in (a) to (f) below.

(a) Aggregation

The PFFS have not been prepared in accordance with full consolidation principles and do not present a consolidated view of the results of the Lloyd's business taken as a single entity for the reasons detailed below. However, the PFFS may be used as a reasonable presentation of the results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

The syndicates' financial information included in the PFFS has been prepared in accordance with the recognition and measurement requirements of UK accounting standards by reference to the accounting policies that are deemed most appropriate by the managing agents. Where different accounting policies have been selected by managing agents in preparing syndicate annual accounts, no adjustments are made to align the bases of recognition and measurement in the PFFS.

The syndicate annual accounts are prepared in multiple currencies. For aggregation purposes, the financial information of each syndicate is translated into Lloyd's presentational currency, pounds sterling, using the Lloyd's rates. Assets and liabilities are translated at the closing rate at the balance sheet date, while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation are recognised in other comprehensive income.

No adjustments are made to eliminate inter-syndicate transactions and balances except for those relating to inter-syndicate loans, Special Purpose Arrangements (SPA) and reinsurance to close (RITC) arrangements between syndicates. Transactions between syndicates and the Society are also eliminated in the PFFS. These adjustments are described on the following page.

Inter-syndicate loans

The syndicate annual accounts report debtor and creditor balances for inter-syndicate loans totalling £294m (2024: £223m). These amounts have been eliminated from those amounts reported in the balance sheet to provide a more meaningful presentation of the balance sheet for users of the PFFS.

Notes to the Pro Forma Financial Statements

continued

Special Purpose Arrangements (SPA)

The Aggregate Accounts include the results and assets of the SPA (see Glossary on page 167). Due to the nature of the SPA, the quota share of the host syndicates' business is reported as gross written premium in both the host syndicate and the SPA annual accounts. This leads to an overstatement of the original premium written by the whole Lloyd's market.

To provide users of the PFFS with a more meaningful presentation of the market's figures, all the transactions arising from the insurance contracts between the SPA and host syndicates have been eliminated. The key impact of this elimination is that gross written premium is reduced by £494m (2024: £537m). The elimination does not affect the PFFS result or the balance due to members. All other inter-syndicate reinsurance arrangements are included in full, with the exception of RITC transactions as detailed below.

Reinsurance to close arrangements between syndicates

The Aggregate Accounts include the results of the syndicates, including the arrangements where prior years of account are ceded to other syndicates. Due to the nature of the arrangements, the ceding and accepting syndicates report these as current period transactions impacting gross written premium, net earned premium and net incurred claims.

This leads to an overstatement of these balances for the Lloyd's market as a whole. To provide users of the PFFS with a more meaningful presentation of the market's figures, RITC arrangements between syndicates for prior years of account have been eliminated. There were no material RITC profit and loss transactions reported in the current or prior period and therefore no adjustments have been required.

Transactions between syndicates and the Society

The following transactions have been eliminated:

- Central Fund contributions, members' subscriptions and other market charges levied by the Society are reported as net operating expenses in the syndicate returns and as income in the Society's financial statements.
- In the prior year, syndicate loans to the Central Fund were reported as assets in the syndicate returns and as equity in the Society financial statements. Interest on the loans was reported as investment income in syndicate returns and as a reduction to equity in the Society's financial statements. These loans were fully repaid in the current year and no such balances exist at the reporting date.
- Technical insurance-related transactions and balances existing between the syndicates and the subsidiaries of the Society are reported in both the syndicate returns and in the Society's financial statements.
- Loans funding statutory insurance deposits and other deposits received from syndicates are reported as assets within the syndicate returns and as liabilities in the Society financial statements.

Central reserve margin (CRM)

Claims reserves reported in the Pro Forma balance sheet include a CRM of £1,150m (2024: £500m) in addition to the reserves held by syndicates, to reflect the heightened risk of atypical reserve movement at an aggregate level. The CRM is reviewed bi-annually and any movement is reflected in the Pro Forma profit and loss account in that year.

(b) Notional investment return on members' funds at Lloyd's (FAL)

A notional investment return on FAL has been estimated, which is the equivalent of insurance companies generating investment return on the capital that they hold to support their underwriting. Where Lloyd's is the investment manager for FAL, the actual return achieved has been included. For other assets the notional investment return, net of management fees, is estimated on the average value of FAL during the year, based on yields from indices for each type of asset held. The typical investment return on bank deposits has been applied to FAL provided as letters of credit or bank guarantees. The actual return achieved on FAL investments will differ from the notional return due to individual stocks held, daily cash flows and transactional charges. Notional investment return on FAL is reported in the non-technical account.

Due to the estimation of the notional investment return, movements in FAL recorded within the financing section of the statement of cash flows comprises both cash and non-cash activity.

(c) Statement of changes in equity

Where Lloyd's is not the investment manager for FAL, actual changes are not available and therefore a statement of changes in equity has not been included. However, a statement of changes in members' balances has been included in note 19, which, along with the Society's Group statement of changes in equity (on page 130), represents the changes in equity of the other components of the PFFS.

(d) Taxation

The PFFS report the market's result before tax. Members are responsible for tax payable on their syndicate results and investment income on FAL. For consistency, the results of the Society are also reported pre-tax in the profit and loss account. The balance sheet in the Society financial statements includes the Society's own tax provision balances.

(e) Related party transactions

Individual syndicates or their members do not disclose details of insurance and/or reinsurance transactions with other (non-related) syndicates or members within the market. Therefore, analysis and/or disclosure of these transactions within the Lloyd's market in the PFFS is not possible. Other than the disclosures made in note 25, a more detailed related party transaction note is therefore not included within the PFFS. The annual accounts of each syndicate or member provide, where appropriate, the required disclosures on related parties.

Notes to the Pro Forma Financial Statements

continued

The related party transactions of the Society are disclosed in note 36 on page 163 of the Society financial statements.

(f) Restatements

In addition to the reclassification changes outlined in the note below, a number of syndicates made restatements to the comparative figures for 2024 within their syndicate annual accounts and the Aggregate Accounts have been restated accordingly. The full financial effect and the nature of these restatements have not been disclosed as required by FRS 102 as it is not practicable to provide additional details in respect of these restatements.

Reclassification changes

During the current reporting period, Lloyd's introduced changes to the syndicate accounts process to rationalise and standardise financial reporting across the market, resulting in a revised presentation of certain items in the financial statements. This change in presentation has been applied retrospectively in accordance with FRS 102.3.14, which requires restatement of comparative information where practicable.

The pro forma balance sheet as at 31 December 2024 was restated in the 2025 Half Year Report and we have repeated this disclosure below. Restatements to comparative disclosures, where applicable, are explained within the associated notes to the financial statements. The restatements are presentational in nature and do not impact on total capital and reserves in the prior period.

Interim pro forma balance sheet as at 31 December 2024	As previously reported £m	Restated amount £m	Change £m
Financial investments	95,851	93,162	(2,689)
Debtors arising out of direct insurance operations	16,824	17,149	325
Debtors arising out of reinsurance operations	9,639	9,314	(325)
Other, Other assets	140	2,829	2,689
Creditors arising out of direct insurance operations	1,232	1,280	48
Creditors arising out of reinsurance operations	9,065	9,017	(48)
Total balance sheet impact			–

In addition, the comparative balances in the pro forma statement of cash flows and note 17 have been restated. In prior years, certain short term deposits with original maturities of three months or less were presented within financial investments rather than within cash and cash equivalents. Following a review undertaken as part of Lloyd's reporting rationalisation, these deposits are now included within cash and cash equivalents to better reflect their liquidity.

As a result, short term deposits and cash and cash equivalents increased by £486m as at 31 December 2024. There were also reclassifications between sale and purchase of equity and debt instruments. This restatement has no impact on total capital and reserves in the prior period. The financial impact of the restatements on the pro forma cash flow statement is summarised below:

Pro Forma cash flow statement for the year ended 31 December 2024	As previously reported £m	Restated amount £m	Change £m
Other cashflows from operating activities	115	118	3
Purchase of equity and debt instruments	(57,198)	(56,635)	563
Sale of equity and debt instruments	48,408	48,066	(342)
Investment income received	2,264	2,179	(85)
Other cashflows from investing activities	512	516	4
Net increase in cash and cash equivalents	1,189	1,332	143
Cash and cash equivalents at the beginning of the year	13,592	13,937	345
Foreign exchange on cash and cash equivalents	(55)	(57)	(2)
Cash and cash equivalents at the end of the year	14,726	15,212	486

Members' funds at Lloyd's (FAL)

FAL comprise the capital provided by members, which is generally held centrally, to support their underwriting, and are the equivalent of capital shown in insurance companies' accounts. The valuation of FAL has, therefore, been included in the Pro Forma balance sheet.

FAL is available to meet cash calls made on the member in respect of a syndicate liability. The assets in FAL must be readily realisable and may include letters of credit and bank and other guarantees.

The total resources, including FAL, for members writing ongoing insurance must be at least equivalent to the aggregate of the member's Economic Capital Assessment (ECA) requirement and certain liabilities in respect of its underwriting business. Each member's ECA to support its underwriting at Lloyd's is determined using Lloyd's Solvency Capital Requirement to ultimate capital setting methodology.

Private asset investments

The Society invests in a number of private investment vehicles. The investments are classified as Level 3 in the fair value hierarchy as a market value is not readily available. Note 4 to the Society financial statements on page 139 provides additional information.

Notes to the Pro Forma Financial Statements

continued

Subordinated loan notes

In accordance with the terms of the Society's subordinated loan notes, the capital raised is available for payment to policyholders in advance of repayment to the note holders and is included in 'capital, reserves and subordinated loan notes' in the Pro Forma balance sheet. Note 26(a) to the Society financial statements on page 158 provides additional information.

Senior debt

Unsecured senior debt of £300m was issued by the Society on 21 January 2020, increasing liabilities. Note 26(b) of the Society report provides additional information.

Society financial statements

The PFFS include the results and capital and reserves reported in the financial statements of the Society of Lloyd's, comprising the consolidated financial statements of the Society and its subsidiaries, the Lloyd's Central Fund and the Society's interest in associates and joint ventures.

3. Accounting policies

Sources of significant accounting judgements and estimation uncertainty

The PFFS aggregates judgements, estimates and assumptions made by managing agents in respect of syndicate balances, and the Council in respect of the Society of Lloyd's and FAL balances. These judgements, estimates and assumptions affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the future actual outcome.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about the estimates and assumptions that have a significant risk of a material change to the carrying value of assets and liabilities recognised in the PFFS within the next financial year are set out below:

- Claims provisions and related recoveries are the most significant accounting estimate in preparing the PFFS, in particular for claims incurred but not reported (IBNR). Variances between the estimated and actual cost of settling claims impact claims incurred, net of reinsurance and the balance on the technical account for general insurance. Total gross claims outstanding at 31 December 2025 is £84,643m (2024: £85,395m). The total estimate as at 31 December 2025, net of reinsurers' share, is £58,810m (2024: £57,767m) and is included within the Pro Forma balance sheet (see note 3(a) and note 20(c)). Total net claims outstanding includes a margin of £6,620m (2024: £5,411m) comprising amounts reported in the Signing Actuary Opinion (SAO) and the central reserve margin.
- Estimated premium income, in particular estimates for premiums written under delegated authority agreements, is a significant estimate. Variances between the estimated premium income and actual received impact gross written premium and provisions for unearned premium (see note 3(a)).
- Valuation of investments: the fair value of financial instruments that are not traded in an active market (Level 3) is determined by using valuation techniques which require significant judgement. The valuation techniques used to establish the fair value of the underlying investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. The estimation uncertainty impacts the carrying value of financial investments, which is the largest PFFS asset class, however, a relatively small proportion is valued at Level 3 of the fair value hierarchy (see note 3(a)).
- Notional investment return on FAL: the return is estimated based on yields from indices for each type of asset held. The key judgement made in estimating the notional return is the choice of indices from which the yields are derived for each category of asset and the level of investment management charges, and this estimation uncertainty affects the notional investment return presented separately in the profit and loss account (see note 6).

The Council considers the environment in which the Society and Lloyd's market participants are operating and any associated risks which could have an impact on the reasonableness of financial information presented in the PFFS. Where the Council considers it appropriate, central adjustments may be included in the PFFS to reflect the impact of any additional risks, as deemed necessary in preparing the PFFS.

(a) Aggregate Accounts

General

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, managing agents must prepare syndicate annual accounts under UK GAAP. However, where UK GAAP permits different accounting treatments, each managing agent is able to adopt the accounting policies it considers most appropriate to its syndicate. The following accounting policies are, therefore, an overview of the policies generally adopted by syndicates.

Notes to the Pro Forma Financial Statements

continued

Premiums written

Premiums written represent premiums on business incepting during the year, together with adjustments for premiums written in previous accounting periods. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportioned as appropriate.

Outward reinsurance premiums

Outward reinsurance premiums comprise the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts.

The provision for reinsurers' share of unearned premiums represents that part of reinsurance premium ceded that is estimated to be earned in the following financial years.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims arising during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled at the balance sheet date, together with the provision for related claims handling costs. It also includes an allowance for claims incurred but not reported (IBNR), calculated using actuarial and statistical techniques based on historical claims development patterns, adjusted for changes in business mix, underwriting terms, and market conditions. For recent underwriting years, where volatility is higher, estimates may incorporate outputs from rating models and underwriting assessments.

The amount of salvage and subrogation recoveries is separately identified and, where material, either deducted from the provision for claims outstanding or reported as an asset. The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the line of business, the claims experience for the year and the current security rating of the reinsurers involved. Statistical techniques are used to assist in making these estimates.

The two most critical assumptions regarding claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors of each syndicate's managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Additional information on insurance risk is disclosed in note 4.

Discounted claims provisions

Due to the long delay between the date of an incurred claim and the final settlement of the claim, outstanding claims meeting certain criteria may be discounted to take account of the expected investment income receivable between claim event and settlement dates on the assets held to cover the provisions. This is only applicable to the syndicates that discount their claims provisions. Additional detail is disclosed in note 21 of the PFFS.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated at syndicate level by reference to lines of business that are managed together, and may take into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

The Council considers that the functional and presentational currency of the PFFS and Aggregate Accounts is pounds sterling. In the context of the PFFS and Aggregate Accounts, the Council views this to be the equivalent of a group which has different operating units with a mix of functional currencies.

The syndicate annual accounts are prepared in multiple currencies. For aggregation purposes, the financial information of each syndicate is translated into Lloyd's presentational currency, using the Lloyd's rates. Assets and liabilities are translated at the closing rate at the balance sheet date, while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation are recognised in other comprehensive income.

Notes to the Pro Forma Financial Statements

continued

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which it was recorded when this is a reasonable approximation.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the Aggregate profit and loss account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost, less any provision for impairment.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Syndicate investment return

Syndicate investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Syndicate investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account where the investments generating the return relate to insurance business.

Tangible assets

Tangible assets relate to plant and equipment and the Lloyd's Collection, with additional detail disclosed in note 18 to the Society of Lloyd's financial statements.

Taxation

The PFFS report the market's result before tax because the members, rather than the syndicates, are responsible for tax payable on their syndicate results and investment income on FAL. No provision has therefore been made in the PFFS for income tax payable by members.

Any payments on account of members' tax liabilities made on their behalf by a syndicate during the year are included in the balance sheet within other debtors or other creditors including taxation.

Operating expenses

Operating expenses have been charged to syndicates in accordance with the policies adopted by managing agents.

Profit commission

Where profit commission is charged by the managing agent it will normally be fully paid once the appropriate year of account closes, normally at 36 months. The profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

Managing agents may make payments on account of their anticipated profit commission from the syndicate premium trust funds prior to the closure of a year of account where they have transferred open year surpluses (interim profits) from the syndicate-level premium trust funds to the members' personal reserve fund. Any payments on account of such commission are restricted to the profit commission expensed in the profit and loss account in striking the level of interim profits declared and subsequently released.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand (which includes deposits held at call with banks), other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within other creditors.

Notes to the Pro Forma Financial Statements

continued

(b) Members' funds at Lloyd's (FAL)

FAL is valued in accordance with its market value at the year end, and using year end exchange rates. Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and international deposits are stated at cost.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Letters of credit are stated at the amount guaranteed by the issuing credit institution.

As disclosed in the basis of preparation, a notional investment return on FAL is estimated which is recognised in the non-technical account.

Members that only participate on one syndicate may hold the capital supporting their underwriting in their syndicate's premium trust funds. Where a member takes advantage of this facility, the capital held in the premium trust fund is reported within members' balances and the investment return retained within the non-technical account.

(c) Society of Lloyd's (the Society)

The accounting policies adopted in the Society's financial statements are set out on pages 132 to 139.

4. Risk management

Governance framework

The following governance structure relates to the Society as a whole, as the preparer of the PFFS. Individual syndicates will report, in their syndicate annual accounts, the governance structure applied to them by their managing agents.

An Act of Parliament, the Lloyd's Act 1982, defines the governance structure and rules under which Lloyd's operates. Under the Act, the Council of Lloyd's is responsible for the management and supervision of the market. Lloyd's is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Council currently has three working, three external and eight nominated members. The working and external members are elected by Lloyd's members. The Chair and Deputy Chairs are elected annually by the Council from among its members. Refer to the Governance section of the Society Report for further information.

The Council can discharge some of its functions directly by making decisions and issuing resolutions, requirements, rules and byelaws. Other decisions are delegated to associated committees. Further details on Council responsibilities are set out on page 70.

The Council is responsible for the day-to-day management of the Lloyd's market. It lays down guidelines for all syndicates and operates a business planning and monitoring process to safeguard high standards of underwriting and risk management, thereby improving sustainable profitability and enhancing the financial strength of the market.

The Committees of the Council are the Nominations and Governance Committee, the Remuneration Committee, the Audit Committee, the Risk Committee, and the Technology, Transformation and Innovation Committee.

Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000. Within this supervisory framework, the Society applies capital requirements at member level and centrally to ensure that Lloyd's complies with UK Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, UK Solvency II and Lloyd's capital requirements apply at an overall and member level only, not at a syndicate level. Accordingly, the capital requirements in respect of individual syndicates are not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). This differs from the UK Solvency II regulatory one year SCR, which captures the risk that emerges over the next 12 months while the ultimate measure captures the adverse development until all liabilities have been paid. The SCRs of each syndicate are subject to review by the Society and approval by the Lloyd's Capital and Planning Group.

A syndicate may comprise one or more underwriting members of Lloyd's. Each member is liable for their own share of underwriting liabilities on the syndicate(s) in which they participate but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a several basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates in more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, the Society applies a capital uplift to the member's capital requirement to determine the Economic Capital Assessment (ECA).

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The capital uplift applied for 2025 was 35% (2024: 35%) of the member's solvency capital requirement (S 'to ultimate'. The purpose of setting capital on an ultimate basis, rather than a one year basis, and the ECA uplift, which are both Lloyd's not UK Solvency II requirements, is to meet Lloyd's financial strength, licence and ratings objectives.

Solvency Capital Requirement (UK Solvency II basis)

The UK Solvency II SCR represents the amount of capital required to withstand a 1 in 200 year loss event over a one year horizon. Given Lloyd's unique structure, there are two SCRs that are monitored under the UK Solvency II regime:

- The Lloyd's market-wide solvency capital requirement (MWSCR) is calculated to cover all of the risks of 'the association of underwriters known as Lloyd's', ie those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon as provided for in the PRA Rulebook. All of the capital of the component parts of the market taken together are available to meet the MWSCR.
- The Lloyd's central solvency capital requirement (CSCR) is calculated in respect of only the risks facing the Society, including the Central Fund, at the same confidence level and time horizon used to calculate the MWSCR.

The CSCR captures the material risk that members do not have sufficient funds to meet their underwriting losses even having complied with the Society's rigorous capital setting rules.

The MWSCR and CSCR are derived from the Lloyd's Internal Model (LIM), which has been approved by the PRA. Individual syndicates also derive SCRs from their own internal models that are subject to approval by the Society's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions, are assessed as part of the Society's oversight of the Lloyd's market.

The Lloyd's Internal Model

The LIM is a purpose-built model designed to calculate the MWSCR and CSCR as required under UK Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM), which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM), which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK), which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR. However, the market-wide and central capital requirements are derived from the Society's parameterisation at a whole market-level to build a view of total market capital requirements from the ground up using market level assumptions.

The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market and centrally to meet 1 in 200 year losses over the one year time horizon.

Syndicates are the source of the majority of risks. They source all of the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity.

The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on premium trust funds (PTF)); reinsurance and other credit risk; and syndicate operational risk. At the central level, additional risks arise from market risk on central assets and FAL, central operational risk and pension fund risk. Details of the major risk components are set out below.

Insurance risk

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

i. underwriting risk
ii. reserving risk
iii. credit risk
iv. catastrophe risk

Underwriting risk

This includes the risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected.

Underwriting strategy is agreed by the board of each managing agent and set out in the syndicate business plan that is submitted to the Society for agreement each year. Agreement of business plans – and setting the capital requirements needed to support these plans – is the key control the Society uses to manage underwriting risk.

The Society reviews each syndicate business plan to ensure it meets Lloyd's standards and is consistent with the capabilities of the managing agent. Once a plan is agreed, the Society uses performance management data to identify whether each syndicate's business performance is progressing in line with the business plan or that variations are understood and accepted.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy.

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Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

Managing agents need to have clear processes for pricing business and an audit trail to show how pricing will deliver the projected results within the approved business plan and how pricing will be managed over the relevant underwriting cycle.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly across lines of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust, and the continued level of overall reserve releases is supported by underlying claims experience being more favourable than expected. This will not necessarily translate to all syndicates.

There are currently specific reserving issues, and the main perceived risks relate to macro influences resulting in geopolitical uncertainty, impact of recession, interest rate environment, heightened inflation and climate change.

The Society analyses reserve developments at line of business and syndicate levels quarterly, and briefs the market on issues it considers need to be taken into account. Case-specific claim reserves should make financial provision at reported loss levels, without prejudice to coverage. Legal advisers', underwriters' and loss adjusters' judgement are used to set the estimated case reserves. Reserving processes use a variety of statistical analyses such as projections of historical loss development patterns, with results adjusted for expert judgement. Lloyd's syndicates have significant exposure to volatile lines of business that carry material inherent risk that the ultimate claims settlement will vary from previous assessments of reserves.

Syndicates' reserves are annually subject to a formal independent actuarial opinion and are monitored by the Corporation. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Credit risk

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. This can occur because the reinsurer is unable to settle its liabilities.

Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk.

The managing agent should monitor and assess the security of, and exposure to, each reinsurer and intermediary. Reinsurance credit risk is subject to quarterly review by the Corporation.

Catastrophe risk

Catastrophe risk is the risk of loss occurring across all lines of business from worldwide catastrophe events. Managing agents may use catastrophe modelling software, where appropriate, to monitor aggregate exposure to catastrophe losses. The Corporation has developed a suite of Realistic Disaster Scenarios to measure syndicate-level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently, and syndicates supply projected probabilistic exceedance forecasts for Lloyd's key exposures with their capital and business plans.

Lloyd's MWSCR*

The MWSCR is broken down into the various risk components as shown below.

	31 December 2025 SCR £m	31 December 2024 SCR £m
Reserving risk	14,157	13,826
All other (attritional) underwriting risk	13,420	12,124
Catastrophe risk	10,376	9,352
Market risk	15,315	14,858
Reinsurance credit risk	1,181	1,232
Operational risk	1,254	1,133
Other Society risks	1,065	1,102
Diversification benefit	**(29,387)**	(28,081)
MWSCR before adjustments	**27,381**	25,546
Foreign exchange adjustment	169	54
MWSCR	**27,550**	25,600

* Represents the position based on solvency returns which have not been assured by independent auditors; these may differ from the final 2025 submissions.

The increase in overall market-wide SCR reflects market growth from new entrants and changes in market conditions that have reduced modelled profitability.

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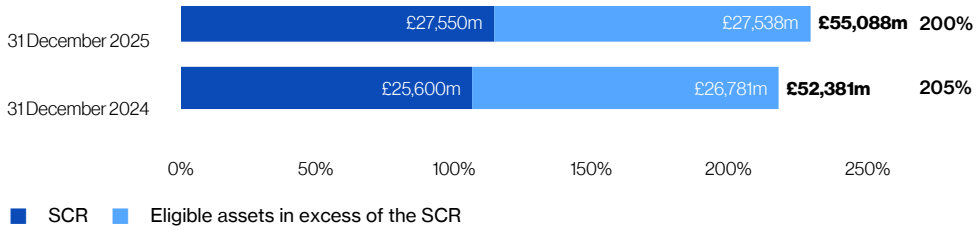
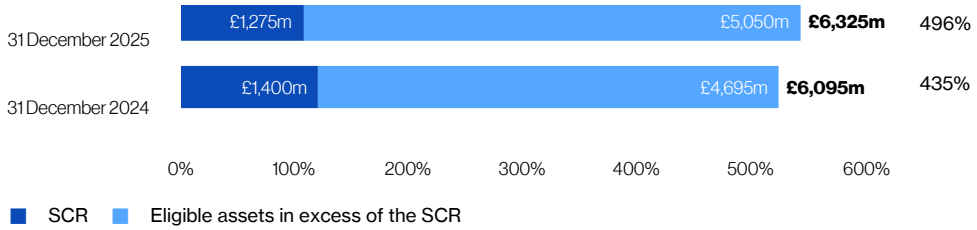
Solvency Capital Requirement coverage

Coverage of the MWSCR and CSCR is an ongoing and continuous requirement, and the Society reports the results of its solvency test – ie the amount of the MWSCR, eligible assets to cover it and the solvency ratio – on a quarterly basis to the PRA. Lloyd's solvency coverage for both MWSCR and CSCR is set out below.

Lloyd's MWSCR*



Lloyd's CSCR*



* Represents the position based on solvency returns which have not been assured by independent auditors; these may differ from the final 2025 submissions.

The central solvency ratio increased to 496% (2024: 435%), reflecting a reduction in the CSCR partially offset by repayment of the 2020 tranches of syndicate loans. The market-wide solvency ratio decreased to 200% (2024: 205%), driven by an increase in the MWSCR as market exposures grew and pricing conditions softened. The impact on the ratio was partially offset by higher members' balances, underpinned by resilient underwriting performance and investment returns. Refer to page 30 for further details.

In addition to the quarterly reporting to the PRA, internal risk appetites have been set to monitor the coverage of the MWSCR and CSCR as part of the risk management framework in place at Lloyd's. During 2025, the solvency coverage ratios for both the MWSCR and CSCR were in excess of internal risk appetites and regulatory requirements.

- MWSCR: The Society aims to hold market capital sufficient to provide financial security to policyholders and capital efficiency to members. Members are required to put up funds to meet their ECA, which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. The Society does not require excess capital to be held above this level and considers that the risk appetite of 140% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR.
- CSCR: All policies written at Lloyd's are supported by central assets managed by the Society, which underpin the financial strength ratings of the Lloyd's market and its international licence network. Accordingly, the risk appetite for 200% CSCR coverage reflects the prudent approach to maintaining adequate central assets to meet a 1 in 200 year event and be in a position to continue to write new business.

Solvency cover ratios	MWSCR coverage	CSCR coverage
December 31, 2025	**200%**	**496%**
December 31, 2024	205%	435%
Risk appetite for solvency cover ratio	140%	200%

Assets eligible for solvency

The assets of the syndicates, members' FAL and the Society all contribute towards coverage of the MWSCR, after adjustments to value items in accordance with UK Solvency II valuation principles. Members' assets are however not fungible. The Society assets and callable layer, in the Chain of Security, are available to cover the CSCR.

The eligibility of assets to cover the SCR under UK Solvency II is determined by a tiering test. Tier 1 assets are fully available to cover the SCR, while Tier 2 and Tier 3 assets in aggregate can cover up to 50% of the SCR. The majority of the assets available to cover the MWSCR are Tier 1.

A proportion of members' FAL is provided in the form of letters of credit, which are classed as Tier 2 assets, restricting their ability to cover the MWSCR. However, given the total value of these instruments at 31 December 2025 is less than 50% of the SCR, there are no restricted assets.

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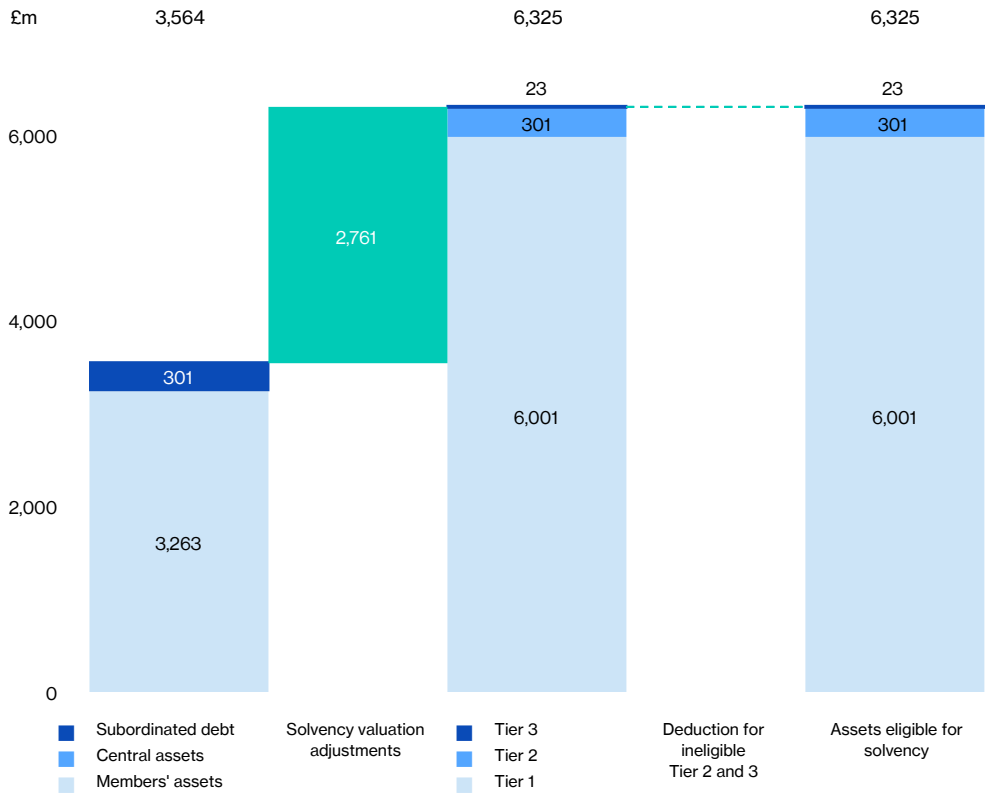
These letters of credit are callable on demand, and when called the proceeds, namely cash, would qualify as Tier 1 assets. The capital tiering rules also apply to the coverage of the Central SCR. The inclusion of the remaining subordinated debt and deferred tax asset results in Lloyd's having available Tier 2 and 3 central capital of £324m (2024: £308m). Given the total Tier 2 and 3 central capital is below the maximum allowance – 50% of the SCR – there is no deduction for ineligible Tier 2 and Tier 3 in 2025 (2024: £nil).

Lloyd's MWSCR* (£m) – reconciliation of assets from a UK GAAP basis to a UK Solvency II basis

Lloyd's CSCR* (£m) – reconciliation of assets from a UK GAAP basis to a UK Solvency II basis



* Represents the position based on solvency returns which have not been assured by independent auditors; these may differ from the final 2025 submissions.

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Claims development tables

The tables below illustrate the development of the estimates of earned ultimate cumulative claims for syndicates in aggregate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Non-sterling balances have been converted using 2025 year end exchange rates to aid comparability. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later, as a large proportion of premiums are earned in the year of account's second year of development.

Gross

Estimate of incurred claims	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	**2025 £m**	Total £m
At the end of underwriting year	8,595	16,399	13,248	10,053	11,604	13,301	14,415	11,734	14,910	13,346	
One year later	18,854	26,167	24,033	22,273	21,072	24,930	24,237	21,849	27,237		
Two years later	20,287	27,965	26,330	22,905	21,827	25,286	24,582	21,960			
Three years later	21,022	28,052	26,835	22,637	21,393	26,499	24,370				
Four years later	21,246	28,800	27,305	22,709	21,333	29,044					
Five years later	21,560	28,903	27,605	22,913	21,272						
Six years later	21,721	29,167	27,880	23,126							
Seven years later	21,961	29,422	28,272								
Eight years later	22,051	29,506									
Nine years later	22,131										
Estimate of gross claims reserve	22,131	29,506	28,272	23,126	21,272	29,044	24,370	21,960	27,237	13,346	240,264
Provision in respect of older years											4,878
Less net claims paid	(20,295)	(27,075)	(24,757)	(19,177)	(16,485)	(19,792)	(14,742)	(9,460)	(7,410)	(1,306)	(160,499)
Gross claims reserve	1,836	2,431	3,515	3,949	4,787	9,252	9,628	12,500	19,827	12,040	84,643

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Net

Estimate of incurred claims	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	**2025 £m**	Total £m
At end of underwriting year	6,625	9,325	8,618	7,249	8,182	9,449	9,794	9,351	11,532	10,511	
One year later	14,084	16,307	15,993	15,685	14,570	17,318	17,745	17,484	21,265		
Two years later	14,948	17,409	17,376	15,554	14,966	17,682	18,034	17,670			
Three years later	15,507	17,588	17,533	15,203	14,810	18,128	17,839				
Four years later	15,431	17,798	17,582	15,048	14,642	19,639					
Five years later	15,485	17,783	17,760	15,082	14,403						
Six years later	15,532	17,941	17,782	15,167							
Seven years later	15,583	18,033	17,880								
Eight years later	15,624	18,017									
Nine years later	15,612										
Estimate of gross claims reserve	15,612	18,017	17,880	15,167	14,403	19,639	17,839	17,670	21,265	10,511	168,003
Provision in respect of older years											2,683
Less net claims paid	(14,754)	(16,721)	(15,939)	(12,818)	(11,356)	(13,783)	(11,130)	(8,059)	(6,215)	(1,101)	(111,876)
Net claims reserve	858	1,296	1,941	2,349	3,047	5,856	6,709	9,611	15,050	9,410	58,810

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Insurance risk

Insurance risk is the exposure to loss if actual claims experience differs from that expected when an insurance product was designed and priced, due to uncertainty in the occurrence, timing, and amount of insurance liabilities.

The following table illustrates the potential impact on profit or loss arising from sensitivities applied to the valuation of insurance liabilities disclosed in the PFFS. Due to the nature of the business underwritten by the market, the methodology for calculating technical provisions varies by class of business. Accordingly, the sensitivity analysis applies both an adverse and a favourable adjustment to the risk margin across total insurance liabilities.

The amounts presented reflect the estimated profit or loss effect of an increase or decrease in insurance liabilities under these scenarios. The figures disclosed for claims outstanding, net of reinsurance, represent the impact on both the profit or loss and on members' balances.

2025	Impact on result before tax (gross claims reserve) £m	Impact on result before tax (net claims reserve) £m
+5% increase	4,639	3,153
-5% decrease	(4,580)	(3,118)

2024	Impact on result before tax (gross claims reserve) £m	Impact on result before tax (net claims reserve) £m
+5% increase	4,710	3,145
-5% decrease	(4,650)	(3,108)

Financial risk

Credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations.

As discussed on page 47, the market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. Syndicates are also exposed to credit risk in their premium debtors. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance. Syndicates and members are also exposed to credit risks in their investment portfolios. PRA and Lloyd's investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings. The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The following table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2025	Neither past due nor impaired assets £m	Past due but not impaired £m	Gross value of impaired assets £m	Impairment allowance £m	Total £m
Debt securities and other fixed income securities	72,308	–	–	–	72,308
Participation in investment pools	5,739	–	–	–	5,739
Loans and deposits with credit institutions	4,486	–	–	–	4,486
Derivative assets	12	–	–	–	12
Other investments	1,019	–	–	–	1,019
Deposits with ceding undertakings	126	–	–	–	126
Reinsurers' share of claims outstanding	25,840	–	16	(23)	25,833
Debtors arising out of direct insurance operations	16,263	1,733	5	(6)	17,995
Debtors arising out of reinsurance operations	7,447	2,295	93	(37)	9,798
Cash at bank and in hand	12,061	–	–	–	12,061
Other debtors and accrued interest	4,628	15	15	(15)	4,643
Other assets	2,961	–	–	–	2,961
Total credit risk	**152,890**	**4,043**	**129**	**(81)**	**156,981**

2024 Restated	Neither past due nor impaired assets £m	Past due but not impaired £m	Gross value of impaired assets £m	Impairment allowance £m	Total £m
Debt securities and other fixed income securities	71,616	–	–	–	71,616
Participation in investment pools	4,304	–	–	–	4,304
Loans and deposits with credit institutions	5,273	–	–	–	5,273
Derivative assets	76	–	–	–	76
Other investments	226	–	–	–	226
Deposits with ceding undertakings	252	–	–	–	252
Reinsurers' share of claims outstanding	27,633	2	(7)	–	27,628
Debtors arising out of direct insurance operations	15,267	1,885	7	(10)	17,149
Debtors arising out of reinsurance operations	6,807	2,473	81	(47)	9,314
Cash at bank and in hand	12,039	–	–	–	12,039
Other debtors and accrued interest	4,461	34	11	(11)	4,495
Other assets	2,871	–	–	–	2,871
Total credit risk	**150,825**	**4,394**	**92**	**(68)**	**155,243**

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As part of Lloyd's reporting rationalisation, certain balances previously presented within Loans and deposits with credit institutions have been reclassified to Other assets. Accordingly, the 2024 comparative amounts have been restated, with £2,689m reclassified. In addition, new line items have been introduced to provide a more granular presentation of credit risk exposures. These presentational changes have no impact on profit, total assets, or total capital and reserves for the prior period.

In aggregate there were no material financial assets that would be past due or impaired whose terms have been renegotiated, held by syndicates, the Society or within FAL in the current or prior period.

In aggregate there were no material debt and fixed income assets held that were past due or impaired beyond their reported fair values, either for the current or prior periods under review or on a cumulative basis. For the current period and prior period, in aggregate there were no material defaults on debt securities.

Assets held as collateral comprise cash and debt securities received as collateral against reinsurance assets transferred from syndicates' reinsurers.

The table below sets out the age analysis of financial assets that are past due but not impaired at the balance sheet date:

2025	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 1 year past due £m	Total £m
Debtors arising out of direct insurance operations	900	353	286	194	1,733
Debtors arising out of reinsurance operations	1,030	578	261	426	2,295
Other debtors and accrued interest	–	14	–	1	15
Total	**1,930**	**945**	**547**	**621**	**4,043**

2024	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Greater than 1 year past due £m	Total £m
Reinsurers' share of claims outstanding	–	2	–	–	2
Debtors arising out of direct insurance operations	1,125	292	258	210	1,885
Debtors arising out of reinsurance operations	1,332	334	327	480	2,473
Other debtors and accrued interest	10	23	–	1	34
Total	**2,467**	**651**	**585**	**691**	**4,394**

The following tables provides information regarding the credit risk exposure at 31 December 2025 and 31 December 2024 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as other. This table is the sum of assets neither past due nor impaired.

2025	AAA £m	AA £m	A £m	BBB £m	Other £m	Not rated £m	Total £m
Debt securities and other fixed income securities	12,716	28,376	19,929	10,136	717	434	72,308
Participation in investment pools	340	350	341	452	3,253	1,003	5,739
Loans and deposits with credit institutions	215	92	221	55	3,609	294	4,486
Derivative assets	–	–	3	–	–	9	12
Other investments	253	103	364	37	25	237	1,019
Deposits with ceding undertakings	25	5	36	–	–	60	126
Reinsurers' share of claims outstanding	688	10,734	12,577	137	131	1,573	25,840
Debtors arising out of direct insurance operations	108	183	725	8	769	14,470	16,263
Debtors arising out of reinsurance operations	205	2,735	2,243	38	418	1,808	7,447
Cash at bank and in hand	310	2,016	9,163	81	427	64	12,061
Other debtors and accrued interest	56	317	140	27	28	4,060	4,628
Other assets	1,225	453	361	198	412	312	2,961
Total credit risk	**16,141**	**45,364**	**46,103**	**11,169**	**9,789**	**24,324**	**152,890**

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2024 Restated	AAA £m	AA £m	A £m	BBB £m	Other £m	Not rated m	Total £m
Debt securities and other fixed income securities	19,626	20,634	19,954	10,050	905	447	71,616
Participation in investment pools	352	94	350	603	2,717	188	4,304
Loans and deposits with credit institutions	579	168	437	119	3,675	295	5,273
Derivative assets	–	–	19	–	7	50	76
Other investments	28	8	6	3	181	–	226
Deposits with ceding undertakings	6	10	135	4	–	97	252
Reinsurers' share of claims outstanding	280	10,133	15,420	41	183	1,576	27,633
Debtors arising out of direct insurance operations	56	180	757	62	2,774	11,438	15,267
Debtors arising out of reinsurance operations	128	1,369	2,139	16	(2,601)	5,756	6,807
Cash at bank and in hand	865	1,730	9,160	10	245	29	12,039
Other debtors and accrued interest	207	44	204	25	28	3,953	4,461
Other assets	1,174	308	366	209	523	291	2,871
Total credit risk	**23,301**	**34,678**	**48,947**	**11,142**	**8,637**	**24,120**	**150,825**

As part of Lloyd's reporting rationalisation, certain balances previously presented within Loans and deposits with credit institutions have been reclassified to Other assets. Accordingly, the 2024 comparative amounts have been restated, with £2,689m reclassified. In addition, new line items have been introduced to provide a more granular presentation of credit risk exposures. These presentational changes have no impact on profit, total assets, or total capital and reserves for the prior period.

Liquidity risk

Liquidity risk arises where there are insufficient funds to meet liabilities, particularly claims. Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. Generally, syndicates have a high concentration of liquid assets, namely cash and government securities. The Society centrally monitors syndicate liquidity and conducts stress tests to monitor the impact on liquidity of significant claims events.

The table below summarises the maturity profile of financial liabilities for the market.

2025	No maturity stated £m	0-1 yrs £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Claims outstanding	1,400	25,571	29,642	13,850	14,180	84,643
Derivative liabilities	–	21	–	–	–	21
Deposits received from reinsurers	363	147	166	78	231	985
Creditors	704	12,754	1,049	150	76	14,733
Subordinated loan notes	–	–	–	–	298	298
Senior debt	–	4	–	60	239	303
Total	**2,467**	**38,497**	**30,857**	**14,138**	**15,024**	**100,983**

2024 Restated	No maturity stated £m	0-1 yrs £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Claims outstanding	650	26,585	30,513	13,747	13,900	85,395
Derivative liabilities	–	47	–	–	–	47
Deposits received from reinsurers	312	243	203	99	271	1,128
Creditors	841	11,242	1,197	208	96	13,584
Subordinated loan notes	–	–	–	–	298	298
Senior debt	–	4	–	–	299	303
Total	1,803	38,121	31,913	14,054	14,864	100,755

As part of the Lloyd's reporting rationalisation project, the presentation of this disclosure has been revised. Consequently, £454m previously reported within Other liabilities as at 31 December 2024 has been reclassified to Creditors to align with the revised presentation. This presentational change has no impact on profit, total assets, or total capital and reserves for the prior period.

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Market risk – overview

Market risk is the risk of loss, or of adverse change in financial situation resulting from fluctuations in the market prices of assets and liabilities arising from exposure to economic variables and market forces such as inflation, interest rates and rates of foreign exchange.

Syndicate assets are held in premium trust funds and are subject to the asset rules contained in the PRA Rulebook and must comply with Lloyd's membership and underwriting requirements. Managing agents manage asset risk through their investment strategy. Oversight of market risk includes the monitoring of investment management. The Society monitors assets across the full chain of security to ensure the asset disposition of the market and Society remains appropriate, closely monitoring global economic and market trends.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and asset mix must be reported to the Society on a quarterly basis, including credit rating analysis of fixed income portfolios.

Market risk comprises three types of risk:

- Currency risk
- Interest rate risk
- Equity price risk

Currency risk

Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure. Assets are then held in each of those currencies to match the relevant liabilities. Managing agents must ensure that assets match liabilities and take corrective action where a mismatch arises. The Society also reviews the matching of assets to liabilities at the syndicate level as well as at the market level. In addition, many members seek to match their capital disposition by currency against their peak exposures.

The profile of the aggregate of the Lloyd's market assets and liabilities, categorised by currency at their translated carrying amounts, is as set out in the following tables.

2025	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total £m
Investments	13,107	67,080	5,660	7,679	2,167	1,573	97,266
Reinsurers' share of technical provisions	4,164	23,900	1,678	1,261	768	64	31,835
Debtors	4,735	21,842	1,378	571	702	170	29,398
Other assets	3,406	7,100	1,130	1,141	1,690	610	15,077
Prepayments and accrued income	1,253	5,111	555	485	237	54	7,695
Total assets	**26,665**	**125,033**	**10,401**	**11,137**	**5,564**	**2,471**	**181,271**
Technical provisions	(18,434)	(77,006)	(7,326)	(6,426)	(3,512)	(747)	(113,451)
Deposits received from reinsurers	(229)	(580)	(82)	(61)	(34)	1	(985)
Creditors	(2,918)	(10,300)	(834)	(771)	(340)	(192)	(15,355)
Accruals and deferred income	(613)	(1,123)	(117)	(65)	(26)	(9)	(1,953)
Total liabilities	**(22,194)**	**(89,009)**	**(8,359)**	**(7,323)**	**(3,912)**	**(947)**	(131,744)
Total capital and reserves	**(4,471)**	**(36,024)**	**(2,042)**	**(3,814)**	**(1,652)**	**(1,524)**	(49,527)

2024 Restated	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total (Restated) £m
Investments	11,589	66,046	4,707	7,512	1,833	1,727	93,414
Reinsurers' share of technical provisions	4,297	25,290	1,487	1,295	775	54	33,198
Debtors	4,046	20,790	1,322	789	640	195	27,782
Other assets	3,040	7,509	667	1,235	1,742	708	14,901
Prepayments and accrued income	1,291	4,857	400	441	200	33	7,222
Total assets	**24,263**	**124,492**	**8,583**	**11,272**	**5,190**	**2,717**	**176,517**
Technical provisions	(17,486)	(79,218)	(6,196)	(6,276)	(3,203)	(667)	(113,046)
Deposits received from reinsurers	(291)	(652)	(79)	(69)	(37)	–	(1,128)
Creditors	(2,676)	(9,316)	(742)	(611)	(247)	(186)	(13,778)
Accruals and deferred income	(599)	(963)	(67)	(52)	(32)	(1)	(1,714)
Total liabilities	**(21,052)**	**(90,149)**	**(7,084)**	**(7,008)**	**(3,519)**	**(854)**	**(129,666)**
Total capital and reserves	**(3,211)**	**(34,343)**	**(1,499)**	**(4,264)**	**(1,671)**	**(1,863)**	**(46,851)**

As part of the Lloyd's reporting rationalisation project, the presentation of this disclosure has been revised. This presentational change has no impact on profit, total assets, or total capital and reserves for the prior period.

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Sensitivity analysis

A 10% strengthening or weakening of the pound sterling against the following currencies at 31 December would have increased/(decreased) the result before tax and members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2025	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	849	3,279
Weakening of US dollar	(695)	(2,683)
Strengthening of euro	81	232
Weakening of euro	(66)	(190)

2024	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	485	2,967
Weakening of US dollar	(396)	(2,428)
Strengthening of euro	62	196
Weakening of euro	(51)	(160)

The impact on the result before tax is different from the impact on members' balances as the calculation of the notional return on members' Funds at Lloyd's is not affected by currency movements.

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. Lloyd's operates a generally conservative investment strategy with material cash and short-dated bond portfolios, which reduces the interest rate risk exposure. The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the result before tax and equity of the effects of changes in interest rates.

2025	Impact on result before tax £m	Impact on members' balances £m
+50 basis points shift in yield curves	(774)	(1,033)
-50 basis points shift in yield curves	776	1,035

2024	Impact on result before tax £m	Impact on members' balances £m
+50 basis points shift in yield curves	(760)	(949)
-50 basis points shift in yield curves	767	956

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

Such risks are managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each sector and market.

In aggregate there is no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the result before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account) and members' balances (that reflects adjustments to the result before tax and changes in fair value of available for sale financial assets that are equity instruments).

2025	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity prices	138	292
5% decrease in equity prices	(136)	(290)

2024	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity prices	220	389
5% decrease in equity prices	(220)	(389)

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Concentration risk

The Corporation closely monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites, as established by the Council. Specialist supervisory teams across the Corporation monitor concentrations across the following areas: region perils, line of business, geographical location, method of distribution in insurance and investment counterparties, among others.

While syndicates define the type of business that they write, at the market level the Corporation seeks to avoid an inappropriate concentration of premium sources, monitoring concentration of business in highly complex or volatile segments, poorly performing lines as well as material sources of premium by method of placement, which feature in metrics reported quarterly to the Council. Managing agents controlling more than 15% of overall market gross written premium are also subject to Council review.

Any reported metrics outside of appetite are reported to, and discussed by, the Risk Committee and the Council. Specific and targeted actions can then be agreed, which will be discussed with specific managing agents or the market as a whole, as appropriate. These actions can vary considerably depending on the nature of the risk or the line of business impacted, with different levels of the requirements placed on syndicates, which forms part of the Society's oversight role of the market.

Further analysis of premiums, claims, expenses and underwriting result by line of business is included within note 9, with commentary on the performance of each line of business included on pages 31 to 33.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory developments to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Corporation closely monitors changes that may adversely impact the global licence network. The Corporation is actively working with the market to assist and adapt to the changes in the UK regulatory architecture and managing agents are expected to deliver against the Principles for doing business at Lloyd's. Similarly, the Corporation monitors global political trends and is taking action at both a market and Society level in response to a growing geopolitical risk facing companies operating around the world.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing agents manage these risks through internal compliance monitoring and the use of detailed procedure manuals. The Corporation applies a principles based oversight framework to managing agents and monitors delivery against these.

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Corporation monitors potential risks that could affect Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent. While, by its nature, group risk is difficult to control, the Corporation mitigates its potential impact through the implementation of controls, including the Principles for doing business at Lloyd's, limiting any material impairment to Lloyd's brand, reputation or strategic priorities.

5. Prior year reserves

Movements in reserves are based upon the estimated cost of claims as at 31 December 2025, taking into account all available information as at the balance sheet date. These estimates are subject to variability until the date at which the underlying claims are settled. Such changes in estimates are reflected in the technical account of the year in which they occur.

The aggregate of the prior year surpluses/deficiencies is a net surplus of £(721)m (2024: £(986)m), reflecting favourable claims development compared with projections.

The majority of business lines reported surpluses during the year. However, Casualty and Aviation experienced reserve strengthening. The modest increase in Casualty reserves was primarily driven by the Non-Marine General Liability portfolio. Aviation reported a more pronounced level of strengthening, largely attributable to continued deterioration in reserves and higher loss estimates linked to the ongoing impacts of the Russia-Ukraine conflict.

6. Members' funds at Lloyd's

The valuation of members' FAL in the balance sheet totals £31,132m (2024: £30,500m). The notional investment return on FAL included in the non-technical profit and loss account totals £1,887m (2024: £1,865m). The notional investment return on FAL has been calculated by applying quarterly yields from indices, net of management fees, to the value of FAL at the beginning of each quarter, except where the Society is the investment manager for FAL, in which case the actual return achieved has been included.

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A significant proportion of FAL investments are US dollar denominated, and for these assets, US dollar yields from indices are applied. The following table shows the indices used and the return applied for the full year.

		Proportion of FAL		Investment return	
Investment type	Index	2025	2024	2025	2024
UK equities	FTSE All share	3.8%	3.6%	19.8%	9.1%
UK government bonds	UK Gilts 1-3 years	5.5%	4.4%	4.5%	2.6%
UK corporate bonds	UK Corporate 1-3 years	4.6%	3.9%	4.8%	3.1%
UK deposits managed by Lloyd's	Return achieved	2.8%	3.3%	4.4%	5.2%
UK deposits managed externally including letters of credit	GBP LIBID 1 month	10.2%	9.1%	4.0%	4.8%
JPY government bonds	JPY Gilts 1-3 years	3.0%	3.2%	(10.0)%	(0.8)%
US equities	S&P 500 Index	9.9%	7.5%	14.0%	24.6%
US government bonds	US Treasuries 1-5 years	12.9%	15.7%	5.7%	3.5%
US corporate bonds	US Corporate 1-5 years	22.8%	24.7%	6.4%	4.7%
US deposits managed by Lloyd's	Return achieved	6.7%	5.7%	4.2%	5.7%
US deposits managed externally including letters of credit	USD LIBID 1 month	17.8%	18.9%	4.1%	4.9%

7. Society of Lloyd's (the Society)

As stated in note 2(a), syndicates and the Society separately report the transactions and balances for technical insurance-related transactions, members' subscriptions and other charges, Central Fund contributions and interest on syndicate loans. These balances are reversed from the Society's results to arrive at the adjusted result of the Society shown in note 8 below.

8. Aggregation of results and net assets

A reconciliation between the results, statement of comprehensive income and net assets reported in the syndicate annual accounts, members' FAL and by the Society, is set out below:

Profit and loss account	2025 £m	2024 £m
Result per syndicate annual accounts	9,008	7,324
Result of the Society before tax	309	471
Central adjustments	(610)	(35)
Result attributable to non-controlling interests	–	1
Notional investment return on members' funds at Lloyd's	1,887	1,865
Profit for the financial year before tax	**10,594**	9,626

Capital and reserves	2025 £m	2024 £m
Net assets per syndicate annual accounts	15,981	13,606
Net assets of the Society	3,550	3,706
Central adjustments	(1,150)	(977)
Assets attributable to non-controlling interests	14	16
Members' funds at Lloyd's	31,132	30,500
Total capital and reserves	**49,527**	46,851

Comparatives for 2024 have been reclassified to disaggregate the Society result and net assets from the central adjustment. This change enhances clarity and does not impact total amounts previously reported.

Central adjustments are described in note 2 and include the elimination of transactions between the syndicates and the Society and movements in the central reserve margin. The central reserve margin adjusted in capital and reserves at 31 December 2025 is £1,150m (2024: £500m), with the movement in the period adjusted through the profit and loss account.

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9. Segmental analysis

2025	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Underwriting result £m
Property	13,026	12,516	(4,123)	(4,203)	(1,817)	**2,373**
Casualty	14,682	14,230	(8,949)	(5,067)	(301)	**(87)**
Marine, Aviation and Energy	6,826	6,464	(4,509)	(2,079)	(54)	**(178)**
Specialty	3,250	2,724	(1,091)	(958)	(400)	**275**
Life	33	36	(11)	(16)	(3)	**6**
Total direct insurance	**37,817**	**35,970**	**(18,683)**	**(12,323)**	**(2,575)**	**2,389**
Reinsurance Acceptances	20,053	19,304	(10,522)	(5,167)	(1,569)	**2,046**
Total from syndicate operations	**57,870**	**55,274**	**(29,205)**	**(17,490)**	**(4,144)**	**4,435**
Transactions between syndicates and the Society (notes 2 and 7) and insurance operations of the Society	–	–	–	773	–	**773**
PFFS premiums and underwriting result	**57,870**	**55,274**	**(29,205)**	**(16,717)**	**(4,144)**	**5,208**
Allocated investment return transferred from the non-technical account						**3,582**
Balance on the technical account for general business						**8,790**

The annual syndicate accounts disclose a segmental analysis in accordance with the requirements of the Schedule 3 regulations (Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008), alongside additional analysis to facilitate the classification of the Schedule 3 classes in the Lloyd's aggregate classes of business shown above.

In the current period, the particulars of business required under FRS 103 are presented on a gross basis to align with the requirements of the standard. In prior reporting periods, this disclosure was presented on a net basis. In addition, the lines of business presented have been revised to support more consistent and comparable reporting. Accordingly, the comparative figures for the prior period have been restated. This change in presentation does not impact the underlying financial performance or position of the market.

2024 Restated	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Underwriting result £m
Property	12,398	11,733	(4,850)	(3,595)	(1,629)	**1,659**
Casualty	14,411	13,989	(7,872)	(4,761)	(476)	**880**
Marine, Aviation and Energy	6,425	6,080	(4,523)	(1,959)	442	**40**
Specialty	3,543	3,205	(1,276)	(1,099)	(433)	**397**
Life	40	40	(10)	(19)	(4)	**7**
Total direct insurance	**36,817**	**35,047**	**(18,531)**	**(11,433)**	**(2,100)**	**2,983**
Reinsurance Acceptances	18,729	17,871	(10,066)	(4,717)	(1,408)	**1,680**
Total from syndicate operations	**55,546**	**52,918**	**(28,597)**	**(16,150)**	**(3,508)**	**4,663**
Transactions between syndicates and the Society (notes 2 and 7) and insurance operations of the Society	–	–	–	651	–	**651**
PFFS premiums and underwriting result	**55,546**	**52,918**	**(28,597)**	**(15,499)**	**(3,508)**	**5,314**
Allocated investment return transferred from the non-technical account						**2,637**
Balance on the technical account for general business						**7,951**

The geographical analysis of direct insurance premiums by location where contracts were concluded is as follows:

	2025 £m	2024 Restated £m
United Kingdom	23,235	22,684
European Union member states	1,006	877
United States	8,396	8,349
Rest of the world	5,180	4,907
Total	**37,817**	**36,817**

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10. Life business

The PFFS include the results of all life and non-life syndicates transacting business during 2025. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 9).

11. Net operating expenses

	2025 £m	2024 £m
Acquisition costs	13,775	12,825
Change in deferred acquisition costs	(639)	(654)
Administrative expenses	3,989	3,646
Reinsurance commissions and profit participation	(2,186)	(1,929)
Total	**14,939**	**13,888**

Total commissions on direct insurance business accounted for in the year amounted to £8,842m (2024: £8,321m).

12. Total investment return

	2025 £m	2024 £m
From financial instruments designated as at fair value through profit or loss	2,393	2,043
From available for sale investments	3	27
Dividend income	9	42
Interest on cash at bank	141	223
Other interest and similar income	13	40
Notional investment return on members' funds at Lloyd's	1,887	1,865
Investment expenses	(98)	(88)
Total	**4,348**	**4,152**
Gains on the realisation of investments	521	451
Unrealised gains on investments	1,135	311
Other relevant gains	6	–
Total	**1,662**	**762**
Total investment return	**6,010**	**4,914**

13. Financial investments

	2025 £m	2024 Restated £m
Shares and other variable yield securities and units in unit trusts	13,520	11,667
Debt securities and other fixed income securities	72,308	71,616
Participation in investment pools	5,739	4,304
Loans and deposits with credit institutions	4,542	5,273
Other investments	1,031	302
Total financial investments	**97,140**	**93,162**

Disclosures of fair values in accordance with the fair value hierarchy

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy includes the following classifications:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.
- Level 2 – Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 – Inputs to a valuation model for the asset that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is categorised at Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

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2025	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	7,203	4,861	1,456	**13,520**	–	**13,520**
Debt securities and other fixed income securities	24,144	48,098	9	**72,251**	57	**72,308**
Participation in investment pools	3,701	1,764	274	**5,739**	–	**5,739**
Loans and deposits with credit institutions	3,829	434	124	**4,387**	155	**4,542**
Other investments	413	439	106	**958**	73	**1,031**
Total financial investments	**39,290**	**55,596**	**1,969**	**96,855**	**285**	**97,140**
Derivative liabilities	(5)	(15)	(1)	**(21)**	–	**(21)**
Total liabilities	**(5)**	**(15)**	**(1)**	**(21)**	**–**	**(21)**

2024 Restated	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	6,504	3,788	1,375	**11,667**	–	**11,667**
Debt securities and other fixed income securities	25,498	45,979	57	**71,534**	82	**71,616**
Participation in investment pools	3,100	1,050	154	**4,304**	–	**4,304**
Loans and deposits with credit institutions	4,254	748	152	**5,154**	119	**5,273**
Other investments	67	62	173	**302**	–	**302**
Total financial investments	**39,423**	**51,627**	**1,911**	**92,961**	**201**	**93,162**
Derivative liabilities	(15)	(26)	(6)	**(47)**	–	**(47)**
Total liabilities	**(15)**	**(26)**	**(6)**	**(47)**	**–**	**(47)**

14. Debtors arising out of direct insurance operations

	2025 £m	2024 Restated £m
Due within one year	17,800	16,946
Due after one year	195	203
Total	**17,995**	**17,149**

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

15. Debtors arising out of reinsurance operations

	2025 £m	2024 Restated £m
Due within one year	9,361	8,832
Due after one year	437	482
Total	**9,798**	**9,314**

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

16. Cash at bank and in hand

Cash at bank and in hand of £12,061m (2024: £12,039m) includes letters of credit and bank guarantees held in trust within members' FAL to meet policyholder claims as required, totalling £8,372m (2024: £7,836m).

17. Note to the statement of cash flows

Cash and cash equivalents comprise the following:

	2025 £m	2024 Restated £m
Cash at bank and in hand	12,061	12,039
Deposits with credit institutions	1,089	1,186
Bank overdrafts	(342)	(297)
Short term debt instruments presented within other financial investments	3,228	2,284
Total	**16,036**	**15,212**

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Of the cash and cash equivalents, £579m (2024 Restated: £591m) is held in regulated bank accounts in overseas jurisdictions.

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

18. Analysis of net debt

2025	Balance as at 1 January £m	Cash flows £m	Acquired £m	Fair value and exchange movements £m	Non-cash changes £m	Balance as at 31 December £m
Cash and cash equivalents	15,212	1,108	–	(284)	–	16,036
Other	(1,893)	391	–	(39)	(23)	(1,564)
Total	**13,319**	**1,499**	**–**	**(323)**	**(23)**	**14,472**

19. Members' balances

	2025 £m	2024 Restated £m
Members' balances brought forward at 1 January	13,533	10,266
Total comprehensive income for the year	8,127	7,440
(Distribution of profit)/collection of losses	(5,072)	(3,429)
Cash calls	47	71
Net movement on funds in syndicate	(732)	(809)
Other changes in members' balances	78	(6)
Members' balances brought forward at 31 December	**15,981**	**13,533**

Comparatives for 2024 have been reclassified as part of the reporting rationalisation undertaken by Lloyd's. As a result, the foreign exchange component and other comprehensive income is now included in total comprehensive income. This change in presentation has no impact on total members' balances in the prior period.

Members participate in syndicates by reference to years of account. Members' ultimate results, assets and liabilities are assessed by year of account, with reference to policies incepting in that year of account. Members' balances represent the net profit/(loss) to be distributed/(collected) by syndicates to/(from) the members.

Where there are profits and members' funds at Lloyd's held in excess of members' capital requirements, they will be distributed in the second quarter of 2026.

Members who only participate in one syndicate may hold the capital supporting their underwriting in the syndicate's premium trust funds.

These funds are known as funds in syndicate (FIS). At 31 December 2025, there was £2,088m (2024: £2,567m) of FIS within members' balances. Where a member takes advantage of this facility in the year, the movement is reflected in the above table as 'net movement on funds in syndicate'.

20. Technical provisions and deferred acquisition costs

(a) Provision for unearned premiums

2025	Gross provisions £m	Reinsurance assets £m	Net £m
Balance as at 1 January	27,651	(5,570)	22,081
Premiums written during the year	57,870	(14,041)	43,829
Premiums earned during the year	(55,274)	13,280	(41,994)
Effect of movements in exchange rate	(1,487)	367	(1,120)
Other	48	(38)	10
Balance at 31 December	**28,808**	**(6,002)**	**22,806**

2024	Gross provisions £m	Reinsurance assets £m	Net £m
Balance as at 1 January	25,065	(5,036)	20,029
Premiums written during the year	55,546	(13,005)	42,541
Premiums earned during the year	(52,918)	12,494	(40,424)
Effect of movements in exchange rate	(42)	(23)	(65)
Other	–	–	–
Balance at 31 December	**27,651**	**(5,570)**	**22,081**

Notes to the Pro Forma Financial Statements

continued

(b) Deferred acquisition costs

2025	Gross £m	Reinsurance £m	Net £m
Balance as at 1 January	6,476	(1,019)	5,457
Incurred deferred acquisition costs	9,958	(1,644)	8,314
Amortised deferred acquisition costs	(9,319)	1,495	(7,824)
Foreign exchange movements	(197)	37	(160)
Other deferred acquisition costs	(13)	–	(13)
Balance as at 31 December	**6,905**	**(1,131)**	**5,774**

2024 Restated	Gross £m	Reinsurance £m	Net £m
Balance as at 1 January	5,835	(903)	4,932
Incurred deferred acquisition costs	9,419	(1,422)	7,997
Amortised deferred acquisition costs	(8,765)	1,314	(7,451)
Foreign exchange movements	(3)	(8)	(11)
Other deferred acquisition costs	(10)	–	(10)
Balance as at 31 December	**6,476**	**(1,019)**	**5,457**

Prior year comparatives have been restated on a presentational basis only to reflect the separate disclosure of gross and reinsurers' share of deferred acquisition costs (DAC), which were previously reported on a gross basis. This enhanced level of disclosure does not affect profit, equity or net assets, nor does it represent a change in accounting policy or estimation methodology. It simply improves transparency by aligning DAC reporting with the increased granularity now available following the reporting rationalisation undertaken by Lloyd's.

(c) Claims outstanding

2025	Gross provisions £m	Reinsurance assets £m	Net £m
Balance at 1 January	85,395	(27,628)	57,767
Claims paid during the year	(25,939)	7,782	(18,157)
Claims incurred during the year	29,205	(7,358)	21,847
Effect of movements in exchange rate	(4,188)	1,558	(2,630)
Other	170	(187)	(17)
Balance at 31 December	**84,643**	**(25,833)**	**58,810**

2024	Gross provisions £m	Reinsurance assets £m	Net £m
Balance at 1 January	78,774	(26,768)	52,006
Claims paid during the year	(22,298)	6,585	(15,713)
Claims incurred during the year	28,597	(7,375)	21,222
Effect of movements in exchange rate	144	(31)	113
Other	178	(39)	139
Balance at 31 December	**85,395**	**(27,628)**	**57,767**

21. Discounted claims

Discounting may be applied to claims provisions where there are individual claims with structured settlements that have annuity-like characteristics, or for books of business with mean term payment greater than four years. Certain syndicates have elected to discount their claims provisions. The categories of discounted claims, along with the discount rates and methodologies used, are disclosed within each syndicate's financial statements. The aggregation of this data does not deliver meaningful information, therefore it is not disclosed in the PFFS.

The period that will elapse before claims are settled is determined using impaired life mortality rates. The claims provisions before discounting are as follows:

	Undiscounted claims		Effects of discounting		After discounting	
	2025 £m	2024 Restated £m	2025 £m	2024 Restated £m	2025 £m	2024 Restated £m
Gross claims provisions	84,893	85,603	(250)	(208)	84,643	85,395
Reinsurance share of total claims	(25,972)	(27,726)	139	98	(25,833)	(27,628)

In prior years, only a limited subset of gross claims provisions subject to discounting was disclosed. During the current year, as part of the reporting rationalisation undertaken by Lloyd's, management has reviewed this presentation and determined that it is more appropriate to disclose the full gross discounted claims outstanding provision, including all components subject to discounting.

This change affects presentation only and does not alter the measurement basis of the underlying liabilities. The change in presentation has no impact on total capital and reserves in the prior period.

Notes to the Pro Forma Financial Statements

continued

22. Creditors arising out of direct insurance operations

	2025 £m	2024 Restated £m
Due within one year	1,207	1,270
Due after one year	7	10
Total	**1,214**	**1,280**

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

23. Creditors arising out of reinsurance operations

	2025 £m	2024 Restated £m
Due within one year	7,588	8,047
Due after one year	1,527	970
Total	**9,115**	**9,017**

Comparative values for the prior period ended 31 December 2024 have been restated – refer to note 2 for details of the restatement.

24. Five year summary

Results	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Gross written premiums	57,870	55,546	52,149	46,705	39,216
Net written premiums	43,829	42,541	39,351	34,570	28,439
Earned premiums, net of reinsurance	41,994	40,424	36,925	32,458	26,657
Result attributable to underwriting	5,208	5,314	5,910	2,641	1,741
Result for the year before tax	10,594	9,626	10,663	(769)	2,277
Assets employed					
Cash and investments	109,201	105,201	100,682	95,872	83,998
Net technical provisions	81,616	79,848	72,035	69,878	58,590
Other net assets	21,942	21,498	16,018	13,608	10,349
Capital and reserves	49,527	46,851	44,665	39,602	35,757
Statistics					
Combined ratio (%)	87.6	86.9	84.0	91.9	93.5
Return on capital (%)	22.0	21.0	25.3	(2.0)	6.6

25. Related party transactions

The annual accounts of each syndicate provide, where appropriate, the required disclosures on related parties. Syndicate level disclosures are specific to each syndicate and its managing agent. For 2025, there were no material related party transactions conducted outside normal market conditions reported in the syndicate annual accounts requiring disclosure. The related party transactions of the Society are disclosed in note 36 on page 163.

26. Events after the reporting period

Following the balance sheet date, geopolitical tensions continued, including the ongoing Russia-Ukraine and Middle East conflicts. Given the early stage of recent developments and the inherent uncertainty surrounding these events, Lloyd's is currently unable to quantify any financial impact. As these events occurred after the year end, they are treated as non-adjusting events, and developments continue to be monitored.

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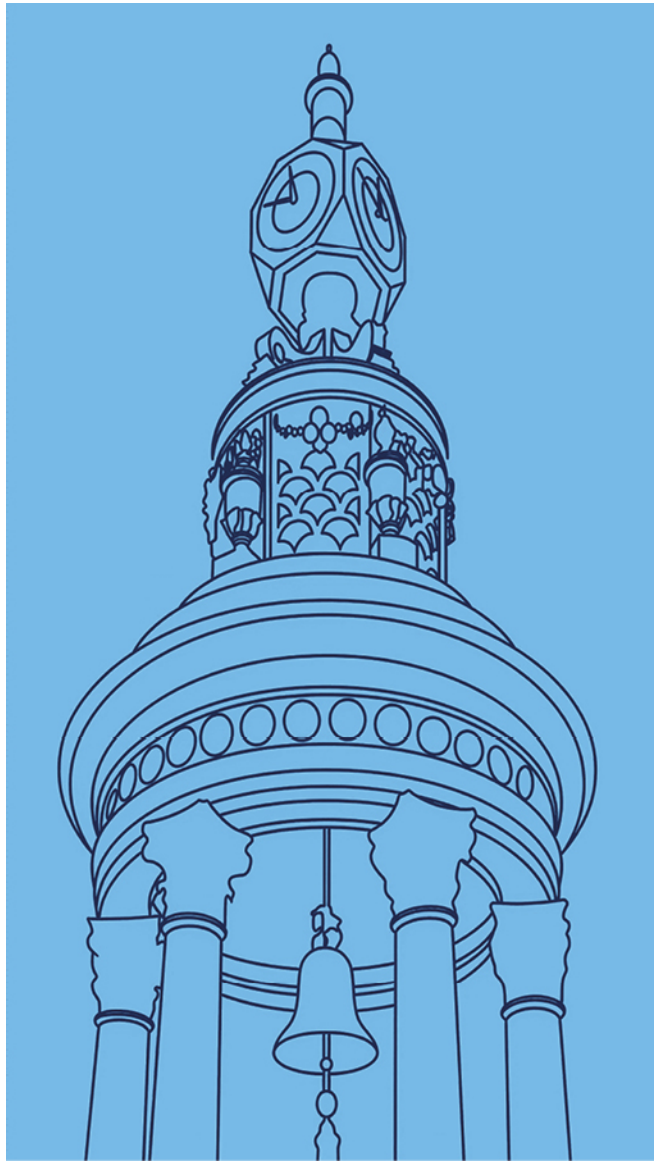
Chair's introduction



"Lloyd's occupies a distinctive position in global insurance. Our history is long and our brand strong. But reputation cannot be taken for granted. It must be constantly re-earned through disciplined performance and credible governance"

Governance sits at the core of my role as Chair of Lloyd's. It is the means by which we monitor performance, test our strategy and, crucially, shape our culture.

At Lloyd's, that obligation carries special weight. We oversee and support a market of independent businesses, backed by global capital, serving clients around the world. We set standards for others.

To my mind, it is therefore axiomatic that we must meet – if not surpass – the very highest standards ourselves. We expect discipline and transparency across the market; we must embody those qualities within the Corporation.

Shortly after taking on my present role, I commissioned a comprehensive review of our governance arrangements. I met with each member of the Council. Together, we examined how responsibilities were defined, how information was presented, how challenge played out and how decisions were implemented. We also considered relevant external perspectives as well as the development of governance best practice over recent years.

My conclusion was clear. For the Council to meet the standards of a world-class board, we needed to update and strengthen governance structures and processes in a number of respects.

The first priority has been to simplify and clarify accountability. We have sharpened the respective roles of the Council, its sub-committees and the Executive.

The Council is now concentrating on fewer but more strategic issues. We are deliberately focused on the most material questions facing the Society: overseeing performance, capital strength, risk, major investments and long-term direction.

This creates space for more rigorous and focused debate; it reduces the risk that critical matters are crowded out by routine oversight. Those routine but important matters that require governance scrutiny are delegated to a streamlined set of sub-committees with clearer remits and accountability, enabling detailed examination of particular issues before they reach the Council. For further information, please see the Council and its committees at a glance section on page 68.

Responsibilities within the Executive have also been clarified. Strategy implementation, risk, talent, culture, operations and driving performance sit with the Executive team. We have delegated authority accordingly and hold the Executive to account for delivery against agreed key performance indicators.

Chair's introduction

continued

The Executive has committed to providing the Council with more regular and more useful information. In addition, we will continue to enhance the presentation of the Society's accounts to improve clarity and transparency. This improved presentation will strengthen external stakeholders' ability to hold the Council and the Executive to account for the performance of the Corporation.

It is my firm belief that good governance depends on clear information but also on constructive tension. Boards must challenge executive teams and they in turn must be open to challenge by their boards.

Within the Council, we have agreed a set of behavioural norms designed to improve the quality of debate. They emphasise candour, confidentiality and our duty to raise material concerns. Council members are expected to test assumptions and press for clarity where it is lacking.

Equally, following proper debate, once decisions are taken, they are respected.

We have also formalised clearer paths of escalation where a Council member believes that significant concerns are not being addressed. The aim is not to revisit decisions, but rather to ensure significant risks are not overlooked.

In parallel, we have strengthened the Council's expectations of the Executive. Senior leaders are required to provide full, accurate and timely information to the Council. The quality of information and responsiveness to challenge posed by the Council forms a key plank of performance evaluation. Governance is not solely structural; it is also behavioural.

"It is my firm belief that good governance depends on clear information but also on constructive tension. Boards must challenge executive teams and they in turn must be open to challenge by their boards"

We have identified opportunities to strengthen oversight of the Corporation's significant commercial decisions and to sharpen the processes by which large-scale projects are initiated and governed. We are implementing a more robust framework that requires disciplined analysis, clear accountabilities and staged governance. The Council expects proposals to demonstrate economic rigour, discernible benefits and well-articulated risks. These changes ensure that decisions of scale are made on the strongest possible footing.

We have examined our whistleblowing arrangements and conduct framework. The process for raising concerns is strong. Our focus has been on ensuring that it is consistently implemented when required. We are updating elements of our Code of Conduct and related policies to align them with the standards expected of a leading global financial institution.

Lloyd's is not a public company with shareholders; however, it serves multiple stakeholders who operate in or support the market and depend on our stewardship. Transparency is not optional; it is the foundation of credibility. Good governance cannot be merely introspective. It must be informed by regular interaction with an institution's stakeholders and by a well-evidenced perspective on what is in the market's best, long-term interests.

From the second half of this year, I will therefore hold regular meetings with the principal market associations and other key stakeholders. These sessions will offer an opportunity to explain our priorities and to listen carefully to concerns. They will also provide structured feedback on the performance of the Council and the Executive. The Council will also ensure that major decisions are taken with a good understanding of the range of views within the market.

It would be a mistake to regard these reforms as a single corrective exercise. Governance is not a one-off exercise. It must be a continuous process of adaptation and reinforcement.

Later this year, as part of our regular Council self-assessment process, I will commission an external review of Council's effectiveness. The objective will be to assess whether the changes we have implemented have strengthened accountability, improved the quality of decision-making and enhanced trust. The findings will be shared with our main stakeholders and published in the Governance section of the 2026 Annual Report (released in 2027).

Lloyd's occupies a distinctive position in global insurance. Our history is long and our brand strong. But reputation cannot be taken for granted. It must be constantly re-earned through disciplined performance and credible governance.

As Chair, I take that responsibility extremely seriously. The reforms underway are substantial. They are designed to ensure that Council discharges its duties with rigour and transparency, and that the Executive is held properly to account.

Above all, they are designed to ensure that Lloyd's governance matches the scale and significance of the market it oversees.

Sir Charles Roxburgh
Chair of Lloyd's

18 March 2026

Council and its committees at a glance (as at 18 March 2026)

The Council of Lloyd's (the 'Council') *(Code Principle A and Provision 14)*

Governing body of the Society of Lloyd's (the 'Society'), responsible for managing its affairs and has the power to regulate and direct the Lloyd's insurance market and make byelaws. The Council retains reserved functions but delegates specific responsibilities to committees, as well as to the Executive Team, as outlined below. The Society's governance structure provides challenge, clarity and accountability. See page xxx for further information.

See www.lloyds.com for Council biographical details

See www.lloyds.com for our governance structure including terms of reference

Committees of the Council

Nominations and Governance ('Nominations') Committee
Reviews governance and leadership requirements across the Society and its subsidiaries and monitors the Corporation's culture initiatives.
See page 90 for further information.

Audit Committee
Supports the Council by overseeing the integrity of the Society's financial reporting, sustainability disclosures, effectiveness of internal controls, and the independence and performance of internal and external auditors.
See page 84 for further information.

Risk Committee
Assists the Council in overseeing the identification and management of key risks to Lloyd's objectives including climate risk.
See page 82 for further information.

Remuneration Committee
Sets remuneration for the Chair, Chief Executive, Executive Directors, and other senior roles as appropriate, to ensure that Society remuneration is fair, competitive and aligned with the organisation's strategy.
See page 94 for further information.

Technology, Transformation and Innovation Committee
Supports the Council by overseeing technology, data, AI, transformation, market modernisation, and innovation initiatives to ensure that Lloyd's remains resilient, competitive, and aligned with its purpose, values, and regulatory requirements.
See page 106 for further information.

Special and Charitable Committees

Market Supervision and Review Committee (MSARC)
Decides on the use of the Society's enforcement powers and serves as a review body with authority to amend, modify or withdraw certain executive decisions affecting managing agents.
See page 105 for further information.

Lloyd's Enforcement Board
Has jurisdiction over enforcement proceedings initiated by the Council (except for the power to impose administrative fines), unless and until such proceedings are referred to an enforcement tribunal.
See page 105 for further information.

Capacity Transfer Panel (CTP)
Exercises the Council's authority over syndicate minority buyouts and mergers.
See page 105 for further information.

Lloyd's of London Foundation
An independent charity established and funded by the Society, providing a platform for charitable activity and engagement across the Society and Lloyd's market. The aspiration is to deliver long-term, meaningful social impact, engaging stakeholders and leveraging convening powers.
See page 76 for further information.

Executive Team

The Chief Executive is responsible for carrying out the management of the Society, with delegation to the Executive Team and then to the Senior Leadership Team (SLT), as appropriate. Certain individuals are accountable to the Regulator for senior management functions.

See www.lloyds.com for Executive Team biographical details

The Code

The 2018 Corporate Governance Code has been replaced by the 2024 version. Most changes took effect from 1 January 2025 save for Provision 29 which took effect from 1 January 2026.

The Council supports the application of the principles of the UK Corporate Governance Code 2024 (the 'Code'). An internal assessment has been conducted, and unless otherwise stated, the Society has complied with the provisions of the Code currently in force throughout the reporting period, insofar as it is applicable to a member-based Society operating within a market of distinct and competing entities. The tables below indicate where further details can be found, including explanations of any departures.

1. Board leadership and company purpose

Principles	Comply/More information
(A) Board's role	✓ See pg 66 to 106 for more information
(B) Company's purpose, values, strategies and culture	✓ See pg 8 to 26, 66 to 106 for more information
(C) Board decisions and outcomes	✓ See pg 66 to 106 for more information
(D) Stakeholder engagement	✓ See pg 66 to 106 for more information
(E) Workforce policies, practices and raising concerns	✓ See pg 66 to 106 for more information
Provisions 1-8	✓ See pg 8 to 26, 66 to 106 for more information

2. Division of responsibilities

Principles	Comply/More information
(F) Chair role	✓ See pg 66 to 106 for more information
(G) Board composition and division of responsibilities	✓ See pg 66 to 106 for more information
(H) Non-executive director role	✓ See pg 66 to 106 for more information
(I) Company Secretary role	✓ See pg 66 to 106 for more information
Provisions 9-10, 12-14 and 16	✓ See pg 66 to 106 for more information
Provisions 11 and 15	Departure see pg 70, 90 to 93 for more information

3. Composition, succession and evaluation

Principles	Comply/More information
(J) Board appointments and succession planning	✓ See pg 66 to 106 for more information
(K) Board skills, knowledge and experience	✓ See pg 66 to 106 for more information
(L) Board evaluation	✓ See pg 66 to 106 for more information
Provisions 19-23	✓ See pg 66 to 106 for more information
Provisions 17 and 18	Departure see pg 70, 79 for more information

4. Audit, risk and internal control

Principles	Comply/More information
(M) Internal and external audit	✓ See pg 84 to 89 for more information
(N) Fair, balanced and understandable assessment	✓ See pg 84 to 89, 117 and 119 to 121 for more information
(O) Risk management and internal control	✓ See pg 23 to 26, 66 to 106 for more information
Provisions 25-31	✓ See pg 23 to 26, 66 to 106, 118 to 121 for more information
Provision 24	Departure see pg 78 for more information

5. Remuneration

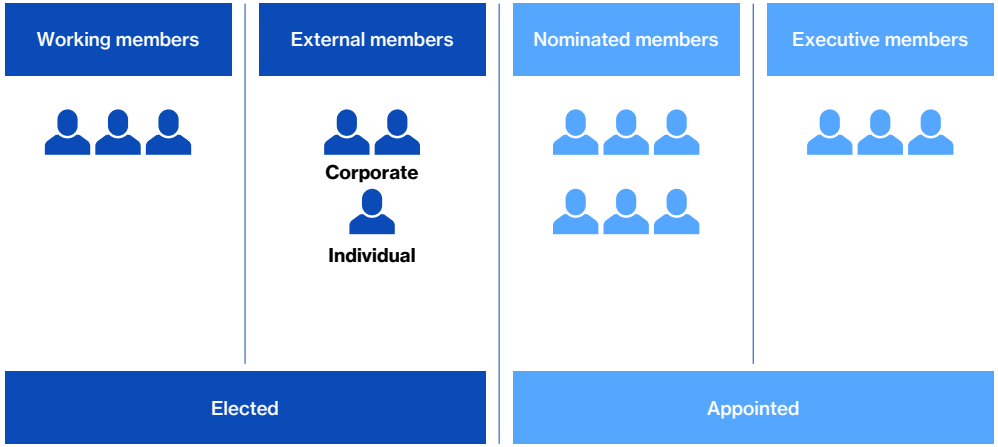
Principles	Comply/More information
(P) Remuneration policies and practices	✓ See pg 66 to 106 for more information
(Q) Remuneration governance	✓ See pg 66 to 106 for more information
(R) Remuneration outcomes	✓ See pg 66 to 106 for more information
Provisions 33-37 and 40.	✓ See pg 66 to 106 for more information
Provisions 32, 38, 39 and 41	Departure see pg 79, 97, 103-104 for more information

Council report

Council composition and division of responsibilities *(Code Principles A, B, C, F, G, H, I and K; Provisions 7, 8, 9, 11, 12, 13, 14 and 18)*

The Council has up to 15 members, with the composition promoting balanced participation and supporting effective, collaborative decision-making.

See www.lloyds.com for details of the Council's composition and appointment/election process



Council responsibilities *(Code Principle A)*

The Council holds several reserved powers, which include:

Setting Lloyd's strategy	Approving the Society's risk appetites
Permitting managing agents	Determining Central Fund contribution rates
Setting Society-level capital requirements	Approving the Society's budget
Approving the Corporation's culture strategy	Making, amending, or revoking Byelaws

Term: Council members are usually appointed or elected for a three year term, renewable up to a maximum of nine years (with no limit for Executive members).

Appointments/terminations: The Council is responsible for appointing and, when required, removing, members of its committees, panels, boards and other designated roles, including the Chair, Deputy Chairs, committee members and the Chief Executive, and sets their delegated authority and terms of office in accordance with the relevant terms of reference.

Roles: Council has a Chair (the 'Chair of Lloyd's), Senior Independent Deputy Chair (SIDC) and two further Deputy Chairs, with the following responsibilities:

- **Chair:** leads Council to create conditions to ensure overall effectiveness.
- **SIDC:** acts as sounding board for the Chair, is an intermediary for other directors and leads annual meetings to appraise the Chair's performance without the Chair present, holding other ad hoc meetings as necessary.
- **Deputy Chairs:** provide advice and support to the Chair, Chief Executive and executive directors.

Annual re-election: Except for the Chair and Deputy Chair positions, Council appointments do not require annual re-election. This departure from Provision 18 of the Code is justified by processes that ensure market representation, including:

- Direct election of six members.
- Oversight of nominated appointments by the Nominations Committee.
- Balanced representation between elected market members and nominated members (considered independent non-executive directors under the Code).

Composition: The Council composition and appointment/election processes are set by the Lloyd's Act 1982 and the Constitutional Arrangements Byelaw (No. 2 of 2010).

Independent members do not form a majority on the Council, which departs from Provision 11 of the Code. While nominated members (and the Chair on appointment) are considered independent under the Code, elected market members are not. This departure reflects:

- Requirements of the Lloyd's Act 1982 and the Society's specific needs.
- The value of elected members' market perspectives, with conflicts managed appropriately, enabling independent nominated members of the Council to gain an understanding of the views of key stakeholders in the Lloyd's market, ensuring representation of market views in key decisions.

Constitutional Arrangements Byelaw: Sets out duties and responsibilities of the Chair and Council members, including the duty to exercise independent judgement, to maintain collective responsibility and consider the long-term impacts of Council decisions.

Terms of reference: Define responsibilities of Council, its committees, the Chair, Deputy Chairs (including SIDC), Chief Executive and the executive team, showing a clear division of responsibilities. See www.lloyds.com for the terms of reference.

Appointment terms: Non-executive director appointment terms are available on request by Lloyd's members.

Indemnities: The Society has provided indemnities to Council and committee members, various subsidiaries, their directors, employees of the Society and individuals or organisations performing services for or on behalf of the Society. These indemnities cover potential claims, operating losses and specific costs associated with the performance of their roles.

Council report

continued

Council and committee attendance records

Council and committee attendance for scheduled meetings are presented within the governance report. For members appointed or retiring during the year, attendance is shown relative to meetings they were eligible to attend. Timing of meetings may occasionally change; efforts are made to ensure member availability, though short notice can affect attendance.

Council meetings

Seven scheduled meetings were held during 2025 with three ad hoc meetings also held.

Positions held as at 18 March 2026 *(Code Provision 12)*

Chair: Sir Charles Roxburgh KCB

Senior Independent Deputy Chair (the Society's equivalent of the Senior Independent Director): Fiona Luck

Deputy Chairs: Victoria Carter, Fiona Luck and Sean McGovern.

Culture Champion: Joe Hurd

Whistleblowing Champion: Angela Crawford-Ingle

Governance fundamentals *(Code Principle I; Provisions 7, 9, 10 and 16)*

Code: For UK Corporate Governance Code purposes, the Chair of Lloyd's was independent on appointment, and the nominated members are regarded as independent.

Training: Council and committee members receive an induction and ongoing training as appropriate.

Conflicts of interest: Conflicts are managed by the Secretary to the Council. This includes maintaining a register (which is available for inspection by Society members on request), redacting papers as needed, arranging member recusals where conflicts arise and providing annual training.

Independent advice: Council and committee members have access to independent professional advice and may seek governance guidance from the Secretary to the Council. The Council as a whole is responsible for the appointment and removal of the Secretary to the Council. During 2025, the Head of Secretariat and Governance met at least once individually with each non-executive member of the Council.

Council composition and attendance *(Code Provisions 9, 14 and 19)*

		Scheduled meetings attended	Appointment and cessation notes*
Chair	Sir Charles Roxburgh KCB	5/5	Commenced as Chair of Lloyd's and Council member on 1 May 2025.
	Bruce Carnegie-Brown	2/2	Ceased as Chair of Lloyd's and Council member on 30 April 2025.
Nominated members	Alexander Baugh	5/5	Commenced as a Council member from 15 May 2025.
	Angela Crawford-Ingle	7/7	
	Joe Hurd	7/7	
	Fiona Luck	7/7	Following, Lord Mark Sedwill's departure on 30 November 2025, Fiona commenced as Senior Independent Deputy Chair (SIDC).
	Neil Maidment	0/0	Ceased as a Council member on 31 January 2025.
	Lord Mark Sedwill	5/6	Ceased as a Council member and SIDC on 30 November 2025.
External members	Dominick Hoare	0/0	Ceased as a Council member on 31 January 2025.
	Marcus Johnson	7/7	
	Sean McGovern	7/7	Commenced as Deputy Chair on 1 February 2026.
	Jane Warren	7/7	Commenced as a Council member on 1 February 2025.
Working members	Andrew Brooks	7/7	Ceased as Deputy Chair and as a Council member on 31 January 2026.
	Victoria Carter	7/7	
	Richard Dudley	6/7	Re-elected, following the Council elections, for a second term, effective from 1 February 2026.
Executive members of the Council	Alexandra Cliff	5/5	Commenced as Chief Financial Officer and as a Council member on 1 May 2025. On 16 January 2026, it was announced that Alexandra would be leaving Lloyd's with Jim Bichard appointed as her successor.
	Burkhard Keese	2/2	Ceased as Chief Financial Officer and as a Council member on 30 April 2025.
	John Neal	3/3	Ceased as Chief Executive Officer and as a Council member on 31 May 2025.
	Patrick Tiernan	7/7	Ceased as Chief of Markets on 31 May 2025 and became Chief Executive on 1 June 2025, remaining a Council member throughout 2025.
	Rachel Turk	3/4	Commenced as Chief of Market Performance and a Council member from 1 June 2025.

*On 1 February 2026, following the Council elections, Duncan Dale commenced as a working member of the Council.

Statement by the members of the Council

In relation to paragraph 3.2 of the Constitutional Arrangements Byelaw, equivalent to s.172(1) of the Companies Act 2006 (the 'Act') *(Code Principle B)*

The Society is established by statute and therefore falls outside the scope of the Companies Act 2006, including the requirement to produce a s.172(1) statement. However, paragraph 3.2 of the Constitutional Arrangements Byelaw (the 'Byelaw') sets out similar responsibilities. In line with these, Council members have chosen to provide a statement under the Byelaw, demonstrating their commitment to taking into account the long-term impact of decisions, as well as the interests of our stakeholders. The Council has a duty to act in the interests of the Society's members, with the aim of making decisions that protect their long-term interests and reflect the views of members and wider stakeholders. It must also act fairly between different members, recognising that their interests may differ. The Council's composition, which includes six elected market representatives, enables nominated independent members to understand the perspectives of key stakeholders across the Lloyd's market and ensures representation of market views is reflected in key decisions. Please see the Lloyd's Byelaw page at www.lloyds.com for further information.

Our stakeholders and engagement *(Code Principles B, C, D and E; Provisions 2, 3 and 5)*

Understanding stakeholders' perspectives is essential to informing and supporting the Council's decision-making. The Society engages with stakeholders in a variety of ways, including discussion panels, surveys, conferences, consultations and ongoing engagement with members and market participants on strategic initiatives. In addition, the Chair of Lloyd's undertakes a wide range of engagements with stakeholders, including UK and international regulators, government officials, senior market executives, market associations and members' agents, as well as attending events and speaking at conferences. As illustrated in the Lloyd's business model (page 21), the market comprises a broad range of stakeholders. The summary below outlines our key stakeholders, their purpose and how we engaged with them during 2025; however, this list is not exhaustive and engagement often spans multiple groups.

Stakeholders and why they are important	Engagement	Outcomes
1 **Market participants** • **Managing agents:** Manage syndicate(s) on behalf of members, overseeing underwriting, employing underwriters and running all business operations. Underwriters set prices and terms for complex risks, enabling risk transfer and revenue generation. • **Distributors:** Intermediaries, such as brokers and coverholders, connect policyholders with underwriters to place risks into the market, bringing business from around the world to the Lloyd's market and delivering tailored insurance solutions to meet policyholders' needs. • **Industry and market associations:** Key industry and market bodies play an essential role in supporting the Lloyd's market, by representing underwriting interests and promoting collaborative initiatives across the marketplace.	**New entrants:** Council grants in-principle approval to new entrants after reviewing their background, business plan and performance. The Council then receives updates on the new entrants from members of the Executive Team. **Principles Based Oversight (PBO):** Oversight engagement with managing agents is primarily driven by PBO, ensuring that our approach reflects both the materiality of each managing agent and syndicate and their performance against our Principles. This flexible approach allows us to tailor engagement so that oversight remains proportionate and risk-based, supporting Lloyd's aim of maintaining sustainable market performance. For more information, please visit the Principles for doing business at Lloyd's page at www.lloyds.com. **Quarterly market messages:** Senior management delivers quarterly market messages to stakeholders, including brokers, managing agents and underwriters, providing updates on prevailing market conditions, objectives for syndicate business plans and oversight priorities. **Conferences and events:** Senior executives and Council members attend insurance events including Monte Carlo Rendez-Vous de Septembre and the Council of Insurance Agents and Brokers conference. **Non-underwriting working members:** The Society annually invites Lloyd's brokers, managing agents and members' agents to nominate senior individuals who meet specific criteria as non-underwriting working members, ensuring experienced practitioners remain actively involved in governance activities. **Lloyd's Lab:** Lloyd's continued to expand its innovation activity through the Lloyd's Lab, the market's innovation engine, which accelerates new product development and operational efficiencies through structured programmes. These include market-led and InsurTech-led development, training for market professionals and targeted proof of concepts addressing specific market needs.	Effective engagement with market participants enables the Society to understand market needs and challenges, enabling tailored solutions to align with policyholder demand, and support more risks being placed in the Lloyd's market. This engagement helps to strengthen the market's overall performance, capital strength, and financial and reputational credibility. In 2025, the Council approved 13 new syndicates, working closely with the Society to ensure they met all requirements to come into line on 1 January 2026. In 2025, Lloyd's opened applications for Cohort Sixteen of the Lloyd's Lab accelerator, which for the first time features a dedicated Irish theme developed in partnership with Ireland's Department of Finance.

Statement by the members of the Council

continued

Stakeholders and why they are important	Engagement	Outcomes
2 **Members and investors** Provide capital to support the syndicates' underwriting which is vital for long-term performance.	**Annual General Meeting (AGM):** The Chief Executive and Chief Financial Officer provide business presentations, with the Council members and Executive Team in attendance to answer questions. **Annual and Interim Report and Accounts:** Published on the Lloyd's website after being approved by the Council. Results presentations are held, to which members' agents are invited and may ask questions on members' behalf. Quarterly forecast information is also published online to assist with member planning. **Member/Investor Engagement team:** Undertakes engagement regularly with members and members' agents. Head of Member Relations newsletters provide updates to members and request their feedback. Regular investment updates are provided and bi-annual senior management roadshows are also held for the annual and interim results. **Member events:** Regular and ad hoc events are held with associations (Association of Lloyd's Members (ALM) and High Premium Group), attended by senior management, including the Chief Executive and Chief Financial Officer from time to time. Meetings are also held with members' agents and investment managers, as representatives of members. **Funds at Lloyd's (FAL) online portal:** Available to members, third-party capital providers and investment managers providing immediate access to their FAL information. For further information, please see the FAL Online page at www.lloyds.com. **Council membership:** Six Council members are elected members who, as required, provide market insights during meetings; one of these members is also a member of the ALM.	Engagement with our members at our 2025 AGM resulted in two resolutions being passed. For more information, please see the Corporate Notices page at www.lloyds.com. Member engagement continues to reinforce the importance of clear communication and easy access to information. In response, the Society has enhanced the FAL online portal to improve usability and continues to provide quarterly forecasts to support members' planning. The Society has also launched a review of end to end capital and operational processes to identify improvements that benefit members, managing agents and the wider market. This review focuses on reducing complexity. Reports from the Member Services department are provided to the Audit Committee as needed, which then reports to the Council.
3 **Rating agencies** Assess and validate Lloyd's financial strength, helping our members and investors to make investment decisions.	**Investor relations meetings:** This includes formal bi-annual management meetings with four individual credit rating agencies, the Chief Financial Officer and senior management. In addition, there is ongoing communication throughout the year.	Effective engagement supports the financial strength ratings and stable outlook for the Society. Please see the Publications page at www.lloyds.com. The Chief Financial Officer provides updates to the Council on interactions with the ratings agencies, as needed.

Statement by the members of the Council

continued

Stakeholders and why they are important	Engagement	Outcomes
4 **Regulators** The Society is dual regulated by the PRA and FCA (with whom we engage on a frequent basis). This interaction is enhanced due to the Society's role in overseeing the market. These relationships are critical, as these regulators authorise our business activities. Globally, Lloyd's licences rely on maintaining positive relationships with our international regulators.	**Meetings and engagement:** Regular and ad hoc meetings and engagement with senior management function holders and wider senior management connected to strategy and projects. **Risk Committee and Council:** Chief Risk Officer regulatory updates are provided to the Risk Committee and Council. **Regulatory correspondence:** FCA Firm Evaluation Letter (FEL) and PRA annual periodic summary meeting review letter (PSM), and associated action plans, are reviewed by Council. **Council meetings:** FCA and PRA attend meetings as appropriate to discuss the FEL and PSM. **International regulators:** The Society has regular and ad hoc meetings and engagements with its key international regulators, and with local, regional and London leadership on strategic, performance and compliance matters, as well as regulatory policy, outlook and change.	Effective dialogue with our regulators enables the Executive Team and the Council to understand any areas of focus and agree appropriate actions. In 2025, closer co-operation resulted in a streamlined approach to managing agent authorisations and a revised Co-operation Agreement with the PRA, establishing an Annual Plan for closer co-operation. The Council was presented with an update on the revised Co-operation Agreement and apprised of developments relating to the 2025 authorisation proposals, including confirmation of the successful completion of the authorisations pilot.
5 **Policy makers** Play an important role in shaping policies relevant to the Society and the market, including those on risk, resilience, regulation, and other key issues.	**Government relations, public policy and regulatory engagement**: Engagement with UK and international policymakers, regulators, trade associations and global standard setting bodies to ensure Lloyd's views on public policy are taken into account. Engagement channels include meetings with government stakeholders, responses to public policy and regulatory consultations, contributions to policymaker roundtable events and collaboration with trade associations.	Positive relationships with key public stakeholders, including UK and international governments, regulators and global standard setting bodies, are important in ensuring that Lloyd's views are considered and help to shape and support future policy development. In 2025, key engagement included support for a revised solvency framework, initiatives targeted at improving the efficiency of regulatory execution, and efforts to better tailor UK regulation to the distinctive nature of commercial insurance markets. Lloyd's also responded to a range of consultations, including those on the Senior Managers and Certification Regime, climate risk management, the simplification of insurance rules, operational resilience, non-financial misconduct, and cross-cutting reforms to the UK regulatory framework.

Statement by the members of the Council

continued

Stakeholders and why they are important	Engagement	Outcomes
6 **Colleagues** Drive the Society's long-term success by bringing expertise, collaboration and innovation that deliver sustainable solutions for the market.	**Employee town halls, communications and Senior Leadership Team offsites:** Colleague town halls are held by the Executive Team, who present key updates, including the overall strategy and the launch of the new people strategy. Senior Leadership Team offsites have also been introduced to socialise the strategy, Global People Strategy and other people related priorities. **Lloyd's together network:** This is the Society's Diversity and Inclusion network, uniting six communities - Disability, Pride and Allies, Gender, Multi-Cultural, Military and Families - to help shape how we work. They raise awareness, provide valuable feedback on our policies and practices, and strengthen our engagement with different demographic groups. Their contribution has supported major external achievements, including Disability Confident Leader status and maintaining Clear Assured Gold status, that reinforce our position as an employer of choice. For further information, please see the Lloyd's Together page at www.lloyds.com. **Engage, employee hub and global network:** Engage is the Society's social network enabling two way dialogue, and an employee hub is available to share actions taken in response to feedback. There is also an annual global forum and quarterly regional oversight groups. **Culture and pulse surveys:** These surveys provide colleagues with an opportunity to share their views, with results shared and considered by the Employee Change Forum (ECF) and the Council, with functional action plans developed to address the feedback. **ECF:** A workforce panel that operates within Lloyd's to provide feedback on a range of topics, including the culture survey and pulse survey results. Each function elects an ECF representative who shares insights with its respective Executive Team member and contributes to the Corporation-wide ECF group (CECF), which provides feedback to the Chief People Officer every six weeks and to the Chief Executive, typically each quarter. **Culture Champion:** Council Member Joe Hurd met with the CECF and directorate ECF members to gain insights into colleague culture. Feedback was then provided to management and the Council, offering appropriate challenge to the Executive Team. The ECF and Culture Champion structure is considered effective as ECF representatives are elected and have direct interaction with the Executive Team and the Culture Champion, ensuring meaningful engagement. **Employee recognition awards:** Colleagues are nominated for demonstrating Lloyd's values (We are brave, We are stronger together and We do the right thing), embedding the desired culture into the way we work together as an organisation. **Dive In Festival:** An annual market event to promote positive workplace cultures, complementing Lloyd's values. For further information, please see the Dive In page at www.lloyds.com.	Engagement with colleagues enables us to understand, assess and monitor the Society's culture effectively. This ensures the desired culture is embedded and supports the implementation of new initiatives where appropriate. During 2025, initiatives and results included: • Launching a new Global People Strategy to invest in our people, providing clearer career paths and improving the overall colleague experience. • Achieving higher scores in the engagement and culture surveys and strong internal hire/promotion rates. • Continuing engagement with our Culture Champion, who provides management with insights based on direct interactions with colleagues. • Maintaining Clear Assured Gold status. • Maintaining Social Mobility Index Top 75 Employer status. • Maintaining Disability Confident Leader status. • Maintaining Armed Forces Covenant Gold status.

Statement by the members of the Council

continued

Stakeholders and why they are important	Engagement	Outcomes
7 **Suppliers** Deliver required services across the Society.	**Modern Slavery Statement:** The Council approved the Modern Slavery Statement which confirms Lloyd's commitment to preventing modern slavery and human trafficking across our business and supply chains. For further information, please see the Our sustainability operations page at www.lloyds.com. **Code of Conduct:** Shared with suppliers, and aligned with the Modern Slavery Statement. The Code of Conduct is supported by a robust programme of activities, including desktop audits of key suppliers and enhanced due diligence with additional modern slavery questions for goods-based services. For further information, please see the Supplier Information page at www.lloyds.com. **Operational resilience self-assessment:** In accordance with UK regulatory requirements, an operational resilience self-assessment is undertaken. The assessment maps out third-party dependencies and material third parties for the Society. The Risk Committee approves the assessment, and reports to Council as appropriate. The level of operational resilience in managing agents is assessed through Lloyd's PBO and remains the responsibility of the managing agent.	Engaging with our suppliers is essential to ensure they can deliver the required services, uphold our values and meet the Society's commitment to ensuring that no modern slavery or human trafficking is taking place in our supply chains or any part of our business. It also supports our self-assessment processes, improving resilience – the Society's ability to resist, respond to, recover from and learn from potential operational disruptions that may pose a risk.
8 **Community and environment** It is important that the Society considers, where relevant, the impact of its operations on the community and environment.	**Climate-related financial disclosures:** These are reviewed by the Audit Committee and Council and reported in the Annual Report. Please see page 108 to 113, for further information. **The Lloyd's of London Foundation and other charities:** The Foundation awards grants to partner charities and supports volunteering across the Lloyd's market. Its board of trustees, drawn from within and outside the market, reports annually to Lloyd's Council on the charity's impact. The Chair of the Council also chairs the Foundation. For further information, please see the Lloyd's of London Foundation page at www.lloyds.com. Lloyd's also supports other charities including the Lloyd's Veterans Charity and the Lloyd's Benevolent Fund.	Supporting communities in the UK and beyond enables the Society to positively impact people across the globe. Through the work of the Lloyd's charities and other corporate giving activities, the Society contributed £2.1m to charities and individuals in 2025. A total of 1,034 colleagues from the Society and the Lloyd's market took part in volunteering opportunities, giving a total of 4,807 hours to good causes.

Statement by the members of the Council

continued

Council meetings and key activities/decisions *(Code Principles A, C, F and H; Provisions 3, 5, 13 and 25)*

Council meetings are structured to encourage open discussion and include regular reports that, where appropriate, incorporate stakeholder considerations, recognising that stakeholders' interests may differ. Reports typically cover updates from the Chief Executive, Chief Financial Officer, Chief of Market Performance and the Council's committees – Nominations, Audit, Risk and Remuneration. Additional reports may be provided as needed, including from the Culture Champion and members of the Executive Team. To support ongoing engagement, the Chair maintains regular dialogue with all non-executive Council members, holding private sessions at Council meetings without the Executive Team present (as required) and meeting each Council member individually at least once a year. Set out below is a summary of key Council decisions throughout 2025 and the stakeholder groups considered.

Key Council activities/decisions, including any stakeholders considered	Link to strategy and long term
Chief Executive appointment	
Following a robust selection process, and on the recommendation of the Nominations Committee, in May 2025 the Council approved the appointment of Patrick Tiernan as the Chief Executive of Lloyd's with effect from 1 June 2025. In reaching this decision, the Committee assessed Patrick's understanding of the market and his industry expertise, ensuring that the interests of stakeholders across the market were taken into account and that the appointment supported what is best for Lloyd's going forward. Further information on the search process can be found in the Nominations Committee Report.	A strong and effective Chief Executive is critical to the long-term success of Lloyd's. The Chief Executive plays a central role in shaping and delivering the strategy, ensuring that it responds to both current market conditions and future opportunities.
Governance strategy	
As outlined in the Chair's statement, the Council has undertaken a programme of governance improvements. This has included clarifying the respective responsibilities of the Council, its sub committees and the executive, and reshaping committee structures to set clearer remits and enable detailed scrutiny at committee level before issues reach the Council. This ensures that the Council can focus on the most strategic and significant matters. Following extensive Council discussion and stakeholder engagement, the Council Sub Committee structure was streamlined, with the Investment Committee, Sustainability Committee and Technology and Transformation Committee stood down, and their responsibilities mapped to the most appropriate committees to maintain strong oversight of key matters. In addition, a Technology, Transformation and Innovation Committee has been established. Further information is available on the Former Governance Bodies page.	The changes are intended to enhance strategic focus and improve efficiency, keeping Council's work centred on core priorities while also reinforcing accountability and effective decision-making.
Strategy	
The following stakeholders were engaged with and will continue to be engaged with through town halls, roadshows, focused presentations, ongoing dialogue and participation in existing market events by the wider leadership team: regulators, rating agencies, market participants, members and investors, market associations and colleagues. This engagement helped to articulate Lloyd's value proposition to the different stakeholders and showed that there was strong support for a focused strategy. In March 2026, the Council approved its strategy, with development discussions having taken place during 2025. The strategy reinforces the Society's strategic partnership with the market and aims to strengthen and extend Lloyd's position as the 'pre-eminent global marketplace for insurance risk'.	Strategy provides Lloyd's with a clear sense of direction and ambition, aligning efforts by defining what success looks like and positioning the Society as an enabler and strategic partner to the market.
Market infrastructure (including Blueprint Two)	
The Council received regular updates from the Chief Executive on Blueprint Two. Following a comprehensive review, the Council approved the decision to sunset the name and original vision of Blueprint Two. The Council also endorsed a delivery approach based on close collaboration with Velonetic, fellow shareholders and market associations, with priorities centred on maintaining operational resilience on a rolling five-year forward basis, progressing market-led modernisation on an incremental basis, and creating a clear governance structure.	Market infrastructure is important to Lloyd's role as a trusted global insurance and reinsurance market. Given its complexity and interconnectedness, operational resilience ensures Lloyd's can continue delivering critical services to the market.

Committees of the Council

The Council delegates specific responsibilities to its committees. Committee membership is drawn from the Council, except the Executive members who are not eligible to become members. Each Committee has members who bring the appropriate skills and experience, including the requisite financial expertise for the Audit Committee. Members recuse themselves from discussions or recommendations concerning their own interests. Committee Chairs maintain open lines of communication with the Executive Team, Senior Leadership Team and other senior executives, meeting informally as needed to discuss current issues, operations and to raise any matters confidentially, when appropriate. For further information on member experience, please see the Lloyd's governance structure page at www.lloyds.com.

Risk Committee composition and attendance*

(Code Provisions 13 and 14)

		Scheduled meetings attended	Appointment and cessation notes
Chair	**Alexander Baugh**	4/4	Commenced as Committee Chair on 22 May 2025, following regulatory approval (having commenced as a member on 15 May 2025).
	Neil Maidment	2/2	Ceased as Chair and Committee member on 31 January 2025 and served as a special adviser from 1 February to 31 March 2025.
	Andrew Brooks	5/6	Served as interim Chair from 1 February 2025 to 21 May 2025, and ceased as a Committee member on 31 January 2026.
Council members	Victoria Carter	4/6	Commenced as a Committee member on 1 February 2025.
	Angela Crawford-Ingle	6/6	
	Dominick Hoare	0/0	Ceased as a Committee member on 31 January 2025.
	Joe Hurd	6/6	Ceased as a Committee member on 31 January 2026.
	Fiona Luck	5/6	Ceased as a Committee member on 31 January 2026.
	Lord Mark Sedwill	3/5	Ceased as a Committee member on 30 November 2025.

*On 1 February 2026 the following Council members commenced as Committee members: Duncan Dale, Marcus Johnson, Sir Charles Roxburgh KCB and Jane Warren.

At the end of 2025, the Committee was chaired by Alexander Baugh and comprised two elected working members and four independent nominated members. Six scheduled meetings were held during 2025, with private meetings held with the Chief Risk Officer at the end of each meeting as appropriate.

The Chair of Lloyd's, Chief Executive, Chief Risk Officer, Chief Financial Officer, and Chief of Market Performance regularly attend meetings, with others invited as appropriate. The Committee Chair has open lines of communication with these individuals outside of meetings.

Audit Committee composition and attendance*

(Code Principle C; Provisions 13, 14 and 24)

		Scheduled meetings attended	Appointment and cessation notes
Chair	**Angela Crawford-Ingle**	**8/8**	
Council members	Alexander Baugh	5/5	Commenced as a Committee member on 15 May 2025.
	Victoria Carter	0/0	Ceased as a Committee member on 1 February 2025.
	Dominick Hoare	0/0	Ceased as a Committee member on 31 January 2025.
	Joe Hurd	8/8	Ceased as a Committee member on 31 January 2026.
	Marcus Johnson	8/8	Ceased as a Committee member on 31 January 2026.
	Neil Maidment	0/0	Ceased as a Committee member on 31 January 2025.
	Jane Warren	8/8	Commenced as a Committee member on 1 February 2025.

*On 1 February 2026 Council member Fiona Luck commenced as a Committee member.

At the end of 2025, the Committee was chaired by Angela Crawford-Ingle and comprised three independent nominated members and two elected external members. As independent members did not comprise the full Committee, the composition departed from Provision 24 of the Code. This composition was appropriate as it met requirements under the Lloyd's Act 1982 and the Constitutional Arrangements Byelaw for Council membership (all Committee members are drawn from Council), while maximising the skills and experience available for appointments-benefits that outweigh any perceived risk to independence. In addition, the Society has a conflicts of interest procedure in place. Eight scheduled meetings were held during 2025 with private meetings with the Internal Audit Director and external auditors, as appropriate. The Chair of Lloyd's, Chief Executive, Chief Financial Officer, Chief Accountant, Head of Risk, Internal Audit Director and external auditors regularly attend meetings, with others invited as appropriate. The Committee Chair has open lines of communication with these individuals outside of meetings.

Committees of the Council

continued

Nominations Committee composition and attendance*

(Code Principle C; Provisions 13, 14 and 17)

		Scheduled meetings attended	Appointment and cessation notes
Chair	**Sir Charles Roxburgh KCB**	**1/1**	**Commenced as Committee Chair and Committee member on 1 May 2025.**
	Bruce Carnegie-Brown	**1/1**	**Ceased as Chair and Committee member on 30 April 2025.**
Council members	Andrew Brooks	1/2	Ceased as a Committee member on 31 January 2026.
	Victoria Carter	2/2	
	Fiona Luck	2/2	
	Sean McGovern	2/2	
	Lord Mark Sedwill	2/2	Ceased as a Committee member on 30 November 2025.

*On 1 February 2026 the following Council members commenced as Committee members: Marcus Johnson and Joe Hurd.

At the end of 2025, the Committee was chaired by Sir Charles Roxburgh KCB and comprised three elected members (two working and one external member) and two independent nominated members. Independent members did not form a majority on the Committee, which departs from Provision 17 of the Code. This composition was appropriate as it ensured member and market representation in key appointments.

Two scheduled meetings were held during 2025 (with private sessions as appropriate) with four ad hoc meetings also held. The Chief Executive and Chief People Officer regularly attend meetings, with other senior executives (such as the Chief Risk Officer) joining for relevant agenda items. The Committee Chair has open lines of communication with these individuals outside of meetings.

Remuneration Committee composition and attendance*

(Code Principle C; Provisions 13, 14 and 32)

		Scheduled meetings attended	Appointment and cessation notes
Chair	**Fiona Luck**	**4/4**	
Council members	Andrew Brooks	4/4	Ceased as a Committee member on 31 January 2026.
	Bruce Carnegie-Brown	2/2	Ceased as a Committee member on 30 April 2025.
	Victoria Carter	4/4	
	Dominick Hoare	0/0	Ceased as a Committee member on 31 January 2025.
	Sean McGovern	4/4	
	Sir Charles Roxburgh KCB	2/2	Commenced as a Committee member on 1 May 2025.

*On 1 February 2026 the following Council members commenced as Committee members: Joe Hurd and Richard Dudley.

At the end of 2025, the Committee was chaired by Fiona Luck and comprised two independent nominated members and three elected members (one external and two working). As independent members did not comprise the full Committee, the composition departed from Provision 32 of the Code. This composition is appropriate as it meets requirements under the Lloyd's Act 1982 and the Constitutional Arrangements Byelaw for Council membership (all Committee members are drawn from Council), while maximising the skills and experience available for appointments - benefits that outweigh any perceived risk to independence. In addition, the Society has a conflicts of interest procedure in place.

Four scheduled meetings were held during 2025 (with private sessions as appropriate) with four ad hoc meetings also held. The Chief Executive and Chief People Officer regularly attend meetings, with other senior executives (such as the Chief Risk Officer) invited for specific agenda items. The Committee Chair has open lines of communication with these individuals outside of meetings.

Committees of the Council

continued

Risk management and internal control governance

(Code Principle O; Provision 29)

Council
Oversees the Risk management framework and internal control systems, including reviewing its effectiveness

Audit Committee
Reviews and monitors the effectiveness of the Risk management framework and systems of internal control

Risk Committee
Monitors the identification and control of material risks and oversees the global Risk management framework and related controls.

Remuneration Committee
Considers remuneration policy and any incentive risk adjustments

Executive Team
Implements and maintains the Risk Management Framework and internal control systems

Internal control *(Code Principle O; Provision 29)*

The internal control system underpins the safe and sound operation of the business, ensuring compliance with laws and regulations and safeguarding assets. It is designed to reduce, not eliminate, the risk of failing to achieve objectives and provides reasonable, not absolute, assurance against material misstatement or loss.

Three lines of defence

The three lines of defence are central to the Society's internal control system, with every individual playing a role.

1. Business functions:

Establish, monitor and maintain effective internal controls within their areas of responsibility, and own the risk of meeting those responsibilities in accordance with firm-wide controls set out in policies and procedures (eg Risk Management and Internal Control Policy).

2. Risk Management, Financial Crime and Compliance functions:

Provides oversight of first line business functions to ensure activities are conducted in line with the Society's risk appetite. The second line operates a framework to ensure risks are identified, assessed and adequately managed.

3. Internal Audit:

An independent assurance function which reviews whether business is conducted in accordance with relevant processes and controls, providing advice and insight as appropriate.

All lines of defence meet regularly and have open lines of communication with one another.

Committees of the Council

continued

Risk management framework *(Code Provisions 28 and 29)*

Risk management framework (the 'Framework')

The Society has an established Framework that is maintained and updated on an ongoing basis to identify, evaluate and manage significant business, operational, financial, compliance and other risks affecting the Society. Details of identified risks are provided in the Strategic Report. As part of the Framework, the Council sets and monitors a Risk appetite framework ('Appetite Framework'), defining acceptable risk levels and actions to be taken when thresholds are exceeded, through risk appetite statements and metrics.

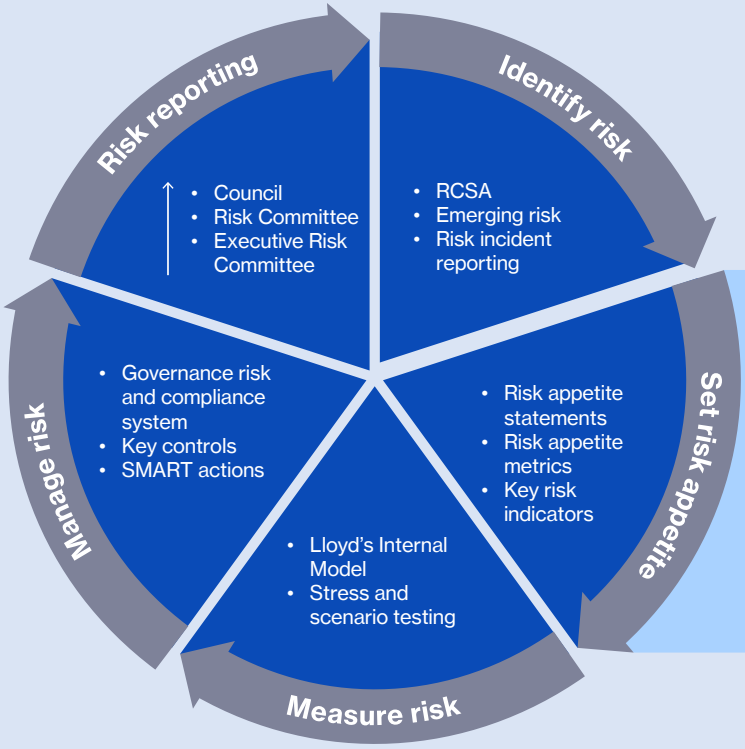
Appetite Framework

The Appetite Framework is anchored in Lloyd's purpose and strategy. It is currently structured around three objectives (Sustainability, Solvency and Operational) that reflect the Council's view of acceptable risk. Each objective includes risk categories and metrics that define Lloyd's risk boundaries and highlight factors that could affect delivery of the objectives. The metrics are monitored continuously and reported quarterly to the Risk Committee in the Own Risk and Solvency Assessment (ORSA) report, with any remedial 'get to green' actions where thresholds are breached.

Risk assessment techniques

The Framework uses tailored risk assessment techniques, including:

- **Ongoing Risk and Control Self Assessment (RCSA)** process to reassess existing risks and identify new ones.
- **Bi-annual RCSA and key control attestation,** where first-line risk owners attest to risk assessments and control effectiveness, reviewed by the second line.
- **Risk incident reporting,** enabling the business to report material control failures and mitigation actions, escalated as required.
- **Lloyd's Internal Model (LIM)** to quantify potential losses and calculate regulatory Solvency Capital Requirements (SCRs).



Appetite Framework: three objectives

Sustainability	Lloyd's must deliver a sustainable business model over the medium term.
Solvency	Lloyd's is not exposed to undue concentration and is able to withstand an extreme event and trade forward.
Operational	Risk of operational and other events is managed to ensure Lloyd's maintains its strong reputation.

Committees of the Council

Risk Committee report

Key areas of focus

- Risk reporting and management information
- Risk Framework
- Key risk focus areas
- Capital

Statement by Risk Committee Chair

I am pleased to present the Risk Committee (the 'Committee') report for the year ended 31 December 2025.

The report outlines the Committee's activities during the year and its key role in supporting the Council's oversight of the risk management across the Society and the Lloyd's market.

Alexander Baugh
18 March 2026

Committee key responsibilities *(Code Principle H; Provisions 25, 28 and 29)*

The Risk Committee provides independent challenge and assurance that risks are identified and managed in line with approved policies and risk appetite. It oversees, challenges and escalates key issues to the Council, drawing on information from the Risk Management and Internal Control Frameworks, including the ORSA, regulatory updates and capital management reports. It also considers relevant work from other Council committees where appropriate. Further details on the Committee's responsibilities and activities are set out below.

Responsibility	
1. **Risk oversight:** Supports the Council in overseeing management's processes to identify, assess and mitigate material risks to the Society's objectives.	• Reviews risk profile and processes to identify and evaluate material risks to the objectives of the Society. • Reviews management reports regarding oversight of principal or heightened risks or any breaches of risk appetite and risk limits and adequacy of any proposed actions. Management reports include the Chief Risk Officer Report, ORSA and the RCSA. • Reviews management assessment of emerging and strategic risks, including climate change risk. • Reviews and recommends to the Council, at least annually, the Society's risk appetite and risk limits. • Oversees the impact of sustainability and climate change risk on the Society's risk appetite. • Reviews and recommends to the Council the annual Market Oversight Plan (MOP). The MOP determines priorities for the oversight of the market based on current and prospective risks. • Reviews and approves the Society's annual risk plan and monitors progress against plan. • Reviews management's proposals for the global Risk management framework, policies and associated internal control and makes recommendations as to its adoption or otherwise.
2. **Capital oversight:** Supports the Council on regulatory and capital requirements.	• Reviews and recommends to the Council regarding the Society's regulatory and economic capital requirements. • Reviews and makes recommendations to the Council on the appropriateness of the design and methodologies associated with the Lloyd's Internal Model (LIM), including model changes, stress and scenario testing and results of the independent validation of the LIM.
3. **Compliance oversight:** Ensures appropriate arrangements are in place for Society activities to comply with relevant laws and regulations.	• Reviews and approves the Society's annual Financial Crime and Compliance plan and monitors progress against the plan, ensuring appropriate arrangements are in place to ensure compliance with relevant laws and regulations. • Reviews the annual Money Laundering Reporting Officer's (MLRO) report. • Ensures appropriate corporate policies and procedures are in place, with reviews as appropriate, in accordance with the Lloyd's Policy framework and regulation.
4. **Remuneration risk weighting:** Assists the Remuneration Committee with senior management remuneration.	• Reviews and approves the Chief Risk Officer's qualitative advice to the Remuneration Committee on risk weightings to be applied to variable remuneration of senior management.

Committees of the Council

Risk Committee report continued

2025 Key areas of focus *(Code Provisions 28 and 29)*

Area of focus	Committee action
Risk and compliance oversight	
Risk reporting and management information	The Committee received regular risk reporting from the Chief Risk Officer (CRO) throughout the year, including quarterly CRO reports, RCSA outcomes and the annual ORSA. The annual ORSA provides a forward-looking assessment of the Society's risk profile and solvency position over a 3–5 year horizon, taking into account the proposed strategy. This reporting enables the Committee to maintain ongoing oversight of the Society's risk profile, risk appetite, monitoring key developments and emerging risk exposures. The Committee also receives quarterly ORSA reports to monitor metrics continuously against risk appetite. The Committee undertook a robust review of the annual ORSA, considering principal, strategic and emerging risks, the effectiveness of controls, and the organisation's solvency position both at year end and across the full ORSA time horizon, before recommending it for Council approval. In addition, the Committee reviewed the Enterprise Wide Risk Assessment and the annual Money Laundering Reporting Officer report, which provided a detailed assessment of financial crime, anti money laundering and counter-terrorist financing risks. These reviews ensured that material compliance risks and associated mitigations were being effectively monitored.
Risk Framework	During the year, the Committee considered enhancements to the Society's risk management and internal control framework, with a particular focus on strengthening the design and effectiveness of key and material controls. As part of preparations for the new requirements under the 2024 UK Corporate Governance Code (for further information, please see the Audit Committee report), the Committee received regular updates on the programme of work to assess and evidence the effectiveness of material controls. The Committee also participated in a joint session with the Audit Committee in July 2025 to review material controls mapped to the Council's principal risks. This session provided a dedicated forum to challenge and endorse proposed control enhancements and to ensure improvements were being appropriately embedded across the framework. The Committee's oversight during the year supports the planned 2026 dry run of the new reporting process and helps ensure the Society is well positioned to meet evolving governance expectations.
Key risk focus areas: • Blueprint Two and operational resilience. • Market performance and oversight.	In 2025, the Committee maintained focused oversight of Lloyd's operational resilience and transformation related risks. It received regular updates on the Blueprint Two programme assurance activity, monitoring the evolving risk profile. The Committee also considered and approved the Operational Resilience Self Assessment ahead of the March 2025 regulatory submission, ensuring the assessment of critical processes, third party dependencies and material outsourcing arrangements was robust and aligned with regulatory expectations. Alongside this, the Committee reviewed the Society's broader operational risk position, providing challenge and assurance that resilience, continuity, and execution risks were being effectively managed. The Committee continued to play an important role in overseeing market performance and the effectiveness of the Market Oversight Framework. During the year, it reviewed conclusions from the annual Market Oversight Framework effectiveness review, as well as the 2026 Market Oversight Plan. The Committee also scrutinised the 2025 Capital and Planning Group (CPG) process, reviewing outcomes from both the process and the associated risk review to ensure that execution remained aligned with risk appetite and consistent with messages communicated to the market. It additionally reviewed the 2026 CPG strategy and received updates on the stress testing exercise for the 2025 business plan, providing assurance that market oversight activities continued to support resilient, sustainable market performance.
Capital oversight	
Capital	The Committee oversaw the Society's regulatory capital position through its review and approval of the 2025 Solvency Capital Requirement (SCR), ensuring that the level of capital held remained adequate and aligned to Lloyd's risk profile. In doing so, the Committee considered the model validation outcomes and assurance reports, confirming that the Internal Model remained fit for purpose and appropriately reflected emerging risks and macroeconomic developments. It also reviewed management's future model development plans and assessed the capital management strategy, recommending updates to the Council to ensure the approach to capital remained forward-looking, resilient and responsive to regulatory expectations and business needs.

Committees of the Council

Audit Committee report

Key areas of focus

- Internal Audit
- 2024 Code
- Tax Strategy
- Reserves
- Financial reporting

Statement by Audit Committee Chair

I am pleased to present the Audit Committee report. It outlines the Committee's activities for the financial year ended 31 December 2025, together with its key role in overseeing the integrity of the Society's financial reporting, internal controls, sustainability disclosures and whistleblowing.

Angela Crawford-Ingle
18 March 2026

Committee key responsibilities *(Code Principles E, H and M; Provisions 6, 25, 26 and 29; and Audit Committees and the External Audit Minimum Standard)*

The Audit Committee provides independent challenge and assurance to support the Council. Further detail on the responsibilities and work of the Audit Committee are set out below.

Responsibility	
1. Internal control: Monitors the Society's Risk management framework and systems of internal control, including financial reporting controls, and reviews their effectiveness.	• Ensuring that an annual review on financial controls and internal control is undertaken. • Monitoring the effectiveness, independence and objectivity of the internal and external auditors. • Overseeing the effectiveness of the interactions with the external auditors. • Recommending the approval of the appointment and reappointment of the external auditors. • Overseeing Internal Audit, including ensuring that the team has the appropriate plan, resources and budget.
2. Financial reporting: Supports the Council's oversight of financial reporting, including monitoring reporting integrity and the Society's solvency position.	Overseeing the: • Lloyd's Annual Report, comprised of the Strategic Report, annual Pro Forma Financial Statements (PFFS), and Society Report (including the Group financial statements of the Society and climate-related financial disclosures), and interim Pro Forma Financial Statements. • Aggregate Accounts. • Lloyd's Solvency and Financial Condition Report (SFCR) to the PRA.
3. Sustainability disclosures: Supports the Council's oversight of sustainability disclosures.	• Overseeing sustainability disclosures in the financial statements and other documentation as appropriate.
4. Whistleblowing: Oversees the effectiveness of systems and controls in relation to whistleblowing.	• Oversees the Society whistleblowing policies and protections for employees who raise concerns.

Committees of the Council

Audit Committee report continued

2025 Key areas of focus *(Code Principles M and N; Provisions 25 and 27)*

During the year, the Committee kept abreast of significant and emerging accounting developments, including reports from the external auditor on recent insurance and regulatory hot topics. In 2025, it considered the areas set out in the table below and confirms that it had no direct interactions with the Financial Reporting Council. The Committee received briefings on global trust funds' funding requirements and operations, and Funds at Lloyd's asset-allocation guidelines, as well as updates on the Society's asset-infrastructure transformation programme, centred on implementing BlackRock's Aladdin platform to consolidate asset data and enhance transparency and performance reporting.

Area of focus	Committee action
Internal control	
Internal Audit	Following approval of the 2025 Internal Audit Plan (the 'Plan'), 36 audits/assurance reviews were undertaken by Internal Audit. The audits were grouped together under the following themes: Technology Transformation and Resilience, Maintaining Performance, Culture and Purpose, Global Network, Capital and Members. The Committee received internal audit updates on the Plan at least quarterly throughout the year. At the conclusion of the year, the Committee approved the 2026 Internal Audit Plan.
2024 Code	The 2018 Corporate Governance Code has been replaced by the 2024 version. Most changes took effect from 1 January 2025, except for Provision 29, which took effect from 1 January 2026. During 2025, the Committee prepared for the introduction of Provision 29. This provision requires the Council to describe how it has monitored and reviewed the risk management and internal control framework and, at least annually, conduct a review of its effectiveness. It also requires the Council to declare in the Annual Report whether material controls were effective at the balance sheet date, and to describe any that were not, together with the actions taken or planned to improve them. The Committee received regular updates on this work, including participation in a joint Risk and Audit Committee session to assess material controls against the Council's principal risks. These updates were reviewed and discussed, with a dry run of the new process planned for 2026. Another key change introduced by the 2024 Code is the incorporation of the Audit Committees and the External Audit Minimum Standard ('External Audit Standard') under Provisions 25 and 26. The External Audit Standard is designed to set clear expectations that strengthen how audit committees oversee external auditors to ensure audit quality, independence and effectiveness. Each year, the Committee carries out a formal evaluation of the external auditor's performance. To ensure alignment with the External Audit Standard, the Committee reviewed the standard against its existing evaluation questionnaire and confirmed that most areas required no amendment. Where appropriate, amendments were approved to enhance the questions. The Audit Committee was presented with the external auditors' FRC inspection outcomes. This report describes how we meet the relevant provisions of the External Audit Standard, insofar as they apply to the Society.
Tax Strategy	The Committee received a tax briefing, which included the Society's 2025 Tax Strategy and that of its subsidiary undertakings. Following its review, the Committee recommended the strategy to the Council for approval, and it was subsequently approved. Further detail is available on the Tax Information page at www.lloyds.com.
Reserves	Throughout the year, the Committee received various reserve updates covering key areas of uncertainty, including the Russia-Ukraine conflict and US Casualty. The overall conclusion from these updates was that reserves remained appropriate. The findings from the 2024 year-end Global Central Reserving Exercise were also reviewed, undertaken as part of Lloyd's oversight of market reserves. This was the first exercise to use the new reserving datasets and the updated Lloyd's line of business structure introduced through the recent transformation project. It was noted that further benefits are expected as the new processes continue to embed.

Committees of the Council

Audit Committee report continued

Area of focus	Committee action
Financial reporting	
Lloyd's Half Year Report, Annual Report and Aggregate Accounts	The Committee reviewed the Half Year Report, Annual Report and Aggregate Accounts, and recommended their approval to the Council. In doing so, it supported the transition undertaken in 2025 from QMA to iXBRL-based reporting using syndicate submissions, with reporting continuing under UK GAAP and materially consistent accounting policies. A key focus of the Committee is supporting the Council in ensuring that the Lloyd's Annual Report is fair, balanced and understandable. The Committee reviewed key messages and themes being communicated in the Annual Report, as well as the appropriateness of significant accounting estimates and judgements, external auditor reports/management letters, information on internal controls supporting financial reporting, climate-related financial disclosures and other information as provided throughout the year. The key areas of judgement were considered and supported by the Committee, in approving the respective financial statements, including: • Notional investment return estimation on Funds at Lloyd's (FAL): notional investment return is estimated on FAL, equivalent to the investment return an insurer would generate on the capital they hold to support their underwriting. • Pensions: assessing the reasonableness and consistency of the key assumptions that impact the valuation of the net pension assets. • Management of the reserve margin for uncertainties: reviewing the reasonableness of the central reserve margin included, in addition to the reserves held by syndicates to reflect the heightened risk of atypical reserve movement at an aggregate level. • Valuation of financial investments (including FAL): reviewing the basis upon which the reasonable fair valuation of financial investments was determined. • Claims provisions and related recoveries: reviewing syndicate and Society estimates for liabilities. • Intangible assets: reviewing the results of impairment testing of intangible assets, including the approach and reasonableness supporting the active use assessment and amortisation. The Committee considered the viability statement and the confirmation of the continuing status of the Society as a going concern as part of the annual and interim reporting processes. The Committee had access to details on performance, solvency and liquidity position (current and projected) to consider the assessment, including the stress testing assessments undertaken. Please see page 119 for more information on the assessment of prospects, viability and going concern. Following its review, the Committee recommended that the Half Year Report, Annual Report and Aggregate Accounts are fair, balanced and understandable and provide the necessary insight into Lloyd's position, performance, business model, and strategy.
UK Solvency II	The Committee reviewed the UK Solvency II approach and the resubmission information. It recommended that the Council delegate approval to a sub-committee once all agreed controls had been completed. The sub-committee subsequently approved the submission to the PRA.

Committees of the Council

Audit Committee report continued

External auditor oversight *(Code Principle M; Provisions 25 and 26, Audit Committees and the External Audit Minimum Standard)*

The Committee places great importance on the quality, effectiveness and independence of the external audit process and monitors and reviews the objectivity and independence of the external auditors. The Committee also monitors the Society's relationship with its external auditors and approves their appointment and reappointment.

Effectiveness

The Committee continuously evaluates the external auditors' effectiveness through a range of activities during the year:

- **Audit planning and delivery:** Reviewing and approving the external audit plan and monitoring delivery against it.
- **Committee and Chair engagement:** Representatives of the external auditor attend Committee meetings and private sessions are held without the Executive Team present. Meetings between the Committee Chair and the audit partner are held as needed.
- **Reporting and action:** Considering reports from the external auditors and ensuring appropriate action is taken in response.
- **Fees and External Audit Policy:** Approving audit and non-audit fees (following management consideration) and reviewing the External Audit Policy annually, outlining the procedures for engaging external auditors, including the provision of non-audit services.
- **Annual evaluation:** The Committee conducts an annual assessment of the external auditors' performance through questionnaires completed by Committee members, the Executive Team, and the leadership group. Feedback covers: audit scope and planning, including any significant risk areas and whether the audit was executed in accordance with the audit plan; audit team expertise and understanding of Lloyd's; communication, quality and timeliness; independence, including safeguards in place to detect any independence issues; and fees, including appropriateness given audit scope. The evaluation feedback, including overall scores, is presented to the Committee, and the external auditors consider this feedback as part of their future planning.

Overall, the Committee is satisfied with the performance of the Society's external auditors. The Committee has concluded that there has been appropriate focus by the external auditors and that the external auditors have provided robust challenge throughout the audit process.

Independence

The Committee oversees the engagement of the external auditors for non-audit services, ensuring that any such work does not impair the independence and objectivity of the external audit. This oversight includes applying the External Audit Policy, which sets out the circumstances in which the external auditors may undertake non-audit services, requiring prior Committee approval (with justification and tendering where appropriate) and receiving regular reports on non-audit activity and related fees.

The external auditors also provide ongoing confirmation of their independence and compliance with regulations and professional standards. In addition, the lead audit partner rotates at least every five years with the last partner rotation taking place in June 2025. A breakdown of the fees paid to the external auditors for non-audit work is disclosed in note 12 to the Society financial statements (within the Society Report). This shows that the external auditor's fees do not exceed the legislative cap, which limits non-audit fees to 70% of the average audit fees for the preceding three-year period. The cap is intended to protect the external auditor's independence and objectivity.

Significant non-audit engagements in 2025 included services required by legislation, such as work undertaken on the Aggregate Accounts and regulatory returns, and non-audit services including the assurance provided on the Pro Forma Financial Statements (PFFS). Overall, the Committee concluded that the external auditors remained independent and objective during 2025.

Auditor appointment and reappointment

The Committee has primary oversight over the appointment, reappointment or removal of the external auditors, ultimately making a recommendation to the Council. The remit includes negotiating the scope of the audit and fee payable. The tender process is set out in the External Audit Policy. Details of the most recent tender are included in the 2022 Annual Report. The Society seeks to manage its non-audit relationships to support having a fair choice of suitable audit firms when the next tender takes place. Outlined below is a note of the engagement period of the current external auditors.

Auditors for Society/Group entities:

Maximum engagement period for one audit firm is 20 years with firms required to re-tender after a ten-year period. The last tender, led by the Committee, was completed in 2022.

Aggregate Accounts:

Auditors (re)appointed annually at the AGM. Last reappointment May 2025.

2013	July 2022	March 2026	2031-2032
PwC appointed as auditors.	PwC reappointed as auditors for the Society and all Group entities for 2023 year end.	At date of signing the accounts, PwC's tenure is 14 years.	The next tender for the 2033 audit is due in 2031 or 2032, with PwC ineligible to participate.

Committees of the Council

Audit Committee report continued

Internal Audit oversight *(Code Principle M; Provision 25)*

The Committee monitors and reviews the effectiveness, independence and objectivity of Internal Audit, ensuring that the team has an appropriate plan, resources and budget.

Internal Audit provides independent assurance on the effectiveness of internal controls and risk management across the Society and its subsidiaries, in line with the Audit Charter (see the Governance Structure page at www.lloyds.com). The Audit Charter defines the function's authority, scope and remit.

Internal Audit's remit covers the Society and does not include reviews of Lloyd's market participants. However, given the Society's oversight role, Internal Audit reviews the mechanisms in place to ensure the oversight is appropriate and proportionate. These reviews cover elements of the Principles-Based Oversight framework, the role of key governance forums such as the Market Oversight Group (MOG) and Capital and Planning Group (CPG), and the annual business planning and capital return approval cycles. The Lloyd's Audit Director has a direct reporting line to the Committee Chair and has an administrative reporting line to the Chief Executive.

Internal Audit submits a risk-based plan for the Committee's review and approval. Its independent, objective assurance services are designed to strengthen and improve the organisation's operations.

The Committee assesses the quality, experience and expertise of the Internal Audit function through:

- Regular interaction with the Lloyd's Audit Director and ongoing stakeholder assessments following audits. Assessment results are discussed with the Audit Committee Chair and shared with the Committee periodically, as appropriate.
- An annual evaluation of Internal Audit is conducted through the Committee completing a questionnaire, with results presented and discussed, including in a private session.
- An External Quality Assessment (EQA) of Internal Audit is conducted at least every five years, in line with best practice. The last EQA, completed in 2021, concluded that Internal Audit 'generally conforms' to the Chartered Institute of Internal Auditors' International Professional Practices Framework (IPPF) Standards and Code of Ethics. The next EQA is scheduled for late 2026.
- An annual review of the Internal Audit strategy, which aligns with the Society's overall strategy, is presented to the Audit Committee.

The Committee concluded that Internal Audit has the skills and resources needed to complete the Internal Audit Plan and is satisfied that the function remains independent and operated effectively throughout the year.

Sustainability oversight

The Committee is responsible for reviewing, challenging and approving submissions in respect of Lloyd's sustainability disclosures in the financial statements and other documentation as appropriate. Please see climate related financial disclosures on page 108 for further information.

Whistleblowing oversight *(Code Principle E; Provisions 2 and 6)*

The Committee oversees the effectiveness of systems and controls in relation to whistleblowing which includes Society whistleblowing policies and protections for employees who raise concerns.

The Society maintains systems and controls to support whistleblowing, including a policy within the Global Compliance Policy and confidential reporting channels (eg helpline and web portal). Guidance and contact details are available on the employee intranet, and annual training is provided, as appropriate, to the Council and all Society employees.

The Financial Crime and Compliance function oversees whistleblowing controls, supported by governance forums that review and investigate cases. These forums include the Head of Financial Crime and Compliance. The Chair of the Audit Committee acts as Lloyd's Whistleblowers' Champion, and has responsibility for ensuring the integrity, independence and effectiveness of whistleblowing policies and procedures.

Committees of the Council

Audit Committee report continued

Risk management internal control review and monitoring *(Code Principles E and O; Provisions 6, 25, 26 and 29)*

The Council monitors the Corporation's risk management and internal control systems, supported by its sub-committees. Throughout the year, the Audit Committee received reports and updates on internal control, as detailed below. Reports received by other committees are included in their respective reports. Internal Audit conducts an annual review of the effectiveness of risk management and internal controls, which the Committee typically considers at its year end meeting. All Council members have access to the papers and may attend this section of the meeting should they wish to do so. The Audit Committee also reports its findings to the Council. Based on the Committee's assessment of internal control, the Committee concluded that the Society's system of internal control continues to provide reasonable, although not absolute, assurance against material misstatement or loss. The Committee reported its conclusion to the Council, and the Council, in approving the Annual Report and Aggregate Accounts, has supported the conclusion.

Assurance function	Review and monitoring
Risk	Risk Management coordinates the Society's risk and control framework through ongoing RCSAs and a bi-annual RCSA and key control attestation process. Results are reported to the Risk Committee and feed into the Annual Internal Audit Control Opinion.
Finance	An annual assessment of the effectiveness of internal controls over financial reporting is carried out alongside year end reporting by Finance and reviewed by the Committee. The conclusion was that the Society's internal control system over financial reporting provides reasonable, though not absolute, assurance against material misstatement. This conclusion is supported by a summary of key controls around the production of financial reporting.
Whistleblowing	Quarterly updates were provided to the Committee on whistleblowing arrangements, including process improvements, regulatory developments, testing, training, key risks associated with whistleblowing oversight and awareness initiatives. These updates also covered incident volumes, types, actions taken and lessons learned, with opportunities for questions. An annual review of the effectiveness of whistleblowing systems and controls, covering 31 August 2024 to 31 August 2025, was conducted by the Financial Crime and Compliance function. The Audit Committee reviewed the report, which was also shared with the Council for information.
External audit	The external auditors provided a controls observations and a findings report in respect of the year ended 31 December 2025 Society audit. The observations were addressed by Finance as appropriate and reported to the Audit Committee. Ongoing observations are also provided as appropriate.
Internal Audit	Reporting on the broader control environment is provided by delivery of an approved Internal Audit Plan (the 'Plan') comprised of risk-based internal audit reviews performed across the Society, with the outcomes being reported to management, the Executive Team and the Audit Committee. The Plan reflects Internal Audit's independent assessment of risks facing the Society, as well as other factors such as strategic initiatives, emerging risks and change. The plan is updated as needed, with Committee approval sought to ensure continued focus on key risks. The Committee monitors overdue audit actions and provides challenge where appropriate. Quarterly Internal Audit status reports are provided on the Plan, including actions taken to implement any recommendations, the status of progress against previously agreed actions and summaries providing an executive response to any finding. Internal Audit coordinates reporting on the effectiveness of the control environment to the Committee. The review considers financial, operational, reporting and compliance controls. Internal Audit produces an annual Control Opinion, assessing the environment based on: prior Internal Audit reviews delivered through the risk-based plan; engagement with internal stakeholders, including the Chief Executive, Executive Team and senior leadership, alongside periodic engagement with non-executive directors and regular attendance at key management meetings; regular interactions with the Risk Management and Financial Crime and Compliance functions; review of RCSAs and annual financial control assessment; and interactions with other stakeholders, including the Society's external auditors and regulators. Internal Audit concluded that the control framework is adequately designed and operating to provide reasonable assurance that the key risks are managed appropriately. The key observations were that: • Market infrastructure (including Blueprint Two): in support of market resilience, the primary focus continues to be on the heritage estate. • RCSA Framework: work is underway to enhance this area and to further embed processes, with a focus on control testing to support the control work currently in progress. • PBO: the oversight principles are working well and will continue to evolve and embed as enhancements are made to the framework.

Committees of the Council

Nominations and Governance ('Nominations') Committee report

Key areas of focus

- Appointment of Chief Executive
- Appointment of SIDC
- Launch of enhanced skills matrix

Statement by Nominations Committee Chair

I am pleased to present the Report of the Nominations and Governance Committee (the 'Committee') for the year ended 31 December 2025.

The report explains the work of the Committee during the year, including its responsibility for reviewing the governance arrangements and leadership needs of the Society and its subsidiaries.

Sir Charles Roxburgh KCB
18 March 2026

Committee key responsibilities *(Code Principle G; Provisions 13, 16 and 17)*

Responsibility	
1. Appointments and renewals	• Recommend appointments to the Council for the Chair of Lloyd's, Chief Executive, nominated Council members, key Executives and the Secretary to Council. • Review and recommend committee membership, Chair positions, and other appointments as needed. • Ensure compliance with statutory and regulatory requirements for Council elections and appointments. • Consider time commitments for all appointments, including ensuring that members have sufficient capacity to fulfil their role(s).
2. Succession planning	• Oversee succession planning for the Council and senior management, including emergency and medium-term plans for the Chair of Lloyd's and Chief Executive.
3. Skills, diversity and culture	• Ensure Council and committees have appropriate skills, knowledge, experience and diversity, including evaluating composition using a skills matrix to identify gaps. • Advise on inclusion of desired skills and expertise in notices of Council elections. • Review the Council Diversity Policy annually, monitor progress against targets, and recommend updates as needed. • Oversee culture initiatives, including monitoring progress. • Review, challenge, and recommend Lloyd's People Strategy and related action plans to Council. • Assess candidates on merit against objective criteria, considering the Council Diversity Policy.
4. Governance	• Oversee conflicts of interest and external commitments. • Review and oversee the annual governance performance review. • Report to the Council after each meeting.

Committees of the Council

Nominations and Governance Committee report continued

2025 Key areas of focus *(Code Principles H, I, J, K, L; Provisions 15, 17, 20, 21, 22 and 23)*

The Committee considered the following areas as part of its 2025 activities:

Area of focus	Committee action
Appointments and renewals	
Chair recruitment	During 2024, the Committee led a robust and comprehensive recruitment process for the role of Chair of Lloyd's. Following the conclusion of this process, the Committee recommended to the Council that Sir Charles Roxburgh KCB be appointed as a nominated non-executive member of the Council and as Chair of Lloyd's, with effect from 1 May 2025. This recommendation was subsequently approved by the Council. The Chair was onboarded throughout 2024 and 2025.
Chief Executive recruitment	The Committee oversaw a formal and rigorous recruitment process for the role of Chief Executive. Following the completion of this process, the Committee recommended Patrick Tiernan for appointment as Chief Executive, subject to Council approval, with effect from 1 June 2025. This recommendation was subsequently approved by the Council. The Chief Executive is a member of the Council.
Senior Independent Deputy Chair (the Society's equivalent of the Senior Independent Director)	In line with the Lloyd's Act 1982 and the annual election requirements of the Constitutional Arrangements Byelaw (CAB), the Committee recommended to the Council that Lord Mark Sedwill be re-elected as Senior Independent Deputy Chair until his departure on 30 November 2025. Following Lord Mark Sedwill's departure on 30 November 2025, the Committee recommended Fiona Luck for appointment as Senior Independent Deputy Chair, subject to regulatory approval. This appointment was intended to provide continuity during the transition period pending the conclusion of the recruitment process for a permanent Senior Independent Deputy Chair. In addition, during the year the Committee led the recruitment and selection processes for the roles of permanent Senior Independent Deputy Chair and Deputy Chair, with appointments expected to be considered by the Council in 2026.
Council and committee composition	The Committee recommended the appointment of Rachel Turk as Chief of Market Performance and as a member of the Council, with effect from 1 June 2025. The Committee also recommended to the Council that Andrew Brooks and Victoria Carter be re-elected as Deputy Chairs of Lloyd's, in accordance with the Lloyd's Act 1982 and the annual election requirements of the CAB. In addition, the Committee recommended Alexandra Cliff for the appointment as Chief Financial Officer and as a member of the Council with effect from 1 May 2025. It is noted, that, at the date of this report, Andrew Brooks is no longer serving as a Council member or Deputy Chair, and that Sean McGovern has been appointed as a Deputy Chair in his place. It is further noted that, in January 2026, it was announced that Alexandra Cliff would be leaving Lloyd's and that Jim Bichard had been appointed as her successor. During the year, the Committee reviewed and made recommendations in relation to the composition of Council committees and other bodies appointed by the Council, including Additional Securities Limited, the Lloyd's of London Foundation, the Lloyd's Enforcement Board, and the reappointment of the Lloyd's Members' Ombudsman. In addition, the Committee recommended: • Alexandra Cliff for appointment to the Investment Committee and to the Technology and Transformation Committee as a Shareholder Representative Director; • Angela Crawford-Ingle for appointment as Chair of the Capacity Transfer Panel, with effect from 22 May 2025; • Louise Day for appointment to the Technology and Transformation Committee; • Nathan Adams for appointment to Lloyd's Insurance Company Limited as a Shareholder Representative Director; • Paul Davenport for appointment to the Capacity Transfer Panel, replacing Sheila Cameron; and • An amendment to the list of alternate LMA nominees for the Capacity Transfer Panel, replacing Paul Davenport with Sheila Cameron. All of the Committee's recommendations were subsequently supported and approved by the Council.

Committees of the Council

Nominations and Governance Committee report continued

Succession planning	
Council and Executive succession	The Committee maintains effective succession plans for key executive and non-executive roles and reviews both emergency and medium-term succession arrangements for the Chair of Lloyd's and the Chief Executive at least annually. Supported by Joe Hurd in his capacity as Culture Champion, and by the Chief People Officer, the Committee played a central role in the recruitment, appointment and onboarding processes for the Council roles highlighted above. To support a transparent, robust and inclusive approach to appointments, the Committee engaged external search firms (Russell Reynolds Associates and Korn Ferry, who have no connection to the Society) to assist with recruitment processes as appropriate, ensuring that candidates were considered from a wide range of backgrounds and assessed on merit against objective criteria, including experience, independence and capacity to commit sufficient time to the roles. The Committee also considered changes to the composition of the Executive Team proposed by the Chief Executive. These changes took effect on 1 June 2025. Effective succession planning is underpinned by comprehensive role and candidate profiles, a structured talent management process, and a skills matrix for Council and committee members that includes tenure to support forward planning for future leadership requirements.
Skills and diversity	
Council Diversity Policy and Skills	On the recommendation of the Committee, the Council agreed to renew the Council Diversity Policy. Under the Policy, the Council aims for at least 33% of its members to be female and/or from an ethnically diverse background. This target may be achieved by a minimum of two of the six elected market representatives and two of the six independent nominated members being female, and at least one member of the Council being from an ethnically diverse background. The Committee confirmed that this target has been achieved. Please refer to www.lloyds.com to access the Council Diversity Policy. During the year, the Committee undertook a review of the skills, knowledge, diversity and experience of the Council and its committees. Using a skills matrix, the Committee identified priority areas of expertise for future recruitment and recommended to the Council that these areas be reflected in the Notices of Council Elections. This recommendation was approved by the Council. Please see the non-financial information and sustainability statement on page 112 for information on the gender balance of those in senior management and their direct reports.
People Strategy	The Committee considered the Global People Strategy in the context of Lloyd's strategic transformation. The strategy is designed to support a more focused and measurable approach aligned to business priorities and is structured around four pillars: Leadership and Commercial Culture; Future Workforce; Talent Development and Career Mobility; and Colleague Value and Belonging. The strategy is supported by a refreshed Colleague Value Proposition and a phased three year implementation roadmap. The Committee also reviewed the results of the Corporation Culture survey and is tracking progress.

Committees of the Council

Nominations and Governance Committee report continued

Governance	
Governance effectiveness and ways of working	The Committee considered the Governance Strategy, which focuses on modernising Council and committee governance to strengthen strategic oversight, clarify accountabilities and support more effective decision-making. The Committee noted the emphasis on simplifying governance structures, improving the quality and focus of debate, and ensuring that governance arrangements remain proportionate, transparent and aligned with Lloyd's evolving strategy. The Committee reviewed and recommended updates to the terms of reference for the Council and its committees. The Committee was satisfied that the revised terms better reflect the refreshed governance model, clarify roles and responsibilities, improve consistency across committees and provide clearer alignment between delegated authorities and committee remits.
Potential conflicts of interest and other professional activities	The Society has a conflicts of interest procedure in place under paragraph 3.5 of the Constitutional Arrangements Byelaw (available at www.lloyds.com). On appointment, non-executive Council members notify the Secretary to the Council of any conflicts of interest, and there is an ongoing obligation to report any new conflicts that arise after appointment. The Council is provided with an overview of the conflict position bi-annually and as required. Changes to the non-Lloyd's professional activities of the non-executive members of the Council require the approval of the Chair and are submitted to the Committee for review. The Committee reviews the changes to ensure that they do not interfere with the relevant Council member's commitments to the Council and do not give rise to conflicts of interest. While approval of the Council as a whole is not required, and it is acknowledged that this is a departure from Provision 15 of the Code, the Committee reports to the Council after each meeting and accordingly Lloyd's approach is considered appropriate and proportionate. The Committee reviews the time commitments of each non-executive member both on appointment and on an ongoing basis, including when making committee appointments. The Committee also reviews proposals to permit senior executives to take on external non-executive roles, again taking into account time commitment and potential for conflicts.
Annual governance effectiveness review	In line with governance best practice, Lloyd's undertakes a governance effectiveness review annually, with an independent external review conducted every third year. The most recent independent external review was undertaken in late 2023/early 2024 by YSC Consulting (part of Accenture). The next independent external review is scheduled to take place in Q4 2026, with reporting expected in Q1 2027. Please see our 2023 Annual Report for further information on how the external review process was conducted. For the year ended 31 December 2025 (reported in 2026), an internal review of the Council and its committees - Nominations, Remuneration, Risk, and Audit - was undertaken. The assessment was conducted through questionnaires distributed to all Council and Committee members. Feedback was sought on the operation and dynamics of the Council and its committees, and consideration was given to their composition (including diversity) and overall effectiveness. The recommendations arising from the review will be taken forward during the year, with updates provided to the Committee and the Council, including consideration of Council composition in the context of potential industry developments and future scenarios. In addition to this work, we have also sought external perspectives on how our governance works in practice and against development of governance best practice. During 2025, the Head of Secretariat and Governance met individually with each Council member at least once to discuss governance and their experiences during the year.

Committees of the Council

Remuneration Committee report

Key areas of focus

- Key management changes
- 2025 incentive out-turns
- 2025 Strategic Transformation Incentive Plan
- Target setting for 2026 incentive awards

Statement by Chair of Remuneration Committee

(Code Principle P; Provision 39)

I am pleased to present the Report of the Remuneration Committee (the 'Committee') for the year ended 31 December 2025.

Overview

The market delivered a strong performance in 2025, maintaining underwriting discipline and benefiting from a conservative investment stance and a robust balance sheet, providing a solid foundation for future growth.

Gross written premium increased by 4.2% to £57.9bn (2024: £55.5bn), driven by volume growth from new and existing syndicates. The market reported an underwriting result of £5.2bn (2024: £5.3bn), with the combined ratio rising to 87.6% (2024: 86.9%). The market generated an investment return of £6.0bn (2024: £4.9bn). The central solvency ratio increased to 496% (2024: 435%), while the market-wide solvency ratio reduced to 200% (2024: 205%), both well above regulatory requirements.

In March 2026, Lloyd's announced a reset of Blueprint Two, moving away from the original programme while remaining committed to delivering an operationally resilient, efficient and flexible marketplace. The focus will be on operational resilience, open architecture and incremental, market-led change, clarifying Lloyd's and Velonetic's roles, and supporting a transition to a resilient, cloud-based platform.

2025 was a year of leadership change for Lloyd's, including the appointment of a new Chair, Sir Charles Roxburgh KCB, who succeeded Bruce Carnegie-Brown from 1 May 2025. Under a new executive team, the Corporation communicated a refreshed strategy in March 2026, prioritising sustainable returns, disciplined execution, and reduced cost and complexity for the market - building on current momentum and catalysing its unique strengths to secure a future as the pre-eminent global marketplace for insurance risk.

Key leadership changes

Chief Executive

As announced in May, the Council was delighted to appoint Patrick Tiernan as Chief Executive from 1 June 2025, following a robust selection process.

Patrick's profound understanding of the market, coupled with his commercial acumen and industry expertise, demonstrated that he was the outstanding candidate for this role and we look forward to working with him to ensure the future success of Lloyd's.

Patrick was appointed on a salary of £825,000, with other remuneration arrangements in line with our Remuneration Policy, as set out on page 103.

On his appointment, the Committee carefully considered Patrick's package in light of a highly competitive and evolving external talent landscape, as well as other opportunities in the market. The Committee determined that it was appropriate to make a one-off recruitment award of up to 100% of salary, with performance objectives aligned to the successful execution and progression of the next phase of our strategy over a three year period. The award will be subject to risk adjustment and malus and clawback provisions, in line with the Society's Policy.

Chief Financial Officer and Chief of Market Performance

During the year, we announced a number of changes to the executive team who will work with Patrick Tiernan to lead Lloyd's in the next stage of its strategic development, working at pace to deliver on the market's priorities.

Rachel Turk was appointed as Chief of Market Performance and joined the Council of Lloyd's with effect from 1 June 2025. Rachel assumed the underwriting responsibilities of the former Chief of Markets role, building on her outstanding technical expertise, reputation and knowledge of the Lloyd's market.

Rachel Turk's salary was set at £450,000 with effect from 1 June 2025, with other remuneration arrangements in line with our Remuneration Policy, as set out on page 103. The Committee carefully considered remuneration arrangements for the executive team, recognising the need to retain and incentivise the team in the critical next phase of Lloyd's journey. The Committee determined that it was appropriate to make a one-off incentive award of up to 75% of salary to the Chief Financial Officer and Chief of Market Performance, subject to continued employment and performance objectives over a three year period. The award is subject to risk adjustment and malus and clawback provisions, in line with the Society's Policy.

In January 2026 we announced the appointment of Jim Bichard as Chief Financial Officer with effect from April 2026. Jim will be appointed on a salary of £625,000. Jim currently leads PwC's global insurance practice and has deep expertise in the global insurance industry and technology- enabled transformation.

Committees of the Council

Remuneration Committee report continued

His calibre and experience will be critical as we continue to build an exceptional leadership team for the future of Lloyd's. Other remuneration arrangements will be in line with the Society's Remuneration Policy and full details will be disclosed in the 2026 report.

Departing executive directors

As previously disclosed, John Neal resigned in January 2025, standing down on 31 May 2025 and departing Lloyd's on 31 August 2025. As a leaver due to resignation, John was not eligible for 2024 or 2025 incentive awards (Individual Performance Bonus, Market Award and Strategic Transformation Award) and all outstanding deferrals were forfeit on termination of employment.

Burkhard Keese stepped down from the Council on 30 April 2025. Burkhard remained eligible to receive 2025 incentive awards pro-rated for time served in role during the year, with outstanding deferred awards subject to normal deferral rules and to be delivered in line with the ordinary payment dates. Burkhard was a strategic adviser to Lloyd's for a transition period, ending 31 December 2025.

In January 2026, we announced that Alexandra Cliff will be leaving Lloyd's to pursue other opportunities. Alexandra will support Jim with transition during April 2026, and her departure arrangements will be disclosed in the 2026 report.

Key remuneration decisions and incentive out-turns *(Code Principle P; Provision 41)*

Salaries

The Committee carefully considered the salaries of the Chief Executive and Chief of Market Performance.

For the Chief Executive, the Committee determined a 3% increase awarded with effect from 1 April 2026. The average salary increase for wider employees is 3.5%.

For the Chief of Market Performance, the Committee recognised the evolving scope of responsibilities of the role and determined to review the salary during 2026.

Incentive out-turns (Individual Performance Awards and Market Awards)

The Society made strong progress against a number of key strategic priorities in 2025, which is reflected in the Individual Performance Awards (see page 99).

Executive Directors' incentive awards are also aligned to market performance. The Lloyd's market recorded a profit before tax of £10,594m (2024: £9,626m) and the combined operating ratio was 87.6% (2024: 86.9%). Excluding adjustments to the central reserve margin, the profit before tax was £11,244m (2024: £9,646m) and the combined operating ratio is 86.1% (2024: 86.8%), which resulted in the Market Award vesting in full (see page 100). 40% of the total Lloyd's Incentive Plan award will be deferred for three years.

2025 Strategic Transformation Incentive Plan (STIP)

For 2025, the Chief Executive, Chief Financial Officer and Chief of Market Performance were eligible for awards under the STIP. This plan operated for key roles that are critical to the continued delivery and execution of the market's strategic transformation, based on achievements in three key performance areas: Profitable Market Growth, Market Infrastructure and Efficiencies, and a 'Fit for Purpose' Lloyd's. Lead indicators were underpinned by the profitability and financial strength of the Lloyd's marketplace.

The Chief Executive was eligible for a maximum opportunity of 200%, with the Chief Financial Officer and Chief of Market Performance eligible for a maximum opportunity of 100% salary.

Incentive opportunities were pro-rated for the period in role. Following consideration against lead and lag indicators the award vested at 67% of maximum. The overall achievements reflected strong performance in a number of key areas including profitable market growth, new premium opportunities and cost efficiencies. No payment was made in respect of objectives set against Blueprint Two progress.

Committees of the Council

Remuneration Committee report continued

2026 Strategic Incentive Plan

For 2026, a SIP will continue to operate for key roles that are critical to the delivery and execution of our refreshed strategy. As for 2025, awards under the SIP will be made with a maximum opportunity of 200% of salary for the Chief Executive, and 100% of salary for the Chief Financial Officer and Chief of Market Performance. Awards will be performance-tested and vest following 31 December 2026. Payment of any vested awards will be made in three tranches in the three years following the end of the performance period.

The Committee considered that the remuneration policy operated as intended in terms of the Society's performance and out-turns. In line with the policy, the Committee will continue to review any potential use of malus and clawback in relation to current and former employees.

Incentive review

During the course of 2026, the Committee intends to carry out a comprehensive review of incentive arrangements for the executive team to ensure they continue to be effective and aligned to the Society's strategy.

Wider workforce remuneration *(Code Provisions 2 and 39)*

The Committee reviews relevant policies which apply to all employees across the Society. The Committee is regularly updated on key areas of the Lloyd's Culture Dashboard, designed to drive the market towards a more inclusive environment and deliver cultural change. The Remuneration Policy and Bonus Scheme Rules are published internally and are available to all employees.

All Society employees are eligible to participate in Lloyd's Incentive Plan (being the Individual Performance Award and Market Award), and the framework is consistent across all employees. Pension arrangements for Executive Directors are in line with the maximum contribution available to wider Society employees.

Employee engagement *(Code Provision 2)*

The Society operates a range of employee engagement channels, including employee surveys and the Employee Change Forum, comprising representatives from across the workforce. Employee check-in sessions are regularly held and include presentations on annual results (with the Annual Report detailing Executive remuneration and how it aligns with the wider workforce).

In 2024 Joe Hurd was appointed as Culture Champion to hold management to account on culture matters on behalf of the Council. Please see Statement by members of the Council for further information.

Fiona Luck
Remuneration Committee Chair, 18 March 2026

Committees of the Council

Remuneration Committee report continued

Remuneration at a glance

This report is based upon the principles of the directors' remuneration reporting regulations for UK-listed companies, and the UK Corporate Governance Code. However, the Code and regulations are directed at companies listed on the London Stock Exchange, whereas Lloyd's is a market of many separate and competing trading entities. Nonetheless, the Council supports the principles insofar as they can be applied to the governance of the Society and has chosen to broadly follow the disclosure principles in this report.

Disclosure requirements which have not been met include illustration of the application of the Remuneration Policy and a statement of consideration of employment conditions elsewhere in the organisation. The Remuneration Report is unaudited, with the exception of the single total figure of remuneration table which is audited by the independent external auditors PricewaterhouseCoopers LLP.

Summary of Remuneration Policy and out-turns for 2025 *(Code Provisions 13 and 39)*

The following table provides a summary of the Remuneration Policy and how it was implemented in 2025.

Fixed pay

Salary	**Salaries effective from 1 June 2025:**
Salaries are set to appropriately recognise responsibilities and be broadly market-competitive.	• Chief Executive: £825,000 • Chief Financial Officer: £450,000 • Chief of Market Performance: £450,000
Pension and benefits	
All employees, including directors, have access to the same pension and benefit arrangements and these do not vary by age.	The Executive Directors received a pension supplement of 15% of salary, which is in line with the pension available to the wider workforce. All Executive Directors receive a benefit supplement of 3% of salary, in line with the wider workforce. No other payments to the Executive Directors are pensionable. Their dependants are eligible for the payment of a lump sum in the event of death in service.

Variable pay

Lloyd's Incentive Plan (Individual Performance Award and Market Award)

The Individual Performance Award links reward to corporate and individual KPIs aligned with our strategy. Payments are based on the Committee's judgement of performance against a scorecard of corporate and individual KPIs for the year.

The Market Award offers an incentive which is directly linked to the performance of the Lloyd's market. Market Awards are calculated by reference to profit before tax and combined operating ratio levels in the year.

The 2025 Lloyd's Incentive Plan opportunities (% of salary) for the Executive Directors are set out below*:

	Individual Performance Award (% of salary)	Market Award (% of salary)
Patrick Tiernan: Chief Executive	100%	100%
Alexandra Cliff: Chief Financial Officer	100%	50%
Rachel Turk: Chief of Market Performance	100%	50%

A summary of the Lloyd's Incentive Plan out-turns for 2025 is provided below:

		Weighting	Out-turn	% of maximum achieved
Individual Performance Award	Chief Executive	100%	81%	
	Chief Financial Officer	100%	74%	
	Chief of Market Performance	100%	83%	
Market Award	Profit before tax	50%	50%	
	Combined operating ratio	50%	50%	
	Total award	100%	100%	

Strategic Transformation Incentive Plan (STIP)

The STIP links reward to specific KPI's critical to successful delivery and execution in three key areas: Profitable Growth, Market Infrastructure & Efficiencies and a 'Fit for Purpose' Lloyd's.

The 2025 STIP opportunities (as a % of salary) for the Executive Directors are set out below*:

	STIP (% of salary)
Patrick Tiernan: Chief Executive	200%
Alexandra Cliff: Chief Financial Officer	100%
Rachel Turk: Chief of Market Performance	100%
Burkhard Keese: Former Chief Financial Officer	100%

A summary of the STIP out-turn (as % of maximum) for 2025 is provided below.

	Weighting	Out-turn	% of maximum achieved
Strategic Transformation Incentive Plan	100%	67%	67 %

Other incentives: Patrick Tiernan was granted an additional one-off recruitment award of up to 100% of salary in 2025 to secure his appointment as Chief Executive effective 1 June 2025 (see page 98). Alexandra Cliff and Rachel Turk were granted one-off incentive awards of up to 75% of salary in 2025. Awards are subject to risk adjustment and malus and clawback provisions, in line with the Society's Policy.

* Executive Directors' incentive awards were pro-rated according to their period of service in the role. All variable incentive awards for the outgoing CEO John Neal were forfeit following his resignation on 6 January 2025.

Committees of the Council

Remuneration Committee report continued

Remuneration Policy principles *(Code Principle A, P and Q; Provision 37)*

The overall principles that underpin the Remuneration Policy are as follows:

Nature of the Society – The organisation has a unique role, providing oversight of the insurance market, driving market performance, building transformation solutions and creating a diverse and inclusive culture which delivers value to stakeholders.

Alignment to Lloyd's strategy – Individual Performance Awards are linked to the Society and individual KPIs. Performance is assessed against a rigorous balanced scorecard of quantifiable metrics and is subject to risk adjustment. For 2026, a Strategic Incentive Plan will operate for key roles that are critical to successful delivery and execution of a refreshed strategy.

Alignment to the Lloyd's market – A significant element of remuneration is based on the performance of the Lloyd's market. This encourages an attitude of commercial partnership with the market and aligns the interests of participants with capital providers. This alignment means that the payment under the market element varies according to market performance. Market and Society risk adjustment metrics also apply to this element. In order to provide a balanced approach to performance measurement and reflect the focus of the Society in driving improved efficiencies and transformation in the Lloyd's market, profit before tax and combined operating ratio (excluding adjustments to the central reserve margin) are key metrics used to measure performance.

Solvency II – We continue to operate appropriate features such as long-term deferral for Solvency II staff and risk adjustment.

This part of the report sets out the annual remuneration for 2025 and a summary of how the Policy will apply for 2026.

Remuneration for the Chair of Lloyd's and members of the Council who are not employees of the Society

(Code Provisions 19 and 34)

The current Chair of Lloyd's, Sir Charles Roxburgh KCB, was appointed effective 1 May 2025, with a fee of £675,000 per annum.

In accordance with Lloyd's constitutional arrangements, fees for Council member (who are not employees of the Society) are a matter for the Council on the recommendation of the Chair of Lloyd's and the Chief Executive. The Board undertook a review of Council member fees in 2025 in the context of time commitments, competitive market practice and wider changes to the governance structure of the Council.

With effect from 1 February 2026, the standard Council member's fee is £77,500 (for 2025: £65,625), representing the first increase to the base fee for three years.

Increases were also made to additional fees payable to the Deputy Chairs and the Senior Independent Director, and in respect of the Chair and membership of a number of Council committees, to reflect the additional responsibilities and time commitment (including ad hoc committees established to consider specific issues).

Non-Executive Council members do not participate in performance-related reward.

Single total figure of remuneration

The total remuneration receivable in respect of qualifying services for each person who served as a member of the Council during the year is shown below. Further details on incentive awards are shown on pages 99 to 101.

	Year	Salary/ fees £000	Other benefits[1] £000	Annual bonus £000	Market Award/ STIP[2] £000	Pension benefit[3] £000	Total fixed £000	Total variable £000	Total £000
Chair of Lloyd's									
Sir Charles Roxburgh KCB[4]	**2025**	619	4	–	–	–	619	4	623
	2024	–	–	–	–	–	–	–	–
Bruce Carnegie-Brown[5]	**2025**	222	2	–	–	–	222	2	224
	2024	665	–	–	–	–	665	–	665
Executive Directors									
Patrick Tiernan[6]	**2025**	723	98	668	1,759	109	860	2,497	3,357
	2024	575	298	449	1,078	86	684	1,802	2,486
Alexandra Cliff[7]	**2025**	297	12	331	527	45	354	858	1,212
	2024	–	–	–	–	–	–	–	–
Rachel Turk[8]	**2025**	263	14	335	464	39	313	802	1,115
	2024	–	–	–	–	–	–	–	–
Former Executive Directors									
John Neal[9]	**2025**	513	68	–	–	77	610	48	658
	2024	770	97	–	–	116	915	68	983
Burkhard Keese[10]	**2025**	183	26	151	212	28	220	380	600
	2024	550	33	413	660	83	660	1,079	1,739

Committees of the Council

Remuneration Committee report continued

	Salary/fees		Other benefits[1]		Total	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
Nominated member						
Angela Crawford-Ingle[11]	188	181	–	–	188	181
Joe Hurd	128	128	21	19	149	147
Fiona Luck[12]	111	122	4	13	115	135
Neil Maidment[13]	10	123	–	–	10	123
Lord Mark Sedwill[14]	124	135	–	–	124	135
Alexander Baugh[15]	66	–	9	–	75	–
External member						
Dominick Hoare[16]	9	108	–	–	9	108
Marcus Johnson	83	83	15	7	98	90
Sean McGovern	95	95	–	–	95	95
Jane Warren[17]	76	–	–	–	76	–
Working member						
Andrew Brooks[18]	120	117	–	–	120	117
Victoria Carter[19]	117	112	–	–	117	112
Richard Dudley	121	121	–	–	121	121

The information in the above table has been audited by the independent auditors, PricewaterhouseCoopers LLP.

1. Other benefits include items such as benefit allowances (all Executive Directors receive a benefit supplement of 3% of salary), other taxable benefits and taxable business expenses. These include travel costs met by Lloyd's, including any tax due under HMRC regulations. These travel costs are provided in accordance with the Society's Policy and to enable Executive Directors to undertake responsibilities most efficiently while travelling. Other taxable business expenses include business-related membership fees and hotels.
2. Includes amounts under both the Market Award and Strategic Transformation Incentive Plan (STIP) bonus awarded to support the delivery of the market transformation.
3. The Chief Executive, Chief Financial Officer and Chief of Market Performance received a pension supplement of 15% of salary, in line with the pension available to the wider workforce.
4. Sir Charles Roxburgh KCB commenced as Chair of Lloyd's on 1 May 2025. Fees commenced with effect from 1 February 2025.
5. Bruce Carnegie-Brown ceased as Chair of Lloyd's and Council member on 30 April 2025.
6. Patrick Tiernan ceased as Chief of Markets on 31 May 2025 and became Chief Executive on 1 June 2025, remaining a Council member throughout 2025. A portion of his 2025 remuneration reflects his tenure in his former role.
7. Alexandra Cliff commenced as Chief Financial Officer and Council member on 1 May 2025.
8. Rachel Turk commenced as Chief of Market Performance and Council member on 1 June 2025.
9. John Neal ceased as Chief Executive Officer and Council member on 31 May 2025. Fees ceased with effect from 29 August 2025.
10. Burkhard Keese ceased as Chief Financial Officer on 30 April 2025.
11. Angela Crawford-Ingle is a Council member. She is also a non-executive member of the Board of Directors of Lloyd's Insurance Company S.A. (Lloyd's Europe) and a member of Lloyd's Europe Audit and Risk Committee. Angela Crawford-Ingle is paid in euros for the Lloyd's Europe appointments. The Lloyd's Europe fees have been included in the Single total figure of remuneration table. The fees are paid quarterly and have been translated at quarter-end FX rates. Angela Crawford-Ingle commenced as Capacity Transfer Panel Chair on 22 May 2025.
12. Following Lord Mark Sedwill's departure on 30 November 2025, Fiona Luck commenced as Senior Independent Deputy Chair of Council, with fees payable from 1 December 2025.
13. Neil Maidment ceased as Nominated Council member on 31 January 2025. At this date Neil Maidment also ceased as Chair of the Risk Committee, Audit Committee Member, Chair of the Capacity Transfer Panel, Underwriting Advisory Panel Member, and as Blueprint Two Cutover Committee Member. Neil Maidment served as a special adviser for the Risk Committee from 1 February to 31 March 2025.
14. Lord Mark Sedwill ceased as Nominated Council member on 30 November 2025. At this date Lord Sedwill also ceased as Senior Independent Deputy Chair, Nominations Committee member, Risk Committee member, Chair of the Sustainability Committee and Blueprint Two Cutover Committee member.
15. Alexander Baugh commenced as Nominated Council member and Audit Committee member on 15 May 2025. On 22 May 2025, Alexander Baugh commenced as Risk Committee Chair, following regulatory approval. Fees commenced with effect from 1 May 2025.
16. Dominick Hoare ceased as Elected Corporate External Council member on 31 January 2025. At this date Dominick Hoare also ceased as Underwriting Advisory Panel member, Risk Committee member, Audit Committee member and Remuneration Committee member.
17. Jane Warren commenced as Elected Corporate External Council member on 1 February 2025. At this date Jane Warren was also appointed as Underwriting Advisory Panel member and Audit Committee member. From this date Jane Warren was remunerated for her existing role on the Sustainability Committee.
18. Andrew Brooks was a member of the Risk Committee prior to 1 February 2025 and served as Interim Chair from 1 February to 21 May 2025. He then continued as a Committee member for the remainder of 2025.
19. Victoria Carter ceased as Audit Committee Member on 1 February 2025. Victoria Carter commenced as Risk Committee Member on 1 February 2025.

Salary

The annual salaries of the Executive Directors take into account a range of factors, including increases for all employees across the Society, and are reviewed by the Committee annually. Salaries from April 2026 are as follows:

	2026 base salaries £000	Increase on 2025 %
Patrick Tiernan: Chief Executive	850	3.0 %
Jim Bichard: Chief Financial Officer (from April 2026)	625	n/a
Rachel Turk: Chief of Market Performance	450	n/a

The average increase awarded to all employees with effect from 1 April 2026 is 3.5%.

Individual Performance Award *(Code Principle R; Provision 33)*

All Society employees, including international offices, were eligible to participate in the 2025 Individual Performance Award. For Executive Directors the Committee reviews strategic and operational objectives and KPIs at the start of the financial year to ensure that they are stretching and aligned to the Society's strategic objectives. The following table sets out the performance framework and weightings for 2025 awards:

Performance metric	Performance	Technology and transformation	Focus	Talent and culture	Sustainability model	Individual strategic KPIs
Weighting	17.5 %	15.0 %	5.0 %	7.5 %	5.0 %	50.0 %

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Individual strategic KPIs were aligned to key strategic pillars for the Society. Following Patrick Tiernan's appointment the Committee reviewed the KPIs to ensure they were aligned to the strategic priorities for the newly appointed executive team.

Awards are subject to a risk underpin. The Committee assessed performance against a range of Society risk and compliance metrics and no adjustments were applied for 2025.

2025 Individual Performance Award – out-turn

The following table sets out performance achievements against the KPIs set in respect of 2025:

Performance
• Evidenced strong market oversight in changing conditions • Positive progress in simplification of Lloyd's supervision and ways of working agreed with PRA • Progressed commercial strategy, evidenced through pipeline, new entrants and new premium written through Lloyd's • Successful upgrade of Lloyd's asset infrastructure and new platform launch
Technology and Transformation
• Simplified charging Model programmes delivered • Successful delivery of outsourced technology capabilities and services
Focus
• Simplified charging Model programmes delivered • Successful delivery of outsourced technology capabilities and services
Talent and culture
• Improved culture and employee engagement scores in 2025 • Performance review calibrations supporting high-performance and inclusive culture • Global People Strategy finalised and execution commenced.
Sustainability model
• Key measures demonstrating organisational health included Financial Strength ratings, Net Promoter Score (NPS), Lloyd's global market share, Return on Capital, Lloyd's market portfolio and employee engagement.

Achievements against Blueprint Two digitalisation objectives have not been met.

Taking into account an overall assessment of the above achievements, as well as individual performance, Lloyd's values and Society risk, the Committee determined the following annual bonus payments in respect of 2025:

Role	Maximum	Out-turn
Patrick Tiernan: Chief Executive	100% of salary	81%
Alexandra Cliff: Chief Financial Officer	100% of salary	74%
Rachel Turk: Chief of Market Performance	100% of salary	83%
Burkhard Keese*: Former Chief Financial Officer	100% of salary	76%

* Burkhard Keese served as Chief Financial Officer until 30 April 2025 and was eligible for a pro-rated 2025 Individual Performance Award. Awards for other executives were pro-rated for time served in role during the year.

40% of total incentives (Individual Performance Award and Market Award) for Executive Directors will be deferred for three years.

Market Award *(Code Principle R)*

All Society employees, including international offices, were eligible to participate in the 2025 Market Award on the basis set out below:

- Market Awards are calculated by reference to profit before tax and combined operating ratio (weighted equally) for each financial year,
- Market Awards are subject to a risk underpin, and
- 40% of the Market Award is deferred for three years for Executive Directors. For other employees above the proportionality threshold, 40% of the Market Award will be deferred with payment made in three equal tranches in April 2027, April 2028 and April 2029.

For senior employees whose remuneration is below the proportionality test (applicable to those defined as UK Solvency II staff for remuneration purposes), the Market Award will be paid on an ongoing fund basis. Under this approach, one half of an award will be paid in April following the relevant financial year, with the remaining 50% treated as an ongoing fund.

For other employees, the Market Award is paid in full in April following the relevant financial year. The maximum opportunity for Executive Directors is 100% of salary for the Chief Executive and 50% of salary for the Chief Financial Officer and Chief of Market Performance. Market Awards are subject to a personal performance underpin.

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2025 Market Award – out-turn

2025 Market Award – performance metric	Threshold (20% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	2025 performance out-turn	2025 Market Award out-turn (% of maximum)
Profit before tax element (50% weighting)	£2.5bn	£5bn	£7bn	£10.6bn	100%
Combined operating ratio element (50% weighting)	98%	95%	92%	87.6%	100%
Total Market Award payout (as a % of maximum)					100%

Burkhard Keese served as Chief Financial Officer until 30 April 2025 and was eligible for a pro-rated 2025 Market Award. Awards for other executives were pro-rated for time in role during the year.

2025 Strategic Transformation Incentive Plan award *(Code Principle R)*

The Committee carefully considered achievement of 2025 performance against key lead and lag performance indicators, as set out below.

2025 award lead indicators - summary key achievements	Underpin/lag indicators
Profitable Market Growth • Robust cycle management plans in place across all syndicates. • Achieved targeted growth results concentrated among outperforming syndicates, structured solutions, and new entrants. • Expanded multinational activity, with year-on-year increase in business. • Embedded Crystal+, overperforming on our active user targets. • Successfully retired several legacy tools. • New material carriers secured, strengthening the market's global footprint. • ICX premiums written in the year surpassed growth targets.	The following underpin indicators were met in respect of 2025 awards: • Lloyd's normalised (normalised for large risk and catastrophe loss) combined operating ratio (COR) does not exceed 95%; and • Lloyd's key financial strength rating with S&P Global remains at a minimum of A+.
Market infrastructure and efficiencies • Improved market efficiencies with QMA, TPD & Charging Model programmes delivered as planned.	
Fit for Purpose Lloyd's • Target costs achieved, reducing controllable expenses year-on-year. • Run rate operational efficiency targets achieved. • Progressed technology capability enhancements.	

Achievements against Blueprint Two digitalisation objectives have not been met.

2025 awards vested at 67% of maximum for the current Chief Executive, Chief Financial Officer and Chief of Market Performance. The former Chief Financial Officer Burkhard Keese's award vested at 67% pro-rated to 30 April 2025. Payment of vested awards will be made in three tranches in April 2026, April 2027 and April 2028.

2026 Strategic Incentive Plan award *(Code Principle R)*

For 2026, awards will be made under the Strategic Incentive Plan which will operate as follows:

- Awards will be made to selected participants, with a maximum value of 25% to 200% of base salary. A maximum opportunity of 200%, will be awarded to the Chief Executive and a maximum opportunity of 100% of salary for the Chief Financial Officer and Chief of Market Performance.
- Performance metrics will be based on leading underwriting performance, an efficient and effective marketplace, maximized capital advantage and a Lloyd's to be proud of. Lead indicators will be underpinned by profitability and financial strength of the Lloyd's marketplace. As in 2025, vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met.
- Awards made in 2026 will be performance-tested and vest following 31 December 2026. Payment of any vested awards will be made in three tranches in the three years following the end of the performance period (April 2027, April 2028 and April 2029).
- Awards will be subject to Lloyd's malus and clawback provisions, and the risk underpin adjustment applicable to the Lloyd's Incentive Plan.

2026 award – performance metrics

2026 award lead indicators	Underpin/lag indicators
Leading Underwriting Performance • Clear risk appetites • Structured solutions	Awards will only vest subject to the following conditions being met: • At the end of the vesting year, Lloyd's normalised (normalised for large risk and catastrophe loss) combined operating ratio (COR) does not exceed 95%; and • Lloyd's key financial strength rating with S&P Global remains at a minimum of A+ • Vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met.
Efficient, Flexible Marketplace • Risk oversight approach • Operational resilience	
Maximised Capital Advantage • Market development • Capital models	
A Lloyd's to be proud of • Global People Strategy • Talent program • Strategic workforce planning	

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Newly appointed Chief of Market Performance (Rachel Turk)

Rachel Turk was appointed as Chief of Market Performance with effect from 1 June 2025. Her remuneration package on appointment was as follows:

- Salary £450,000 pa
- Pension cash supplement: 15% of salary, in line with the maximum contribution available to wider Society employees
- Benefits allowance: 3% of salary
- One-off Incentive Award: up to 75% of base salary, subject to performance and risk underpins
- Maximum Individual Performance Award: 100% of salary, performance assessed against a balanced scorecard framework
- Maximum Market Award: 50% of salary
- Maximum Strategic Transformation Incentive Plan: 100% of salary

Departing Directors and Executives

Chief Executive Officer: John Neal

As previously disclosed, John Neal resigned in January 2025 and departed Lloyd's on 31 August 2025. As a leaver due to resignation John was not eligible for 2024 or 2025 incentive awards (Individual Performance Bonus, Market Award and Strategic Transformation Award) and all outstanding deferrals were forfeit on termination of employment.

Chief Financial Officer: Burkhard Keese

Burkhard Keese stepped down from Council on 30 April 2025. He received salary and benefits payments in respect of his notice period and remained eligible for incentive awards for 2025, pro-rated for time served in role during the year, as outlined above. Outstanding deferred awards will be subject to normal deferral rules and will be delivered in line with ordinary payment dates. As disclosed in January 2025, Burkhard Keese was a strategic adviser to Lloyd's for a transitional period, which ended 31 December 2025.

Additional disclosures

Service contracts *(Code Provision 40)*

The Executive Directors have rolling contracts with notice periods that will not exceed one year. The Chair of Lloyd's has a contract for three years from appointment.

	Appointment date	Unexpired term as at 31 December 2025	Notice period
Sir Charles Roxburgh KCB	1 May 2025	2 years 4 months	12 months
Alexandra Cliff	1 May 2025	rolling 6 months	6 months
Patrick Tiernan	1 June 2025	rolling 12 months	12 months
Rachel Turk	1 June 2025	rolling 6 months	6 months

The Chair of Lloyd's and the Executive Directors' service contracts are kept available for inspection by Lloyd's members at the Society's registered office. External and working members are elected to the Council, while nominated members are appointed to the Council, usually for a three-year period. These are not contractual arrangements and compensation is not paid if a member leaves early.

Ten-year Chief Executive Officer remuneration

		CEO single figure of total remuneration £000	Annual bonus award as a percentage of maximum opportunity	Market Award as a percentage of maximum opportunity
2025[1]	Patrick Tiernan	3,357	81%	100 %
2025[2]	John Neal	658	– %	– %
2024[3]	John Neal	983	– %	– %
2023[4]	John Neal	2,710	60%	100%
2022	John Neal	2,085	74%	50%
2021	John Neal	1,599	66%	100%
2020	John Neal	1,299	74%	0%
2019	John Neal	1,594	92%	38%
2018[5]	John Neal	167	N/A	N/A
2018[5]	Inga Beale	1,304	75%	0%
2017	Inga Beale	1,304	76%	0%
2016	Inga Beale	1,525	75%	63%

1. Patrick Tiernan was appointed as Chief Executive from 1 June 2025. Patrick Tiernan's overall remuneration for the year includes compensation attributable to his tenure in both his prior Chief of Markets and current Chief Executive roles.
2. John Neal stepped down on 31 May 2025. Fees ceased with effect from 31 August 2025.
3. As John Neal is a leaver due to resignation, his awards were forfeit in line with Lloyd's policy.
4. 2023 TIP has been restated to reflect downward adjustment from 71% to 47%, with no payment made in 2025.
5. Inga Beale stepped down on 13 October 2018 and John Neal took up appointment on 15 October 2018. John Neal was not awarded a bonus in 2018 as his joining date was after the date for eligibility, in line with the approach taken for the wider workforce.

Committees of the Council

Annual remuneration report
continued

Relative importance of spend on pay

	2025 £m	2024 £m	% change
Society operating income	502	497	1 %
Total remuneration – all employees	173	189	(8)%

Society operating income excludes income relating to the Central Fund and Placing Platform Limited.

The reduction in total remuneration reflects the implementation of a strategic IT outsourcing programme to Accenture, which went live in April 2025.

Remuneration Committee governance *(Code Provisions 33, 34 and 35)*

The Remuneration Committee is a committee of the Council. Set out below is a summary of the Committee's responsibilities together with a note of the common activities undertaken.

Committee responsibility	The Committee:
1. Remuneration arrangements Further detail on the Remuneration Policy is available at www.lloyds.com	• Sets remuneration arrangements for the Chair of Lloyd's, the Executive Directors and any other direct reports, executive management or other persons as appropriate. • Reviews the framework and policy for the remuneration of the Chair of Lloyd's, the Executive Directors, any other direct reports of the Chief Executive, and such other members of the executive management or other persons (including UK Solvency II employees) as appropriate.
2. Directors' Remuneration Report	• Reviews the Directors' Remuneration Report and recommends it for Council approval.
3. Risk underpin	• Assesses performance against a range of Society risk and compliance metrics.
4. Termination	• Oversees any contractual terms on termination of employment of the Chair of Lloyd's, Executive Directors, any other direct report of the Chief Executive and such other members of the executive management or other persons/thresholds as designated to consider.

Non-executive remuneration is decided by the Council, on recommendation from the Chair and Chief Executive, who may consult the Remuneration Committee as part of that process. The level of remuneration for each position reflects the time commitment and responsibilities of each role.

Neither the Chair, nor the Executive Directors, nor any other Director, plays a part in any discussion about his or her own remuneration.

Advisers to the Committee

The Committee was assisted by its remuneration consultants, Deloitte LLP, who adhere to the Code of Conduct for executive remuneration consultants. Deloitte LLP was appointed by the Committee and services are periodically reviewed by the Committee to ensure that these remain relevant and provide the assistance required.

Deloitte LLP adheres to working practices that have been agreed with the Committee Chair, for the purpose of maintaining independence, and the Committee is satisfied that the advice received from Deloitte LLP was objective and independent.

Total fees paid in respect of advice and services to assist the Committee amounted to £175,675 for the year (2024: £132,100) and are determined by the scope of the services and the services agreement. Deloitte LLP also provided other services to the Society during the year including the co-sourced Internal Audit resource, data and technology transformation advisory services, risk and regulatory support, and specialist tax advisory services.

Compliance with the UK Corporate Governance Code 2024
(Code Principles A, Q and R; Provisions 37, 38 and 41)

Compliance statement

The Society is not required to report under the directors' remuneration reporting regulations, as these only apply to UK-listed companies. The Committee has chosen broadly to follow the disclosure principles in those regulations insofar as they can be applied to the governance of the Society. Directors are not involved in deciding their own remuneration outcome.

The Committee's terms of reference and Remuneration Policy provide further direction on the circumstances that must be considered when authorising remuneration outcomes.

Remuneration Policy *(Code Principles P and Q; Provision 38)*

The Society is not required to comply with the directors' remuneration reporting regulations, including the requirement for a binding remuneration policy for Executive Directors, as these only apply to UK-listed companies.

Nonetheless, in line with good practice, the key features of the Society's Remuneration Policy are set out on the Lloyd's Total Rewards Package page at www.lloyds.com. The Policy is not legally binding, and the Committee reserves the right to amend the Policy at any time.

In 2025 Council approved the Remuneration Policy rather than any shareholders because the Society does not have shareholders (this is a departure from Provision 41 of the Code which requires engagement with shareholders in this regard). Elected representatives sit on Council and therefore engagement is undertaken with external stakeholders when remuneration discussions come before Council.

Committees of the Council

Annual remuneration report

continued

The Society's Remuneration Policy seeks to reward individuals who contribute to the success of the Society and the Lloyd's market and its principles align to the Society's purpose and values, and the successful delivery of the Society's long-term strategy. For incentive awards in respect of 2014 and subsequent years, malus and clawback provisions apply. These apply to all incentive plan participants and are set out in the Bonus Scheme Rules. From 2024, malus and clawback may apply for incentive awards for the following reasons:

- an act of misconduct.
- material financial misstatement.
- in the event of a regulatory event or sanction.
- discovery of an error in Lloyd's assessment of a performance condition or target.
- deliberate or negligent failure in risk management for which the employee was responsible or which they had failed to report.
- serious reputational damage.

The application of malus provisions is permissible from the date an award is granted until its settlement. Clawback provisions may be invoked by the Committee for a period of up to six years from the date of grant.

The approach to remuneration on termination is set out in the Society's Remuneration Policy. In summary, if an Executive Director is under notice of termination on or before the date on which an Individual Performance Award, Market Award or Strategic Transformation Incentive Plan award would otherwise have been paid, the award will generally be forfeited, other than in certain 'good leaver' circumstances. Where any payment is made, this would be based on performance, with payments made in line with normal time horizons under the plan rules (except in the case of death). In relation to any award in respect of the financial year when notice of termination was served, the award would also normally be pro-rated for time.

Use of discretion

The extent to which discretion has been applied to remuneration outcomes and the reasons why they are not disclosed is a departure from the Code. This creates a potential risk that the Committee's use of discretion cannot be assessed in the manner intended by the Code. However, the Remuneration Report explains that a discretionary risk underpin applies to incentive out-turns and confirms when a downward risk underpin has been applied when such a decision is made. It also outlines the committee's discretion in determining performance outcomes and describes the circumstances in which malus or clawback can be applied. Additionally, under Part 3 of the Constitutional Arrangements Byelaw, the Society's Directors must exercise independent judgement and act in good faith to promote the success of the Society, taking into account factors such as long-term consequences and the interests of its employees.

In light of these existing disclosures and obligations, it is not considered appropriate to provide further detail in the Remuneration Report on the extent of discretion applied to remuneration outcomes or the reasons why, beyond what is already included.

Provision 41

Lloyd's is not subject to the directors' remuneration reporting regulations for UK-listed companies and therefore is not required to consider Chief Executive and Executive Director to employee pay ratios. However, the Committee reviews and considers gender and ethnicity pay gaps.

Special Committees of the Council

Capacity Transfer Panel (CTP): The CTP was principally established to exercise the Council's powers on syndicate minority buyouts and mergers. Members are appointed by the Council. At the end of 2025, the CTP was chaired by Angela Crawford-Ingle, an independent nominated Council member. Other members of the CTP are neither Council members, nor employees of the Society. The CTP provides an annual written report to the Council and additional reports on material matters as required.

Market Supervision and Review Committee (MSARC): MSARC makes decisions regarding the exercise of the Society's enforcement powers and reviews certain Executive decisions affecting managing agents. It determines whether decisions can be referred to the Lloyd's Appeal Tribunal and makes other business decisions as required. Members are appointed by the Council, remain independent of both the Council and the Society, and the Committee is chaired by a qualified lawyer. MSARC provides an annual written report to the Council and additional reports as needed.

Lloyd's Enforcement Board (LEB): The LEB is established under the Enforcement Byelaw and operates independently of the Council. Its chair is a qualified lawyer who is not a member of the Society. The LEB has initial jurisdiction over all misconduct proceedings that are instituted by the Council against members of Lloyd's or other market participants. Where the Council and a defendant reach agreement that misconduct has occurred and what the sanction should be, the agreement is taken to the LEB for approval, and the LEB has the power to issue an authoritative decision as to misconduct, sanctions and costs. In cases where no such agreement is reached, the LEB is tasked with appointing a tribunal to hear the case and decide on misconduct, sanctions and costs.

C Chair	CTP	MSARC	Appointment and cessation notes
Meetings held in 2025	**1**	**2**	
Council members			
Angela Crawford-Ingle	1/1 C		Commenced as CTP Chair and member on 22 May 2025.
Neil Maidment	0/0		Ceased as CTP Chair on 31 January 2025.
Subject matter experts			
Sir Mark Havelock-Allan		2/2 C	
Lady Rona Delves Broughton	1/1		
Sheila Cameron	0/0		Ceased as CTP member on 10 July 2025.
Richard Boys-Stones	1/1		
Paul Davenport	1/1		Commenced as CTP member on 10 July 2025.
Margaret Chamberlain	1/1		
Susan-Jane Hayes		2/2	
Emma Higgins		2/2	
Julian James		2/2	
Tammy Richardson		2/2	
Kalpana Shah	1/1		
Belinda Schofield	0/0		Belinda recused herself from the CTP meeting owing to a conflict of interest.

Former governance bodies

As noted in the Chair of Lloyd's Statement, the Council's sub-committee structure was simplified to improve strategic focus and eliminate duplication. Outlined below is a summary of the governance bodies which have been stood down or transitioned, including their prior purpose and attendance where previously reported.

Committee/ advisory group	Governance simplification
Blueprint Two Cutover Committee (BCC)	The BCC met as required to review key milestone proposals for Blueprint Two. Given the ongoing delays to the programme, the BCC was stood down as a Council committee.
Investment Committee (Investment)	The Committee recommended investment objectives for Lloyd's centrally managed assets, reviewed performance, monitored investment operations, approved counterparties and oversaw the Lloyd's Investment Platform. On 31 December 2025, the Committee was stood down with responsibilities transitioned to an executive sub-committee.
Sustainability Committee (Sustainability)	The Committee oversaw Lloyd's sustainability, culture and philanthropic strategies, including annual employee engagement surveys. On 31 December 2025, the Committee was stood down and its responsibilities were reassigned to the Council, Nominations Committee and Audit Committee to support alignment with strategic priorities.
Underwriting Advisory Panel (UAP)	The UAP assisted the Chief of Markets by sharing insights on underwriting conditions and advice on technical market matters. On 31 December 2025, the UAP was reconstituted as an executive advisory group.
Technology and Transformation Committee (TTC)	The TTC monitored progress of the delivery of Blueprint Two. On 31 January 2026, the TTC was stood down and the Technology, Transformation and Innovation Committee was set up with effect from 1 February 2026.

C Chair	BCC	Investment	Sustainability	TTC	Appointment and cessation notes*
Meetings held in 2025	**0**	**4**	**3**		
Council members					
Andrew Brooks	0/0				
Victoria Carter	0/0				
Angela Crawford-Ingle		3/4			
Richard Dudley	0/0 C		2/3	6/7 C	Commenced as TTC Chair on 13 Feb 2025.
Joe Hurd	0/0		2/3	7/7	Commenced as TTC member on 13 Feb 2025.
Marcus Johnson		4/4			
Fiona Luck			3/3		
Neil Maidment	0/0				Ceased as a BCC member on 31 Jan 2025.
Sean McGovern				7/7	Commenced as a TTC member on 13 Feb 2025.
Lord Mark Sedwill	0/0		3/3 C		Ceased as Sustainability Chair and member, and BCC member on 30 Nov 2025.
Jane Warren			2/3		

C Chair	BCC	Investment	Sustainability	TTC	Appointment and cessation notes*
Subject matter experts					
Mark Allan		4/4			
Ray August				5/7	Commenced as TTC member on 13 Feb 2025.
Clive Buesnel				6/7	Commenced as TTC member on 13 Feb 2025.
Sheila Cameron			3/3	6/7	Commenced as TTC member on 13 Feb 2025.
Shaun Crawford				7/7	Commenced as TTC member on 13 Feb 2025.
Louise Day				3/3	Commenced as TTC member on 10 July 2025.
Brian Dow			3/3		
Ingrid Holmes			2/3		
Kamel Hothi			3/3		
Kate Markham				4/6	Commenced as TTC member on 19 Mar 2025.
Dave Matcham				2/3	Commenced as TTC member on 13 Feb 2025 and ceased on 17 Jun 2025.
Reeken Patel		2/4			
Emily Penn		4/4			
Catherine Reid				6/7	Commenced as TTC member on 13 Feb 2025.
Paul Stanworth		4/4 C			
Katie Wade		4/4			
Executive/SLT members					
Nathan Adams			3/3		Commenced as Sustainability member on 27 Jan 2025.
Eleanor Bucks		1/1			Ceased as Investment member on 30 Apr 2025.
Rebekah Clement			2/2		Ceased as Sustainability member on 31 May 2025.
Alexandra Cliff		3/3		3/3	Commenced as Investment member on 1 May 2025 and TTC member on 10 Jul 2025.
Burkhard Keese		0/1		1/2	Commenced as TTC member on 13 Feb 2025. Ceased as Investment and TTC member on 30 April 2025.
Mark Lomas			3/3		
John Neal		0/1		3/3	Commenced as TTC member on 13 Feb 2025. Ceased as Investment and TTC member on 31 May 2025.
Patrick Tiernan				6/7	
Rachel Turk			1/3		

* Membership of BCC and Investment (including the Chairs) ceased on 31 December 2025. Membership of Sustainability ceased on 31 December 2025. Membership of TTC (including the Chair) ceased on 31 January 2026.

Report of the Lloyd's Members' Ombudsman

Report by Simon Cooper, Lloyd's Members' Ombudsman

I am pleased to present the Annual Report of the Lloyd's Members' Ombudsman to the Council of Lloyd's for the year ended 31 December 2025.

The role of the Lloyd's Members' Ombudsman is to investigate complaints made by members of Lloyd's who believe that they have suffered injustice in consequence of maladministration in relation to any action taken by, or on behalf of, the Society.

Complaints received

During 2025, my office received one complaint. My investigation of the complaint was ongoing as at 31 December 2025.

Costs

The expenses incurred by my office during 2025 amounted to £7,869.

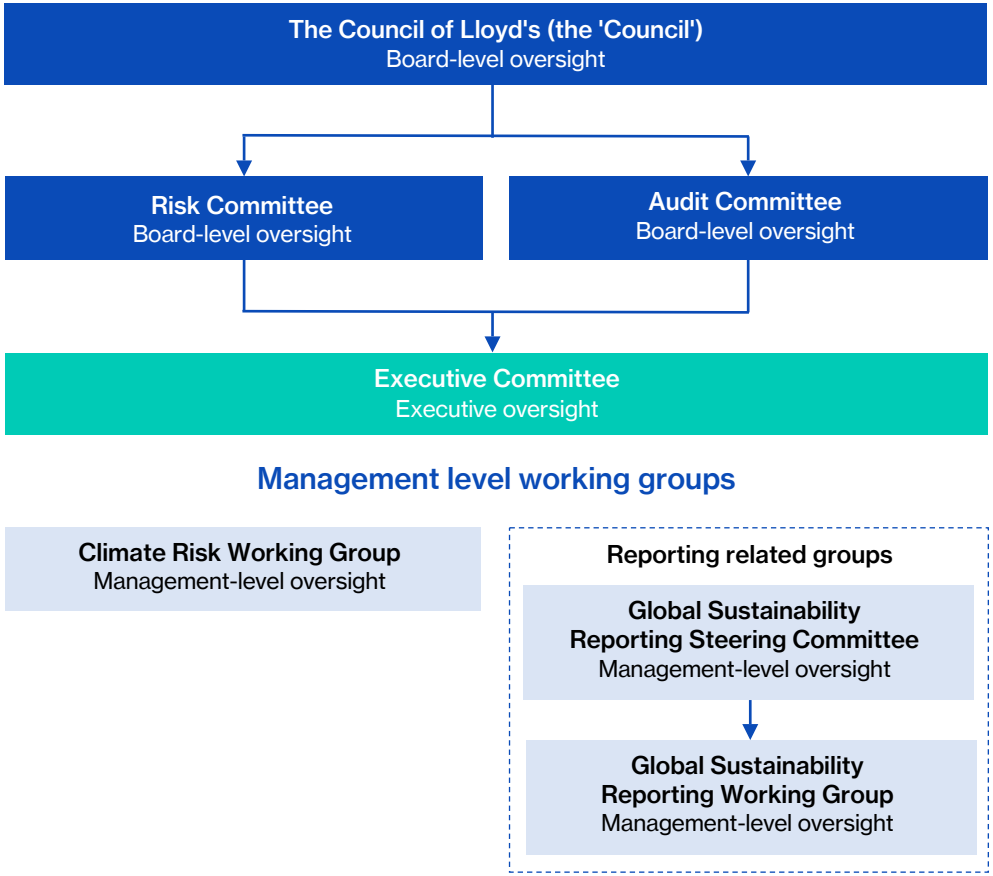
Climate-related financial disclosures

Since 2023, the Society has been in scope of the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD). The disclosures below set out the Society's alignment with the CFD regulations.

Governance *(CFD Requirement A)*

Committees and working groups

Climate-related risk from physical, transition and litigation risk is governed and managed through the governance structure, outlined on page 68 of this report. Specific to climate and sustainability risk, the following committees and working groups form the basis for our approach to climate risk management and setting the strategy for the Society accordingly.



The Climate Change Risk Working Group meets quarterly and is chaired by a representative from the Financial Risk Management team. The working group maintains a holistic and cross-functional view of the financial risks arising from climate change, and works to prioritise and drive actions to manage risks as they emerge. The working group escalates matters to the Executive Committee and the Risk Committee of Council.

The Global Sustainability Reporting Working Group, chaired by an International Finance team representative, meets fortnightly to review quarterly horizon scan results, determine regulatory applicability to Lloyd's, and approve reporting methods and timelines for submission to the Global Sustainability Reporting Steering Committee. The Global Sustainability Reporting Steering Committee meets on a quarterly basis to consider and approve the Society's sustainability reporting ambition and timeline, and to approve sustainability disclosures and regulatory reports prior to publication. It is chaired by the Chief Commercial Officer, and matters are escalated to the Executive Committee and the Audit Committee, as required.

Market oversight

The Society has a responsibility not only to monitor the Society's climate-related risks and opportunities, but also to monitor how climate-related risks present in the Lloyd's market could impact the Society. The Chief of Market Oversight is responsible for application of the market's Principles-Based Oversight framework. More information can be found on page 82 of this report.

Risk management *(CFD Requirement B, C)*

Risk management framework

The Society does not use an external terminology or framework for climate-related risk but has integrated climate-related risk into its overall risk management framework. The identification, assessment and management of climate risks are managed as part of the wider risk management processes including: the risk appetite reporting framework, the Own Risk and Solvency Assessment (ORSA) process, the Stress and Scenario Testing (SST), the Risk and Control Self-Assessment (RCSA) process and the risk incident reporting process.

The Climate Change Risk Working Group maintains a holistic, consistent and up-to-date cross-functional view of the financial risks arising from climate change and is responsible for understanding key risks, their implications, prioritising and driving actions to manage the risks.

Horizon scanning

The Society monitors emerging transition and litigation risks through its International Finance, Government Policy and Affairs, and Global Regulatory and Network Engagement teams to ensure the Society is well prepared for upcoming regulatory and policy changes. Through the Society's global sustainability reporting framework, policy and legislative changes are reviewed on a periodic basis (at least quarterly) and escalated as appropriate. The Society actively engages with regulatory consultations across multiple jurisdictions as applicable.

Climate-related financial disclosures

continued

Exposure and risk management

The Society's central assets, including the Central Fund, are held to protect policyholders in the rare event that a member of the Lloyd's market needs additional assets to meet its liabilities. As such, the Society conducts its exposure and risk management activities on the aggregate of the market to understand the potential financial risk to the Central Fund. Physical risks resulting from natural catastrophes are a core part of exposure management for the Society, with regular monitoring of in-force aggregate market exposure through the Exposure Management team which includes stress-testing through the Realistic Disaster Scenarios.

As part of the Society's risk management framework, stress-testing is also undertaken by the Risk Management team and provides a view of climate-related stresses on solvency and profitability. Stress-testing is regularly carried out through Lloyd's ORSA, annual business plan stress testing and validation of the Lloyd's Internal Model.

To assess and manage climate-related risks, in 2021 the Society took part in the Bank of England's Climate Biennial Exploratory Scenario (CBES) exercise, which provided a long-term climate change stress test for the banking and insurance industry. More detailed information on the exercise, including the three scenarios tested, can be found on the Bank of England website. The Society refreshed this assessment in 2024 to ensure its view of financial risk remained up to date, applying the 2021 stresses to 2024 aggregated exposure data. More details can be found below under Strategy. At the end of 2025, work began to conduct medium term scenario analysis and climate stress testing in response to the PRA's latest guidance on managing climate-related risk (SS5/25).

Strategy *(CFD Requirement D, E & F)*

Principal climate risks and opportunities

Presented below are the risks identified that could have an impact on the Corporation's operations over the next 30 years. The impacts associated with these risks and the results from the CBES exercise (see Risk Management above) are based on the aggregate view of the market, to support the Society's understanding of the potential financial risk to the Central Fund. For more information on the Lloyd's Chain of Security see page 16.

The following time horizons apply with respect to our climate-related risk assessment: short-term (0 to 3 years), medium-term (3 to 5 years) and long-term (5+ years).

Risk type and description	Impacts
Physical: Physical risk arising from extreme weather events or changing climate patterns **Time horizon:** long-term	• Impacts to underwriting profitability, catastrophe exposure, capital and reserving, and inadequate pricing of risks due to likelihood and/or severity of natural catastrophes not being adequately captured in models. • Reputational impacts to the Lloyd's brand if certain perils or regions become 'uninsurable' or prohibitively expensive for policyholders. • Direct damage to the Society's infrastructure due to extreme weather events.
Transition: Reputational risk if the Society fails to deliver on its sustainability commitments or meet stakeholder expectations for sustainability **Time horizon:** short-term	• Impact on risk profile through new entrants or changes to underwriting strategies. • Changes to sustainability strategy and associated risk implications (reputational, legal, operational, underwriting). • Compliance with changing regulations and reporting requirements may be impacted by failure to deliver on sustainability commitments.
Litigation: Climate-related legal action, non-compliance with sustainability reporting, or failure to oversee the international sustainability reporting requirements of underwriters in the Lloyd's market **Time horizon:** medium-term	• Direct claims against the Society and/or its directors. • Insurance liabilities in respect of current/future policies for the Lloyd's market. • Insurance liabilities in respect of historic policies for the Lloyd's market. • Ongoing uncertainty around the impact to the market and to the Society.

Key controls

- A robust business planning and capital setting process for the market, including annual capital raising in line with risk exposure.
- Independent assessment of the adequacy of reserves for every syndicate, taking account of any emerging trends, including climate change and litigation.
- Holding a well understood asset portfolio across the Chain of Security, in line with UK Solvency II rules.
- A global sustainability reporting framework with horizon scanning to ensure regulatory changes are monitored and responded to accordingly.

Climate-related financial disclosures

continued

The climate transition also presents several opportunities for the Society, which facilitates innovation in new products and services for the market through several mechanisms, including:

- TCX (transition) and ICX (innovation) classes of business;
- Lloyd's Lab InsurTech Accelerator programme; and
- Lloyd's Lab Challenge and FutureMinds programme.

In both the 2021 and 2024 CBES refresh, the interplay between the severity and rating for the physical, transition and litigation risks considered changes over time and was dependent upon the scenario selected. The assessment of resilience under different scenarios is with respect to the aggregated capital and solvency position for the Lloyd's market and the Central Fund by applying physical, transition and litigation stresses across deterministic 30-year climate pathways.

The scenarios used are described in the table below. Both the 2021 and 2024 refresh demonstrated that the Lloyd's market and the Society are well positioned to manage severe impacts of climate change risk, evidencing a strong balance sheet under all scenarios to physical, transition and litigation impacts. Whilst there is inherent complexity and uncertainty in how the future climate pathway will develop, the Society has controls and processes in place to manage and mitigate the exposures as they emerge.

	Early action	Late action	No action
Transition risk	Medium	High	Limited
Transition begins in	2021	2031	N/A
Nature of transition	Early and orderly	Late and disorderly	No change from 2021
Physical risks	Limited	Limited	High
Mean global warming	1.8°C	1.8°C	3.3°C
Mean sea level rise	0.16m	0.16m	0.38m
Impact on output	Temporarily lower growth	Sudden contraction (recession)	Permanently lower growth and higher uncertainty

The Society does not currently account for carbon pricing on its balance sheet; however, the Society's emissions are measured annually across Scope 1, Scope 2 and selected Scope 3 categories.

Metrics and targets *(CFD Requirement G & H)*

Targets

Managing agents in the Lloyd's market set their own targets for climate-related risks and opportunities. Lloyd's managing agents are expected to comply with any applicable UK and international government obligations.

The Society aims to manage its environmental footprint by reducing its own emissions and optimising resource use. In line with UK government targets, the Society's ambition is to reach net zero by 2050. This target is dependent upon the action of UK and global governments and whether or not they enact policy to transition to lower carbon economies and net zero by 2050. Our interim target to be carbon neutral in our own operations by 2025 has been achieved through a combination of emissions reductions activities and the use of carbon offsets. The Society is actively engaging the UK government to offer support where possible, in addition to broader engagement with our peers on climate-related matters.

Key risk indicators

As part of our risk appetite framework, a number of key risk indicators are regularly monitored and recorded. Should these key risk indicators change over time, the Society will provide recommendations to the Council and enact a change to strategy or financial planning.

Physical risk

1-in-200

from the top atmospheric region-perils, as a proportion of aggregate capital.

This metric has been developed within Lloyd's to more appropriately target physical risks that are exposed to changing climate

Transition risk

Exposure to transition risk within the investment portfolio is monitored via key risk indicators in the 'Investments' risk category.

Climate-related financial disclosures

continued

Streamlined Energy and Carbon Reporting

	2025			2024[1]		
tCO_2e GHG emissions	UK emissions	Global emissions (excluding UK)	Total	UK emissions	Global emissions (excluding UK)	Total
Direct emissions (Scope 1)	1,503	8	**1,511**	1,263	5	**1,268**
Indirect emissions (Scope 2)						
Location based	2,026	272	**2,298**	2,472	269	**2,741**
Market based	–	273	**273**	–	281	**281**
Total Scope 1 + 2 (location based)	**3,529**	**280**	**3,809**	**3,735**	**274**	**4,009**
Total Scope 1 + 2 (market based)	**1,503**	**281**	**1,784**	**1,263**	**286**	**1,549**
Other indirect emissions (Scope 3)						
Total of selected Scope 3[3]	**1,235**	**615**	**1,850**	**2,228**	**1,121**	**3,349**
Total Scope 1, 2, 3 (location based)[3]	**4,764**	**895**	**5,659**	**5,963**	**1,395**	**7,358**
Total Scope 1, 2, 3 (market based)[3]	**2,738**	**896**	**3,634**	**3,491**	**1,407**	**4,898**
Carbon intensity (location based) (tCO_2e/FTE)[2,3]	**5.6**	**3.5**	**4.6**	**5.7**	**5.4**	**5.6**
Total energy usage (kWh)	**19,715,987**	**686,380**	**20,402,367**	**19,593,262**	**812,007**	**20,405,269**

1. We have restated our 2024 Scope 3 emissions to include Scope 3 Category 6 – Business Travel only
2. Our UK and Global (ex, UK) FTE as at 31 Dec 25 are 853 and 253, respectively
3. Our Scope 3 reporting includes Scope 3 Category 6 – Business Travel only, for which we have obtained limited assurance over.

Environmental performance summary

The UK operations continue to account for the majority of emissions (84%). In 2025, natural gas consumption has increased by 20% due to several factors including a significant increase in events from 2024 to 2025 hosted at the 1986 Building in London, and reduced efficiency in the heating and building management systems resulting in longer operating hours. The continued implementation of renewable energy at the UK offices and some European offices, combined with the energy saving measures outlined below, has resulted in a 4% reduction of electricity consumption. Scope 2 location-based emissions have seen a 16% reduction from 2024, which can be largely attributed to a 15% reduction in the DEFRA grid electricity emissions factor for the UK, a 3% and 6% reduction in consumption at the 1986 Building and Chatham office, respectively, and the closure of our KSP data centre which was the third largest contributor to electricity consumption in 2024. The combined operational emissions (Scope 1 and 2 location-based) have seen a 5% reduction from 2024.

Overall emissions (Scope 1, 2 and selected Scope 3) have decreased by 23% from 2024. A 27% reduction in Scope 3 emissions has also driven the overall emissions intensity per FTE from 5.6 to 4.6 tCO_2e.

The reduction in Scope 3 emissions is driven primarily by a 27% reduction in the emissions resulting from long-haul business class flights booked through the travel partner. Due to a change in employee travel habits, the overall distance travelled in this category has reduced by 26% from 2024; further to this, the DEFRA emissions factor associated with this type of travel has also seen a 42% reduction from 2024 to 2025. Overall, there has been a 30% reduction in Society global emissions per FTE from the 2019 baseline year.

Outlook

Within the Lloyd's building in London, the landlord has committed to decarbonising and improving the building's energy efficiency by 2030, with an aim to achieve an EPC rating of 'C' by 2027 and 'B' by 2030. In 2024, the Lloyd's Chatham office received an EPC rating of 'A', recognising the work done to improve energy efficiency at this site. In 2025, the London and Chatham offices achieved certification against International Energy Management Standard ISO 50001. This certification will ensure energy is managed in a standardised way with improved energy consumption tracking.

Methodology

The methodology used to compile the greenhouse gas (GHG) emissions inventory is in accordance with the requirements of the World Resources Institute GHG Protocol Corporate Standard (revised version) and DEFRA's Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting (SECR) requirements (March 2019). The data is reported based on calendar year and is the summation of the UK emissions and global emissions (excluding the UK), to comply with the SECR regulations.

The Society is aware of its reporting requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Society continues to meet the requirements of the regulations by reporting on all material global emissions in Scope 1 and 2 and a ratio of company emissions to a quantifiable factor associated with company activity (FTE). Emissions from refrigerants are not required to be reported under SECR and accurate data is limited, therefore refrigerants have been excluded from our Scope 1 reporting. Selected material Scope 3 emissions are also reported.
The Society also reports GHG emissions on an operational control approach. This means the GHG emissions cover all legal entities and sites for which the Society has operational control – including all office locations where the Society has management control of energy ownership and usage. These locations exclude 'representative offices' where employees of the Society work in physical sites outside the operational control of the Society.

Climate-related financial disclosures

continued

The reporting does not cover the Lloyd's market or any of its participants. These are separate entities which have their own strategies, over which the Society has no operational control. This is an accepted consolidated approach under the GHG Protocol.

Scope 1 emissions include natural gas, fuel oil and diesel. This is calculated via invoices from suppliers stating gas consumption in kWh, and estimations made on tank levels. Emissions factors are then applied from DEFRA's Environmental Reporting requirements to convert this to tCO_2e. 99% of the calculated Scope 1 emissions across the UK and globally are from actual data. The 1% estimated is the tank levels for diesel.

Scope 2 includes electricity; invoices are collected or meter readings are sourced directly from the offices which state their electricity consumption in kWh. Missions factors are then applied from DEFRA's Environmental Reporting requirements to convert this to tCO_2e.

Where actual data is not available, estimations are made using energy performance datasets based on building type, floor area and heating system, with the appropriate emissions factor for the country. 96% of calculated Scope 2 emissions across the UK and globally are from actual data. The 4% is estimated to come from electricity consumption of international offices where meter readings and invoices were not available. Electricity is reported on location-based and market-based totals. Location-based emissions calculate the emissions from electricity use based on the average emission intensity of the power grid. Market-based emissions calculate emissions from electricity use, factoring in the electricity the Society has purchased. As 100% of electricity for the London and Chatham offices is sourced from renewable sources with zero GHG emissions, the UK Scope 2 market-based emissions are zero.

Scope 3 emissions cover category 6 – Business travel, which includes flights, domestic and international rail travel, hotel accommodation made through a third-party travel partner and employee expenses. As above, data is collected directly where available and converted from the appropriate tonne, m^3, kWh, km, room per night to tCO_2e using the DEFRA emissions factors for bookings made through our travel partner, and DEFRA and EEIO emissions factors for employee expenses. Due to the absence of sustainability disclosures and data availability globally, the use of a hybrid approach which prioritises distance-based data over spend, in line with the GHG Protocol reporting hierarchy is permissible.

We have sought limited assurance on our Scope 1, Scope 2 and Scope 3 Category 6 (tCO_2e) emissions for 2025. Further information on our emissions and reporting criteria can be found in the Society of Lloyd's Carbon Management Report.

Non-Financial Information and Sustainability Statement

The Society presents its Non-Financial Information and Sustainability Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The policies and standards referenced below are applicable to the Society. Managing agents set their own policies, within the parameters of the Lloyd's governance and oversight framework. Policies are considered key to the mitigation of risk and encouraging and guiding the right behaviours across the organisation to deliver value to our stakeholders.

The table below sets out the Society's key non-financial policies and how they govern our approach.

Reporting requirement and policies and standards	Reference to further information
Environmental matters	
The Environmental and Energy Policy sets out the Society's commitment to environmental management and to ensure compliance with all relevant environmental legislation. The policy applies to all jurisdictions in which the Society operates and all Society employees, fixed term contractors, and contingent workers whilst on Society business and secondees. The Environmental policy is aligned to the International Standard for Environmental Management ISO 14001 and the International Standard for Energy Management ISO 50001.	Read more: Carbon Management Report
Respect for human rights	
The Society fully supports the principles set out in the United Nations Universal Declaration of Human Rights, the International Labour Organisation core labour standards and the Modern Slavery Act 2015. The Society has an internal Human Rights Policy which expresses the Society's commitment to respect and support human rights, which is approved by the Chief People Officer and the Council of Lloyd's. The policy applies to all persons working for the Society or on its behalf in any capacity. The Society annually reviews the Modern Slavery Act Statement and Supplier Code of Conduct to reflect the standards expected of its suppliers. The Data Protection Policy provides a framework for ensuring the Society and overseas offices meet obligations under the General Data Protection Regulation (GDPR) which is considered the 'gold standard' of data protection and privacy compliance.	Read more: Modern Slavery Statement

Climate-related financial disclosures

continued

Reporting requirement and policies and standards	Reference to further information
Social matters	
The Society's ambition is to create a positive social impact by fostering an inclusive, safe and equitable environment for employees and communities, strengthening trust, wellbeing and social value.	Read more: Talent & Belonging Report
The Inclusive Futures programme is a multi-year, market-wide programme of initiatives to help Black and ethnically diverse individuals participate, progress and prosper from the classroom to the boardroom.	Read more: Inclusive Futures page at www.lloyds.com
The Lloyd's of London Foundation is a vehicle for charitable activity for the Society and the market. The mission of the Foundation is to deliver long-term meaningful social impact that engages stakeholders and leverages Lloyd's unique convening position.	Read more: Statement by the members of Council on page 76
Employees	
The Society aims to attract, retain and reward the very best talent. This is done by attracting colleagues that bring with them a diversity of capability, experience, perspective and approach; ensuring all colleagues are treated with fairness and consistency; rewarding the unique contribution employees bring to the business; and supporting colleagues to be the best they can be. This is outlined in the UK Employee Handbook and International Employee Handbook. The handbooks also cover topics such as anti-bullying and harassment, diversity and inclusion, social media, and drug and alcohol use. The Handbook policies apply to all employees as well as job applicants, consultants, temporary and third party workers. The Society continues to foster a workforce from diverse backgrounds and continues to exceed its target of 35% of women in leadership. In 2025, 50% of the Society's executive leadership, and 44% of their direct reports, were represented by females. The Society recognises its responsibility to provide a safe and healthy working environmental for all its employees, tenants, contractors and visitors who use its premises and prevent injury and ill health in accordance with the Health and Safety at Work ISO 45001. Act 1974 and its associated regulations. Lloyd's Occupational Health and Safety Policy aligns to the International Standard for Health and Safety at Work ISO 45001.	Read more: Talent and Belonging Report and Stakeholder engagement pages 72 to 75

Reporting requirement and policies and standards	Reference to further information
Anti-corruption and anti-bribery matters	
The Global Financial Crime Policy ensures that the Society, including all jurisdictions in which it operates, is aware of its financial crime risks and has appropriate processes for managing these risks in relation to its staff, and any persons or entities performing services for or on its behalf. All Society employees carry out mandatory training in Gifts & Hospitality, Conflicts of Interest and Financial Crime Essentials – which includes anti-money laundering and anti-bribery. Failure to complete these modules will result in a negative impact to an employee's remuneration. The Society oversees the market through the Principles for doing business, of which Regulatory and Financial Crime forms one of the 13 principles. This principle sets expectations for managing agents to have robust frameworks in place to assess and address financial crime risks arising from their UK and international businesses. Frameworks should support compliance with law, regulation and guidance, and allow for well-informed, transparent relationships with the Society and applicable regulators.	Read more: Stakeholder engagement on pages 72 to 75

Certain aspects of the Companies Act 2006 requirement have been addressed in the body of the Annual Report and have been cross-referenced as set out below:

Reporting requirement	Reference to further information
Description of business model	Read more: The Lloyd's business model on page 21
Description of principal risks and impacts of business activity	Read more: Principal current risks on pages 23 to 26 Risk Committee report on pages 82 to 83
Non-financial KPIs	Read more: Our performance at a glance on page 1

Group financial review

This review should be read in conjunction with the financial statements of the Society on pages 128 to 131 and the Strategic Report on pages 3 to 26. The Strategic Report sets out the strategic priorities for both the Society and the Lloyd's market as a whole.

Profit before tax

The Society reported a profit before tax of £309m (2024: £471m). A summary of the result is set out below:

	2025			2024		
	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Technical account						
Earned premiums, net of reinsurance	–	–	–	–	–	–
Other technical income	8	–	8	9	–	9
Claims incurred, net of reinsurance	–	–	–	–	–	–
Net operating income	42	–	42	37	–	37
Balance on the technical account for general business	**50**	**–**	**50**	**46**	**–**	**46**
Non-technical account						
Total investment return	63	270	333	56	215	271
(Loss)/profit on foreign exchange	(80)	(134)	(214)	34	9	43
Non-technical income	429	226	655	397	212	609
Non-technical operating expenses	(435)	(80)	(515)	(413)	(85)	(498)
Profit before tax	**27**	**282**	**309**	**120**	**351**	**471**

Technical account

The technical account performance reflects insurance operations conducted through Lloyd's Europe and Lloyd's China platforms. These operations are fully reinsured to Lloyd's syndicates, and as a result the net underwriting result (premiums, less claims and related expenses) is nil. The technical account delivered a strong performance with a balance of £50m, up from £46m in 2024. This improvement was primarily driven by increased ceding commission income in Lloyd's Europe, which grew in line with earned premium. Lloyd's China ceding commission dropped slightly, in line with a reduction in written premium (refer to Premiums section below).

Non-technical account

The non-technical account performance reflects two key components: investment returns, predominantly generated by the Central Fund portfolio, combined with revenue from the Society's essential market services and regulatory functions.

Investment returns contributed £333m to profit before tax in 2025 (2024: £271m), reflecting strong realised and unrealised market gains across equities and fixed-income assets. These gains were partially offset by lower fixed-interest income as interest rates declined over the year (refer to Investment performance section on page 115).

A significant weakening of US dollars against sterling during the year has resulted in a £214m loss (2024: £43m profit) on foreign exchange, of which £197m (2024: £43m) is unrealised. This result reflects the fact that approximately 70% of the Central Fund investment portfolio is held in US dollars, a strategic decision to align with potential claims.

The continued growth in Lloyd's market premium volumes through 2025 contributed to higher non-technical income. At the start of the year Lloyd's moved to a new charging structure, consolidating the previous Member Subscriptions, Central Fund Contribution and Overseas Operating Charge and replacing them with a simplified headline charge based on 1% of forecast gross written premium. A three year transitional arrangement has also been implemented to taper the impact of this change.

Following the majority acquisition and consolidation of PPL Group in November 2024, a full year's revenue is reflected in the 2025 result, generating an additional £26m when compared with the partial result reported in the prior year. The PPL consolidation is also the main driver of the increase in non-technical operating expenses, generating an additional £29m of expenses compared with the prior year.

Within non-technical expenses, following the strategic outsourcing of certain IT services and operational functions to Accenture from 1 April 2025, employment expenses have reduced, partially offset by an increase in legal and professional costs. Other notable movements in non-technical expenses include a write-down of £22m in relation to a prepayment for which the full recovery of economic benefits can no longer be supported, and a reduction in interest expense following the repayment of £300m subordinated debt in October 2024.

Group financial review

continued

Premiums

The Society reported gross written premium of £4,277m (2024: £3,776m), an increase of 13%.

	2025 £m	2024 £m
Gross written premiums	4,277	3,776
Outward reinsurance premiums	(4,277)	(3,776)
Net written premiums	**–**	**–**

Both written premium and earned premium have grown in the year. Increasing business volumes are driving continued growth in the Lloyd's Europe portfolio, with negative rate change during the period partially offsetting growth, consistent with the experience across the wider Lloyd's market. The gross loss ratio has decreased from 70% to 62%. Whilst there was reserve strengthening in respect of the Russia-Ukraine conflict losses, which have increased following judgements and settlements in 2025, as well as increased clarity on exposures, this has been offset by favourable foreign exchange movements as US dollar weakened against the Euro.

Investment performance

The Society's investments, mostly held within the Central Fund, generated a gross investment return of £333m, reflecting a return of 6.0% (2024: £271m, 4.7%). The Society's currency policy, which aims to preserve the solvency strength of the Central Fund by maintaining exposure to US dollars, resulted in losses due to the weakening of US dollars relative to Sterling. The US dollar was impacted from escalating trade tensions, fiscal concerns and shifting monetary policy expectations. As a result, the loss on foreign exchange in 2025 equalled £214m (2024: gain £43m) leading to an overall investment return of 2.1% (2024: 5.5%). The Central Fund investment portfolio generated a positive return of 8.6% (2024: 6.4%). The loss on foreign exchange decreased the investment return to 4.3% (2024: 6.8%).

In 2025, the global equities market delivered strong returns, despite mid-year turbulence caused by US tariffs. The strong performance was a result of a combination of factors: solid earnings, easing monetary policy and US fiscal spending. Non-US markets outpaced the US for the first time in several years, aided by a weaker US dollar and attractive valuations. Both large-cap and growth stocks continued to lead, with the tech sector benefiting from AI-driven profit expansion.

The global government bond market generally delivered solid returns, supported by both the US Federal Reserve and the Bank of England delivering rate cuts equalling 75bps and 100bps, respectively. However, during the year, government bond curves steepened, as uncertainty over fiscal sustainability drove greater dispersion in returns along the yield curve.

Declining yields and tighter spreads lead to riskier high-yield bonds outperforming the stronger credit-rated investment-grade universe, although the latter still generated solid returns. Corporate fundamentals and strong investor demand were all supportive factors for credit markets. Private markets also generated positive returns across both private equity and private credit, despite uneven policy signals.

Taxation

A tax charge of £81m (2024: £116m) on profit before tax of £309m (2024: £471m) has been recognised in the profit and loss account for the year ended 31 December 2025 to report a profit after tax of £228m (2024: £355m). A tax credit of £4m (2024: £2m) has been recognised in other comprehensive income contributing to a total comprehensive income for the year of £262m (2024: £339m). Further details are set out in note 14.

Movement in net assets

	2025 £m	2024 £m
Net assets attributable to the Society of Lloyd's at 1 January	3,706	3,497
Profit after tax	229	354
Actuarial gain on pension schemes	2	9
Currency translation differences	28	(27)
Tax credit on other comprehensive income	4	2
Repayment of syndicate loan	(404)	(110)
Interest paid on syndicate loans	(15)	(19)
Net assets attributable to the Society of Lloyd's at 31 December	**3,550**	**3,706**
Non-controlling interest at 1 January	16	–
Non-controlling interest on acquisition of net assets of PPL Group	–	15
Reduction in non-controlling interest following further acquisition of shares	(1)	–
Non-controlling interest (loss)/profit after tax	(1)	1
Net assets at 31 December	**3,564**	**3,722**

The net assets of the Central Fund are included within the above amounts and at 31 December 2025 were £3,202m (2024: £3,407m).

The two 2020 tranches of syndicate loans were repaid in June and November 2025, in line with their five year maturity dates.

Group financial review

continued

Pension schemes

Lloyd's Pension Scheme

The Lloyd's defined benefit pension scheme valuation at 31 December 2025 was a surplus of £53m (2024: £51m) before allowance for a deferred tax liability of £13m (2024: £13m).

The movement in the pension scheme during the year is summarised below:

	2025 £m	2024 £m
Pension surplus as at 1 January	51	41
Pension income recognised in the Group profit and loss account	1	–
Remeasurement effects recognised in the Group statement of other comprehensive income	1	10
Pension surplus as at 31 December	**53**	**51**

The surplus has increased during the year, primarily due to a reduction in liability as a result of changes in the mortality assumptions and a higher real discount rate, largely offset by asset returns over the period being less than expected and membership experience increasing the liabilities. Further details are provided in note 23, which includes the sensitivity of the valuation to changes in these assumptions.

The recovery plan agreed by the Trustees has a contingent contribution structure in place until the 2025 valuation is finalised, under which contributions will be made should the estimated funding level fall below 103% as at 30 June in any given year. No additional contribution was paid in 2025, and the 2025 valuation is in progress.

Overseas pension schemes

The actuarial valuations of the overseas pension schemes at 31 December 2025 resulted in a deficit of £3m (2024: £3m). Further details are provided in note 23.

Capital structure

Lloyd's unique capital structure, referred to as the 'Chain of Security', provides the financial strength that ultimately backs all insurance policies written at Lloyd's. The capital structure is actively managed, and further details can be found on page 16 of the Strategic Report. The Central Fund cover provides additional protection for Lloyd's Central Fund, the third link in the Chain of Security, in situations where the Central Fund makes payments to cover members' liabilities. The programme renewed on 1 January 2024 and has an initial fixed duration of five years (with a possible extension to hold collateral for up to a further three years to cover adverse claims development). The Society retains the first $1,134m of claims payable.

The total amount of cover provided by the programme is $812.5m, with layers provided by Constellation (an incorporated cell of White Rock Insurance (Guernsey) ICC Limited) and a panel of reinsurers. The layer covered by Constellation of $562.5m is 100% collateralised for the five year term.

Capital management

The Society actively manages its capital to ensure that it maintains sufficient assets for both operational and solvency purposes; further details can be found on pages 46 of the Annual Report. Further disclosures regarding financial instruments are provided in note 16. Further details regarding solvency are below.

Solvency

Total capital for solvency purposes is set out below. The 2025 position is an estimate of the amount, which will be finalised in April 2026 alongside the 2025 Lloyd's Solvency and Financial Condition Report. The figures are calculated on a UK Solvency II basis. The solvency figures in the table below are unassured:

	2025 £m	2024 £m
Central assets at 31 December	3,263	3,722
Subordinated debt	301	298
Total	**3,564**	**4,020**
Solvency valuation adjustments	2,761	2,075
Available central own funds to meet the Central Solvency Capital Requirement (SCR)	6,325	6,095
Excess central own funds not eligible to meet the Central SCR	–	–
Eligible central own funds available to meet the Central SCR	6,325	6,095
Central SCR	1,275	1,400
Central solvency ratio	**496 %**	435 %

The Central SCR covers the central risks of the Society. This includes the risk that members may have insufficient capital to meet their losses. The Central SCR may be covered only by central eligible own funds of the Society.

The solvency valuation adjustments above include items such as valuation differences arising and assets being disallowed due to the valuation principles used in UK Solvency II. They also include recognition of the callable layer, which may be taken from member-level capital to strengthen central resources.

Group financial review

continued

The eligibility of assets to count towards the solvency coverage is also subject to tiering restrictions. All Tier 1 assets count fully towards the solvency coverage assessment. However, Tier 2 and Tier 3 assets may only count up to a maximum of 50% of the SCR.

The Lloyd's Tier 2 and 3 central capital did not exceed 50% of the SCR at 31 December 2024 and as such, there is no eligibility adjustment (2024: NIL).

Based on central own funds eligible to meet the Central SCR of £6.3bn (2024: £6.1bn), the solvency ratio is 496% (2024: 435%). In setting contribution levels, account is taken of the Central SCR to ensure that Lloyd's is prudently capitalised. The central solvency ratio reported above is based on the SCR, which has been calculated using the latest approved version of the Lloyd's Internal Model.

The 2020 tranches of syndicate loans were all settled during 2025.

Cash flows and liquidity

Cash and cash equivalents decreased during the year ended 31 December 2025 by £439m to £814m (2024: £1,253m), driven by the repayment of the Syndicate loans. Cash balances are maintained at appropriate levels to meet the short-term operating expenses of the Society. Any surplus cash balances are invested and are included as financial investments within the Group balance sheet.

The Society's free cash balances are regularly monitored. This metric (wherever used in the Annual Report) is an alternative performance measure. Free cash represents the amounts, both at bank and in highly liquid cash equivalent investments, including liquidity and money market funds, held in the UK and available to the Corporation to meet operating expenses, including those of overseas operations, excluding any balances held in respect of insurance and arbitration activities. Free cash balances at 31 December 2025 were £245m (2024: £318m).

The liquidity of the Central Fund is monitored separately. Cash balances are managed to meet short-term operational commitments including the payment of drawdowns. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee.

Central Fund investment strategy

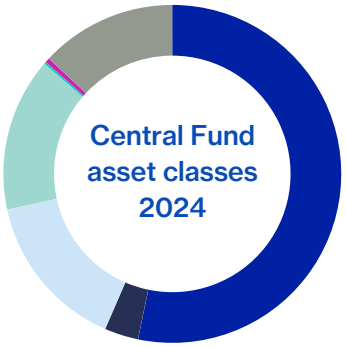
The role of the Central Fund, the third link in Lloyd's Chain of Security, is to support central solvency by adding an additional set of assets to pay a member's insurance liabilities. These are paid at the discretion of the Council of Lloyd's in the unlikely event that members' premium trust fund (PTF) and Funds at Lloyd's (FAL) have been exhausted.

The investment objective of the Central Fund is to grow in line with the market by optimising the investment return over the longer term, while maintaining acceptable levels of investment risk.

The Central Fund continues to have sufficient liquidity to pay any obligations that may arise in the future.

The Central Fund's strategic asset allocation (SAA) was approved at the end of 2023 and was implemented during 2024 for all asset classes apart from private assets (which are predominantly in investment pools), which continued to build up over 2025.

The SAA is diversified across asset classes and was designed to best support the liabilities written in the Lloyd's market while remaining within the agreed risk appetite limits set by the Council. The increase in investment pool assets and the reduction in cash reflects a strategic decision to invest in liquidity funds and away from rolling short term deposits.



	2025	2024
Fixed income securities	**1,698**	1,710
Loans	**94**	104
Shares	**475**	485
Investment pools	**737**	472
Derivative assets	**2**	7
Deposits	**–**	15
Cash	**19**	418
Total	**3,025**	**3,211**

Group financial review

continued

Financial risk management and treasury policies

Overview

The Society's principal financial instruments comprise cash and cash equivalents, investments, borrowings and items that arise directly from operations. These include assets and liabilities of the Central Fund.

The Society's treasury operations and investments are managed by reference to established policies that are reviewed regularly by the Investment Committee.

Overall risk is managed within defined limits specified by the Council. Policies for managing these risks, in particular credit risk, liquidity risk, market risk, foreign currency risk and interest risk, are summarised below. The following financial risk management objectives and policies and disclosures within note 5 are audited.

Credit risk

Credit risk represents the risk of financial loss to the Society if a counterparty, or the issuer of a security, fails to meet its contractual obligations.

Trade and other receivables

The Society has established procedures to minimise the risk of default by trade and other receivables, which are mainly in respect of the Lloyd's market, the main source of income. These procedures include minimum checks for new market entrants.

Financial investments

A list of permissible bank counterparties, for the purposes of money-market investment, is maintained and restricted to banks having strong balance sheets and credit ratings. Investment parameters exist for all investment assets, controlling overall credit quality and ensuring appropriate risk diversification.

Permitted counterparties to capital market transactions are also carefully controlled. All applicable parameters are reviewed regularly by the Investment Committee in accordance with the risk appetite set by the Council.

Insurance contract assets

Insurance contract assets are all recoverable from Lloyd's syndicates. All syndicates benefit from Lloyd's Chain of Security and therefore credit risk for insurance contract assets is concentrated with the Society of Lloyd's. The Society monitors the underwriting profitability of syndicates by responding to the risk appetite of the market, adjusting business planning for future years.

Liquidity risk

The value and term of short-term assets are carefully monitored against those of the Society's liabilities. The Society maintains sufficient liquid assets to meet liabilities as they fall due.

The liquidity of the Central Fund is monitored separately. Cash balances are managed to meet short-term operational commitments, including the payment of any drawdown. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee, in accordance with the risk appetite set by the Council.

The Society has an undrawn €50m committed borrowing facility as at 31 December 2025 (2024: €200m undrawn). Refer to note 33 for further information. Details of the amounts owed to credit institutions are included in note 26.

The Society's liquidity remains strong, with a free cash balance at 31 December 2025 of £245m (2024: £318m).

The Society has not experienced any liquidity constraints or inability to settle its obligations when due.

Market risk

Market risk represents the risk that movements in financial markets will affect the financial position of the Society. Market risks arising from the disposition of the Society's investments are monitored against defined parameters using 'value at risk' methodology.

The position is reviewed regularly by the Investment Committee. Investments are actively monitored on a fair value basis, and all investments are designated as fair value through profit or loss, other than statutory insurance deposits and short-term and security deposits, which are held at amortised cost.

As part of the strategy to mitigate market risks in relation to the equity portfolio of investments, the Society has the ability to enter into equity futures hedges.

Foreign currency risk

The Society enters into a variety of foreign exchange transactions in response to the foreign currency requirements of the Society's Group companies. In managing the exposures arising from such foreign exchange activity, which may involve transactions for forward settlement, the net risk arising from all such exposures is considered. Consequently, while some net foreign exchange exposures may accrue to the Society from time to time as a result of this activity, the level of such exposures is carefully monitored and is not significant in the context of the Society's activities.

Group financial review

continued

Foreign currency exposures arising from overseas investments are considered together with any foreign currency liabilities of the Society, as well as the underlying currency mix of the Central Solvency Capital Requirement, of which a high proportion is US-dollar based. Net foreign currency exposure is monitored within risk appetite and currency forwards are used as appropriate.

Separately, the Society provides a Currency Conversion Service (CCS) to participating Lloyd's syndicates, converting insurance premiums and claims between sterling and other Society settlement currencies as required. Foreign exchange exposures arising from the provision of the CCS are again managed on a net basis, within defined parameters.

The CCS is operated separately from other foreign exchange activities of the Society because, under the terms of the service, any profit (or loss) arising from CCS exposures is distributed to (or collected from) syndicates participating in the CCS. Currency exposures arising from CCS activity do not ultimately represent significant risks to the Society.

The Society continues to closely monitor exposure to foreign currency transactions, along with the use of forward foreign exchange contracts to mitigate a portion of the investment exposure, governed by Lloyd's risk appetite.

Interest rate risk

Borrowings from the Lloyd's market for the purpose of funding statutory insurance deposits do not bear a fixed rate of interest. Instead, investment returns earned on the borrowed assets are passed on to lenders. Consequently, no interest rate risk arises on such borrowings.

Short-term assets held by the Society may be significant at certain times. These are invested in money market instruments of up to 12 months' duration with the objective of maximising current income while meeting liquidity requirements.

Interest rate risk arising from the requirement to make fixed rate coupon payments in respect of the Society's senior and subordinated debt, and discretionary fixed rate coupon payments in respect of the Society syndicate loans, is considered in conjunction with the market risk arising on the Society's investments.

As part of the strategy to mitigate these risks, the Society has the ability to enter into interest rate swap contracts.

Outlook

Central assets, which exclude subordinated liabilities, are in a strong position heading into 2026. Following its meeting on 18 March 2026, the Council gave no undertakings to corporate members to use the New Central Fund to discharge the liability of members with unpaid cash calls who do not have the resources to meet those calls. There were also no undertakings from previous years.

Streamlined Energy and Carbon Reporting (SECR)

For the year ended 31 December 2025 and in compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Group has reported its energy consumption, energy efficiency and greenhouse gas emissions on page 111 of the Society Report.

Going concern and viability statement

Assessment of prospects

The Lloyd's strategy and business model are central to an understanding of its prospects and details can be found on pages 9 to 21. The strategy is subject to ongoing monitoring and development.

The prospects of the Lloyd's market, including the Society, are primarily assessed through the annual strategic review and planning process. The output of the review is a strategic plan to deliver any recommendations. The review is led by the Chief Executive through the Executive Committee, and all relevant departments are involved. The Council participates fully in the process and part of its role is to consider whether the strategic plan continues to take appropriate account of the external environment and meets the needs of the market.

The review determines a set of medium-term targets, key performance indicators for the current year and activities to deliver on those metrics. The strategic plan for 2026 was approved in December 2025 following completion of the latest review cycle. As part of the planning process, financial assumptions for 2026 and 2027 were prepared for the Society and presented to the Council in March 2026.

Assessment of viability

The Council receives quarterly reports from the Risk Committee on the key risks and risk appetites, including the Society's Own Risk and Solvency Assessment as well as the results of stress testing resilience to severe yet plausible scenarios. The principal risks and material uncertainties that would threaten the business model, future performance, liquidity or solvency of the Lloyd's market as a whole are set out on pages 23 to 26. In addition, the Group financial statements include notes on investment strategy, financial risk management, treasury policies and sensitivity analysis.

The Lloyd's capital structure is set out on page 16 and Lloyd's is required to maintain solvency on a continuous basis. The solvency position of each member, and thus of Lloyd's as a whole, is monitored on a regular basis.

Council considers annually management's assessment of the current solvency position and the forecast position over a three year period, including resilience of central assets to meet the Central SCR.

Group financial review

continued

Viability statement

While the members of the Council have no reason to believe that the Society will not be viable over a longer period, the period over which the assessment is based is the three year period to 31 December 2028, being the period for which the Society prepares detailed budgets and solvency projections.

The members of the Council believe that the Society is well placed to manage its business risks successfully, having taken into account the current economic outlook, and confirm that they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 December 2028.

Going concern

After making enquiries, the members of the Council have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Annual Report, and therefore consider it appropriate to continue to adopt the going concern basis in preparing the Society's Group financial statements.

Statement as to disclosure of information to auditors

Having made enquiries, the Council confirms that:

- to the best of each Council member's knowledge and belief there is no information relevant to the preparation of the Society Report of which the Society's auditors are unaware; and
- each Council member has taken all the steps a Council member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Society's auditors are aware of that information.

Statement of Council's responsibilities

Statement of the Council's responsibilities in respect of the financial statements

The Council is responsible for preparing the Group financial statements in accordance with byelaws made under the Lloyd's Act 1982 and UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and FRS 103 'Insurance Contracts'.

The Council is required to prepare Group financial statements for each financial year that give a true and fair view of the financial position of the Society and the financial performance and cash flows of the Society for that period. In preparing these Group financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events or conditions on the Society's financial position and financial performance;
- make judgements and accounting estimates that are reasonable and prudent; and
- state that the Society has complied with UK GAAP, subject to any material departures disclosed and explained in the Group financial statements.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the Group financial statements comply with UK GAAP. The Council is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the Society's website (www.lloyds.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Council considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Society's performance, business model and strategy.

We confirm that to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with byelaws made under the Lloyd's Act 1982 and UK GAAP, including FRS 102 and FRS 103, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Council Statement and Corporate Governance section include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Council of Lloyd's:

Sir Charles Roxburgh	**Patrick Tiernan**
Chair	Chief Executive

18 March 2026

Independent auditors' report to the members of the Society of Lloyd's

Report on the audit of the financial statements

Opinion

In our opinion, the Society of Lloyd's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2025 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Council byelaws made under the Lloyd's Act 1982.

We have audited the financial statements, included within the Society Report of the Lloyd's Annual Report (the "Society Report"), which comprise:

- the Group Balance Sheet as at 31 December 2025;
- the Group Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Group Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 12, we have provided no non-audit services to the Society of Lloyd's or its group undertakings in the period under audit.

Our audit approach

Overview

Audit scope

We performed:

- Full scope audit procedures over two components being, the UK (which comprises the Corporation of Lloyd's, the Central Fund and Additional Securities Limited) and Belgium (which comprises Lloyd's Insurance Company S.A. (LIC));
- Audit procedures over specified financial statement line item balances for China (Lloyd's Insurance Company (China) Limited (LICCL)); and
- Targeted risk assessment procedures in respect of Placing Platform Limited and PPL Technologies Group LTD (altogether PPL).

All remaining components were considered inconsequential and therefore no further audit procedures nor targeted risk assessments were performed.

Key audit matters

- Valuation of the incurred but not reported (IBNR) claims component of claims outstanding in LIC; and
- Valuation of pipeline premium included within LIC's Gross Written Premium (GWP).

Materiality

- Overall materiality: £107m (2024: £101m) based on 0.5% of total assets.
- Performance materiality: £80m (2024: £76m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of the Society of Lloyd's

continued

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of the incurred but not reported (IBNR) claims component of claims outstanding in LIC	
See notes 3 (j), 4 (b) and 27 of the Society Report for disclosures of related accounting policies, judgements and estimates. The IBNR claims included within claims outstanding in LIC is a material balance within the financial statements. Recognised actuarial techniques are used to derive the IBNR claims. The valuation of IBNR claims relies on a large degree of judgement and underpinning reserving assumptions. Relatively small changes in the key assumptions can lead to significant movements in IBNR claims and as such we placed significant focus on this area.	Our work over the valuation of LIC's IBNR claims was performed by our component audit team and actuarial specialists with input and oversight from the group engagement team. Specifically, we have: • Performed walkthroughs to understand the controls and processes that management have in place to ensure: – the completeness and accuracy of the data used by LIC in the reserving process; and – the selection of appropriate methods and assumptions applied by LIC in the reserving process. We assessed the design and implementation, as well as operating effectiveness of the controls; • Tested the accuracy and completeness of the underlying data utilised within the reserving process; • Engaged our actuarial specialists to: – Develop an independent point estimate and reasonable range for LIC's IBNR claims related to non-catastrophe claims. We compared our estimates to those derived by management, and in all those cases where significant differences were identified, we challenged management and obtained explanations; and – Understand the approach used to establish LIC's IBNR claims in relation to large losses and catastrophe events. We assessed the key methodologies and assumptions used by management in determining the IBNR claims and challenged them as appropriate. • Tested the reserving results as at Q3 2025 and performed roll forward procedures of the reserves to the end of Q4 2025. • Assessed that LIC's risk margin has been booked in line with management's methodology. The results of our procedures indicated that the methodologies and assumptions used in the valuation of LIC's IBNR claims were supported by the evidence we obtained.

Key audit matter	How our audit addressed the key audit matter
Valuation of pipeline premium included within LIC's Gross Written Premium (GWP)	
See note 3 (j) of the Society Report for disclosure of the related accounting policy. LIC writes business through several placement types, for example, open market and binders. In light of the outsourced arrangement between LIC and the underlying syndicates/managing agents there is generally a level of uncertainty regarding the amount of premium income that should be recognised in any given year (estimated premium or "pipeline premiums"). The valuation of pipeline premiums relies on a number of underpinning assumptions and judgements and as such we placed significant focus on this area.	Our work over the valuation of pipeline premiums in LIC was performed by our component audit team and actuarial specialists with input and oversight from the group engagement team. Our work focused on understanding the methodology used to derive LIC's GWP (and the associated pipeline premiums) and testing the derivation of LIC's GWP (and the associated pipeline premiums). Specifically we have: • Updated our understanding of the processes and controls in place to derive LIC's GWP (and the associated pipeline premiums) and evaluated the design and implementation and operating effectiveness of the identified controls; and • Evaluated the methodology and tested the key assumptions used in relation to management's calculation of LIC's GWP (and the associated pipeline premium). This involved testing management's derivation of ultimate premiums through the use of our own independent actuarial analysis and mathematically recalculating LIC's GWP (and the associated pipeline premiums) at year end. The results of our procedures indicated that the methods and assumptions used in the valuation of LIC's pipeline premiums, included within LIC's reported GWP, were supported by the evidence we obtained.

Independent auditors' report to the members of the Society of Lloyd's

continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

Based on the output of our risk assessment, along with our understanding of the Society of Lloyd's Group structure, we performed full scope audits over the UK and Belgium components. For China we performed audit procedures over specified financial statement line item balances and we conducted targeted risk assessment procedures in respect of Placing Platform Limited and PPL Technologies Group Limited (altogether PPL). All remaining components were considered inconsequential and therefore no further audit procedures nor targeted risk assessments were performed.

As the group engagement team, we determined the level of involvement required at those components to enable us to conclude whether sufficient and appropriate audit evidence had been obtained for the basis for our opinion on the group financial statements as a whole. In our role as group auditors, we exercised oversight of the work performed by component audit teams including performing the following procedures:

- Issuing group audit instructions outlining areas requiring additional audit focus such as the key audit matters included above;
- Maintaining active dialogue with reporting component audit teams throughout the year;
- Reviewing reporting and supporting evidence requested from component teams, including those areas determined to be of heightened audit risk;
- Reviewing the detailed working papers of component teams, where relevant; and
- Performing site visits of the Belgium and China components.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£107m (2024: £101m).
How we determined it	0.5% of total assets
Rationale for benchmark applied	We have identified the key financial statement users as rating agencies, syndicate members, policyholders and regulators, who will be primarily focused on the overall asset position of the Society of Lloyd's, as those assets provide financial security for the market via the Chain of Security. Therefore, we have assessed that it is appropriate to use an asset-based benchmark for the materiality determination for the 31 December 2025 year-end audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated to each component was £70m.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £80m (2024: £76m) for the group financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5m (2024: £5m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Council of Lloyd's ('the Council') assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's going concern assessment;
- Performing sensitivity analysis on management's going concern assessment and assessing the impact on the Society of Lloyd's capital, solvency and liquidity positions; and
- Assessing the disclosures made in the Society Report in respect of going concern.

Independent auditors' report to the members of the Society of Lloyd's

continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

In relation to the Council's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Council's' statement in the financial statements about whether the Council considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Society Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Council members' remuneration

The Society of Lloyd's voluntarily prepares a Remuneration Committee report in accordance with the provisions of the Companies Act 2006. The Council requested that we audit the part of the Remuneration Committee report specified by the Companies Act 2006 to be audited as if the Society of Lloyd's were a quoted company.

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

ISAs (UK) require us to review the Council's statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society of Lloyd's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included through cross-reference within The Code section of the Society Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Council's confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Society Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Council's statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Council's explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate; and
- The Council's statement as to whether they have a reasonable expectation that the Society of Lloyd's will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Council's statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the Council's process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

Independent auditors' report to the members of the Society of Lloyd's

continued

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Council's statement that they consider the Society Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's position, performance, business model and strategy;
- The section of the Society Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Society Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Council's statement relating to the Society of Lloyd's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of the Council's Responsibilities in respect of the financial statements, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Lloyd's Act 1982. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the group's results and management bias applied in establishing material accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with the Council, the Audit Committee, the legal function, the risk and compliance functions and internal audit, including consideration of known or suspected instances of non-compliance with laws, regulations, and fraud;
- Assessment of matters reported on the group's whistleblowing helpline and management's investigation of such matters;
- Reviewing relevant meeting minutes and correspondence with the group's regulators, including for example, the Prudential Regulation Authority and the Financial Conduct Authority, in relation to compliance with laws and regulations;
- Testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, for example, in relation to the valuation of the IBNR component of claims outstanding in LIC and the valuation of pipeline premiums included in LIC's GWP;
- Identifying and testing journal entries based on risk criteria, in particular, any journal entries posted with unusual account combinations affecting revenue or post-close entries; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

Independent auditors' report to the members of the Society of Lloyd's

continued

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations.

We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society of Lloyd's members as a body in accordance with the Lloyd's Act 1982 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

We have agreed to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been maintained by the Society of Lloyd's; or
- certain disclosures of the Council's remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 July 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 31 December 2013 to 31 December 2025.

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 March 2026

Group Profit and Loss Account and Statement of Comprehensive Income

(For the year ended 31 December 2025)

Profit and Loss Account	Note	2025 £m	2024 £m
Technical account			
Gross written premiums	7	4,277	3,776
Outward reinsurance premiums		(4,277)	(3,776)
Net written premiums		–	–
Change in the gross provision for unearned premiums		(398)	(158)
Change in the provision for unearned premiums, reinsurers' share		398	158
Earned premiums, net of reinsurance		–	–
Other technical income		8	9
Gross claims paid		(2,677)	(2,014)
Claims paid, reinsurers' share		2,677	2,014
Change in provision for gross claims		291	(534)
Change in provision for claims, reinsurers' share		(291)	534
Claims incurred, net of reinsurance		–	–
Net operating income	8	42	37
Balance on the technical account for general business		**50**	**46**

Profit and Loss Account	Note	2025 £m	2024 £m
Non-technical account			
Balance on the technical account for general business		50	46
Investment income	9	238	191
Unrealised gain on investments	9	98	81
Investment expenses and charges	9	(3)	(1)
Total investment return		**333**	**271**
(Loss)/profit on foreign exchange		(214)	43
Non-technical income	10	655	609
Non-technical operating expenses	11	(515)	(498)
Profit before tax		**309**	**471**
Tax charge on profit	14(a)	(81)	(116)
Profit after tax		**228**	**355**

Statement of Comprehensive Income	Note	2025 £m	2024 £m
Profit after tax		**228**	**355**
Currency translation differences		28	(27)
Remeasurement gain on pension assets and liabilities	23	1	10
Share of remeasurement gain/(loss) on associates and joint venture pension liabilities	17	1	(1)
Tax credit on components of comprehensive income	14(a)	4	2
Total comprehensive income for the financial year		**262**	**339**
Attributable to:			
Society of Lloyd's		263	338
Non-controlling interests		(1)	1
Total comprehensive income for the financial year		**262**	**339**

Group Balance Sheet

(As at 31 December 2025)

Assets	Note	2025 £m	2024 £m
Software	15	53	63
Goodwill	15	–	(3)
Intangible assets		**53**	**60**
Financial investments	16	4,953	4,317
Investments in associates and joint ventures	17	50	41
Investments		**5,003**	**4,358**
Provision for unearned premiums	27	2,874	2,341
Claims outstanding	27	7,387	7,287
Reinsurers' share of technical provisions		**10,261**	**9,628**
Debtors arising out of direct insurance operations		3,214	2,791
Debtors arising out of reinsurance operations		1,679	1,587
Other debtors	22(a)	27	24
Debtors		**4,920**	**4,402**
Tangible assets	18	37	33
Cash at bank and in hand	19	487	1,253
Other assets	22(b)	11	3
Other assets		**535**	**1,289**
Accrued interest and rent		40	36
Deferred acquisition costs	21	594	461
Other prepayments and accrued income	22(c)	115	136
Prepayments and accrued income		**749**	**633**
Pension scheme assets	23	53	51
Total assets		**21,574**	**20,421**

Capital, reserves and liabilities	Note	2025 £m	2024 £m
Revaluation reserve	24(c)	15	15
Translation reserve	24(b)	1	(27)
Syndicate loans	25	–	404
Profit and loss account	24(a)	3,534	3,314
Non-controlling interest		14	16
Capital and reserves		**3,564**	**3,722**
Subordinated debt	26(a)	298	298
Provision for unearned premiums	27	2,874	2,341
Claims outstanding	27	7,387	7,287
Technical provisions		**10,261**	**9,628**
Provisions for pensions and similar obligations	23	3	3
Tax provisions		28	22
Other provisions	28	31	49
Provisions for other risks		**62**	**74**
Deposits received from reinsurers		1,054	1,006
Creditors arising out of direct insurance operations	29	884	707
Creditors arising out of reinsurance operations	29	4,197	3,836
Other creditors including taxation and social security	29	163	201
Amounts owed to credit institutions	26(b)	303	303
Creditors		**5,547**	**5,047**
Accruals and deferred income	30	788	646
Total capital, reserves and liabilities		**21,574**	**20,421**

The financial statements on pages 128 to 163 were approved by the Council on 18 March 2026 and signed on its behalf by:

Sir Charles Roxburgh KCB
Chair of the Council

Patrick Tiernan
Chief Executive

Group Statement of Changes in Equity

(For the year ended 31 December 2025)

	Note	Profit and loss account £m	Translation reserve £m	Revaluation reserve £m	Syndicate loans £m	Total equity attributable to the Society of Lloyd's £m	Non-controlling interest £m	Total equity £m
At 1 January 2025		3,314	(27)	15	404	**3,706**	16	**3,722**
Profit for the year		229	–	–	–	**229**	(1)	**228**
Other comprehensive income for the year, net of tax		6	28	–	–	**34**	–	**34**
Reduction in non-controlling interest	35	–	–	–	–	**–**	(1)	**(1)**
Repayment of syndicate loan	25	–	–	–	(404)	**(404)**	–	**(404)**
Interest paid on syndicate loans	25	(15)	–	–	–	**(15)**	–	**(15)**
At 31 December 2025		**3,534**	**1**	**15**	**–**	**3,550**	**14**	**3,564**

	Note	Profit and loss account £m	Translation reserve £m	Revaluation reserve £m	Syndicate loans £m	Total equity attributable to the Society of Lloyd's £m	Non-controlling interest £m	Total equity £m
At 1 January 2024		2,968	–	15	514	**3,497**	–	**3,497**
Profit for the year		354	–	–	–	**354**	1	**355**
Other comprehensive expense for the year, net of tax		11	(27)	–	–	**(16)**	–	**(16)**
Acquisition of non-controlling interest		–	–	–	–	**–**	15	**15**
Repayment of syndicate loan		–	–	–	(110)	**(110)**	–	**(110)**
Interest paid on syndicate loans	25	(19)	–	–	–	**(19)**	–	**(19)**
At 31 December 2024		**3,314**	**(27)**	**15**	**404**	**3,706**	**16**	**3,722**

Group Statement of Cash Flows

(For the year ended 31 December 2025)

	Note	2025 £m	2024 £m
Net cash from operating activities	31	**117**	**628**
Tax paid		(79)	(97)
Net cash inflows from operating activities		**38**	**531**
Cash flow from investing activities			
Purchase of intangible assets	15	(17)	(1)
Purchase of tangible assets	18	(11)	(7)
Purchase of equity and debt instruments		(5,094)	(2,903)
Sale of equity and debt instruments		4,529	2,875
Purchase of short-term deposits		(2,401)	(2,212)
Sale of short-term deposits		2,806	2,630
Net sale/(purchase) of derivatives		3	(5)
Purchase of subsidiary (net cash acquired)		–	4
Investment income received		109	(61)
Other		3	1
Net cash (outflows)/inflows from investing activities		**(73)**	**321**
Cash flow from financing activities			
Interest paid on senior debt		(8)	(8)
Interest paid on subordinated notes		(15)	(29)
Redemption of subordinated notes		–	(306)
Repayment of syndicate loan	25	(404)	(110)
Interest paid on syndicate loans	25	(15)	(19)
Increase/(decrease) in borrowings for statutory insurance deposits		35	(111)
Net cash outflows from financing activities		**(407)**	**(583)**
Net (decrease)/increase in cash and cash equivalents		**(442)**	**269**
Cash and cash equivalents at 1 January		**1,253**	**998**
Foreign exchange differences on cash and cash equivalents		3	(14)
Cash and cash equivalents at 31 December	20	**814**	**1,253**

Notes to the Financial Statements

(For the year ended 31 December 2025)

1. General information

In 1871, by the Lloyd's Act 1871, the then existing association of underwriters was incorporated in the United Kingdom as the Society and Corporation of Lloyd's (the 'Society'). Its activities are accordingly governed by statute and, since 1982, have been managed by the Council of Lloyd's (the 'Council') pursuant to the Lloyd's Act 1982. The Society's principal place of business is One Lime Street, London EC3M 7HA.

The Society's main corporate purposes are to facilitate the conduct of insurance business by members of Lloyd's, to advance and protect their interests in this context and to manage the Society's insurance undertakings. The Society's revenue consists of members' subscriptions, various market charges and Central Fund contributions. The Society's wholly owned subsidiaries, Lloyd's Insurance Company S.A. ('Lloyd's Europe') and Lloyd's Insurance Company (China) Limited ('Lloyd's China') are the principal insurance businesses of the Society. The principal activity of Lloyd's Europe and Lloyd's China is to provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of 100% retrocession agreements.

The Society is authorised under the Financial Services & Markets Act 2000 and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Lloyd's Europe and Lloyd's China are also regulated by their respective country regulators. Managing agents are authorised by the PRA and are regulated by the PRA and FCA. Additionally, all managing agents are approved by the Society and are subject to the Society's market oversight regime.

2. Statement of compliance

The Group financial statements have been prepared in compliance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and FRS 103 'Insurance Contracts'.

3. Summary of significant accounting policies

This section describes the Group's significant accounting policies that relate to the Group financial statements and notes as a whole. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation

The Group financial statements have been prepared on the historical cost basis, except for certain assets and liabilities at fair value, as required or permitted under FRS 102 and FRS 103.

(b) Going concern

The Group financial statements have been prepared on a going concern basis. For further details of the Council's assessment of the Group's ability to continue as a going concern, refer to the going concern and viability statement on pages 119 to 120.

(c) Basis of consolidation

The Group financial statements comprise the consolidated financial statements of the Society and all its subsidiary undertakings, the Lloyd's Central Fund and the Group's interest in associates and joint ventures as at each reporting date.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Society obtains control, and continue to be consolidated until the date that such control ceases. Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter, when the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity.

All intra-Group balances and transactions are eliminated in full.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies, if material, when preparing the consolidated financial statements.

Goodwill

Where the cost of the business combination exceeds the fair value of the Group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The Group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet.

At each subsequent reporting period the excess up to the fair value of non-monetary assets acquired is reassessed. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment, and any impairment is charged to the profit and loss account. No reversals of impairment are recognised.

Notes to the Financial Statements

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(d) Functional and presentation currency

The Group financial statements are presented in pounds sterling (£), which is the Society's functional and presentational currency, and rounded to millions (£m). Items included in the financial statements of each of the Society's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which the transaction was recorded when this is a reasonable approximation.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction, and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the profit and loss account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain or loss is required to be recognised within other comprehensive income, and in the non-technical account where the gain or loss is required to be recognised within profit or loss.

Translation of overseas operations

On consolidation, the results and financial position of overseas subsidiaries and branches are translated into pounds sterling from their functional currencies as follows:

- assets and liabilities are translated at the closing rate at the reporting date; and
- income and expenses are translated at the average exchange rate for the year.

Any resulting exchange differences are recognised in the Group statement of comprehensive income.

(e) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

At the reporting date, the principal rates of depreciation are as follows:

• furniture and fittings	over 7 to 25 years
• computer and specialised equipment	over 3 to 15 years
• leasehold improvements	over the remaining life of the lease

Lloyd's Collection

The Lloyd's Collection represents various paintings, antiques and artefacts which are included at fair value and are valued every five years, unless there is any indication of impairment. Any revaluation surplus or deficit is recognised in the Group statement of comprehensive income and is reflected in the revaluation reserve within the Group statement of changes in equity.

(f) Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Subleases

The Group has short-term arrangements to lease space within the Lime Street building to third parties. These arrangements are treated as operating leases and income is credited to the profit and loss account on a straight-line basis over the lease term.

(g) Intangible assets

Intangible assets recognised by the Society consist of software and software development assets.

Software is held at cost less accumulated amortisation and accumulated impairment losses. Capitalised software is amortised on a straight-line basis over its expected useful life. Computer software typically has an expected useful life of up to five years, although a longer lifetime may be determined for certain business systems. Amortisation is reported under non-technical operating expenses in the profit and loss account.

Costs incurred in acquiring and developing computer software may be capitalised as intangible assets where the software supports a significant business system, and the expenditure leads to the creation of an identifiable asset of value.

Software development is held at cost as these assets represent systems under construction that are not yet available for use. These assets are not amortised until deployed and ready to generate economic benefits.

Notes to the Financial Statements

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The Society performs bi-annual impairment testing to assess whether there is an indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(h) Investments in associates and joint ventures

An associate is an entity in which the Society has significant influence, and which is not a subsidiary undertaking or joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Society's investments in associates and joint ventures are accounted for under the equity method of accounting.

Under the equity method, the investments in associates and joint ventures are carried in the Group balance sheet at cost plus post-acquisition changes in the Society's share of net assets of the associates and joint ventures. Goodwill relating to an associate is included in the carrying amount of the investment and is amortised on a straight-line basis over its expected useful life.

After application of the equity method, the Society determines whether it is necessary to recognise any additional impairment loss with respect to the Society's net investment in an associate or joint venture. The Group profit and loss account reflects its share of the results of operations of associates and joint ventures. The Society's share of associates' other comprehensive income is recognised in the Group statement of comprehensive income.

(i) Prepayments

Prepayments are recognised at historic cost when the right to receive services or goods has been established. Where services or goods are to be received over a period exceeding a year, then prepayments are expensed in the profit and loss account on a straight-line basis over the period of the contract. Where amounts are considered to be not recoverable, the prepaid assets are written down to the recoverable amounts.

(j) Insurance and reinsurance contracts

The Society's wholly owned subsidiaries Lloyd's Europe and Lloyd's China are the principal insurance businesses of the Society, as they provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of retrocession agreements.

In accordance with FRS 103 'Insurance Contracts', the Society applies established accounting practices for insurance and reinsurance contracts. The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as stated in the paragraphs below.

Classification

Insurance and reinsurance contracts are defined as those containing significant insurance risk which arises if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Measurement and presentation

The Society's policy for measuring balances for insurance contracts issued by overseas subsidiaries is to apply the valuation technique used in the issuing entity's local statutory or regulatory reporting. Therefore, for insurance contracts issued by Lloyd's China, balances are calculated in accordance with China Generally Accepted Accounting Principles (China GAAP).

For insurance contracts issued by or transferred to Lloyd's Europe, balances are calculated in accordance with Belgium Generally Accepted Accounting Principles (Belgium GAAP).

The principal differences between UK GAAP and China and Belgium GAAP that remain unadjusted are as follows:

Lloyd's China calculates its reserves on a discounted basis and includes a local statutory risk margin, by class of business, as required under China GAAP. The discounting of reserves results in lower technical provisions by £7m (2024: £10m). The inclusion of a local statutory risk margin results in an increase in reserves. The reserves are 100% reinsured to syndicates with a net nil impact on profit before tax and on capital and reserves.

Management considers the local statutory risk margin to be appropriate and not excessively prudent, and as permitted by FRS 103, it is included in technical provisions. In addition, management does not consider the amount of discounting of reserves to be material and has not adjusted the Group profit and loss account or the balance sheet.

Lloyd's Europe calculates its reserves on an undiscounted best estimate basis and includes a local risk margin. The reserves are 100% reinsured to syndicates with a net nil impact on profit before tax and on capital and reserves. Management considers the local risk margin to be appropriate and not excessively prudent, and as permitted by FRS 103 it is included in technical provisions.

Certain other principal differences that have been adjusted or presented in the Group profit and loss account and balance sheet are for recognition of deferred acquisition costs for Lloyd's Europe and the gross presentation of unearned premium reserve liability for Lloyd's China, in accordance with the Group's accounting policy. These adjustments or presentation differences have a net nil impact on the Group's profit before tax and capital and reserves, as they are 100% reinsured.

Notes to the Financial Statements

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Premiums written

Gross written premiums are recognised on the date of inception of the contract as the total estimated premiums receivable. Gross written premiums include the impact of the difference between the estimated premium recognised in previous periods and actual income received. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other similar deductions.

Earned premiums and provision for unearned premiums

Written premiums are recognised as premium income on a pro-rata basis over the period of cover.

Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. Premiums earned during the year are disclosed in note 27.

Acquisition costs

Acquisition costs which represent commission and other related expenses are deferred over the period in which the related premiums are earned.

Claims incurred

Claims incurred in insurance-related activities consist of claims and claims handling expenses paid during the year together with the change in provision for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the Society. The estimated cost of claims includes expenses to be incurred in settling claims. However, given the uncertainty in establishing claims provisions, subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between the provision and subsequent settlements are reflected within the Group financial statements of later years when differences between provision and subsequent settlement become apparent.

Outstanding claims reserves include a risk margin in accordance with local regulatory reporting requirements for Lloyd's Europe and Lloyd's China. Lloyd's China outstanding claims provisions are discounted under local regulatory requirements for the time value of money, but the difference between discounted and undiscounted claims provisions is not material.

A provision is recognised for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet claims and expenses after taking into account future investment returns on investments supporting the unearned premiums provision and unexpired risks provision.

Reinsurance contracts

Lloyd's Europe and Lloyd's China enter into reinsurance agreements with syndicates to reinsure 100% of the insurance premiums written.

Reinsurance premiums and reinsurers' share of unearned premiums

Outward reinsurance premiums are recognised over the period of cover of the reinsured contracts, in line with premium income recognised. Reinsurers' share of provision for unearned premiums is calculated before deducting acquisition costs such as commissions, handling fees, business taxes, surcharges and regulatory charges, which are presented separately as deferred acquisition costs.

The amounts the Society is entitled to under reinsurance contracts are recognised as reinsurers' share of technical provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts. Debtors and creditors arising out of reinsurance operations primarily comprise amounts recoverable from reinsurers or premiums payable for outward reinsurance contracts, respectively.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Society may not receive all amounts due to it under the terms of the contract and this can be measured reliably.

Claims recoverable under the Society's reinsurance agreements are recognised and measured in line with insurance claims relating to the policies they reinsure.

Reinsurance commission income is receivable from syndicates as a percentage of forecast gross written premium for both Lloyd's Europe and Lloyd's China, and included in net operating income/(expense) in the technical account in the Group profit and loss account.

(k) Financial investments

The Group has chosen to apply the recognition and measurement provisions of IFRS 9 and IAS 39 (as amended following the publication of IFRS 9) and the disclosure requirements of FRS 102.

Notes to the Financial Statements

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Recognition and measurement

Basic financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial investment. In the case of a financial investment valued at fair value through profit or loss, transaction costs are expensed in the Group profit and loss account.

Classification

Financial investments are classified, at initial recognition, in the following measurement categories:

- fair value through profit or loss (FVTPL); or
- amortised cost.

The classification depends on the Society's business model for managing the financial investments and the contractual terms of the cash flows. The Society measures financial investments at amortised cost if both of the following conditions are met:

- the financial investment is held within a business model with the objective to hold financial investments in order to collect contractual cash flows; and
- the contractual terms of the financial investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Society's financial investments at amortised cost include short-term and security deposits, statutory insurance deposits, loans recoverable and trade receivables.

Financial investments at FVTPL include financial investments held for trading or financial investments mandatorily required to be measured at fair value.

Financial investments are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading. Financial investments with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

This category includes government fixed interest securities, corporate securities, emerging and developed market investments, equities, hedge funds, multi-asset investments, private assets and loan investments.

Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as follows:

- financial instruments at FVTPL are carried in the Group balance sheet at fair value. Gains and losses arising from changes in their fair value are included in the Group profit and loss account in the period in which they arise; and
- where financial instruments are carried at amortised cost, the value is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition

A financial investment is derecognised when:

- the rights to receive cash flows from the investment have expired; or
- the Society has transferred its right to receive cash flows from the investment and has substantially transferred all the risks and rewards of ownership; or
- despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Impairment of financial assets

The Society assesses, on a forward-looking basis, the expected credit losses (ECLs) associated with its financial assets held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Society expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The ECL methodology applied depends on whether there has been a significant increase in credit risk. For those credit exposures where there has been a significant increase in credit risk since initial recognition, the loss allowance is measured at lifetime ECL. Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial asset.

The Society assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the instrument is determined to have a low credit risk at the reporting date. The loss allowance for such assets is measured at an amount equal to 12 months' ECL, being the proportion of lifetime ECL that is expected to result from default events.

For trade receivables and insurance contract assets, the Society applies a simplified approach in calculating ECLs. Therefore, the Society does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Society considers a financial investment in default when contractual payments are 90 days past due.

Notes to the Financial Statements

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However, in certain cases, the Society may also consider a financial investment to be in default when internal or external information indicates that the Society is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Society. A financial investment is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Financial liabilities

Financial liabilities include subordinated loan notes, senior debt and deposits received from reinsurers.

Initial recognition and measurement

Financial liabilities are classified at initial recognition, at FVTPL, loans and borrowings or as payables, as appropriate and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Society. Gains or losses on liabilities held for trading are recognised in the Group profit and loss account.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Group profit and loss account when the liabilities are derecognised, as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as non-technical operating expenses in the Group profit and loss account.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group profit and loss account.

(m) Employee benefits

The Society accounts for pensions and similar benefits (principally income protection due to ill health) under Schedule 28 Employee Benefits of FRS 102. The Society operates a number of defined benefit pension schemes in which obligations are measured at discounted present value using the projected unit credit method, while plan assets are recorded at fair value.

Judgement is required in determining the economic and demographic assumptions underpinning the estimated actuarial value of scheme liabilities. These judgements are based on observable historic data and, in many cases, publicly available information. The operating and financing income and costs of the scheme are recognised in the Group profit and loss account. Service costs, financing income (expected return on plan assets) and costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full in the Group statement of comprehensive income in the period in which they occur.

Costs of discretionary awards in respect of past service are recognised in the Group profit and loss account when amounts are committed to be paid or there is a constructive liability to make awards to pensioners. Payments to defined contribution pension schemes are charged to the Group profit and loss account as they fall due. Short-term bonuses are accrued in the period to which they relate; long-term bonuses are recognised over their vesting period.

(n) Other provisions

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Central Fund claims and provisions

Central Fund claims and provisions (Undertakings) are accounted for when they are approved by the Council and become contractual commitments. These Undertakings are granted wholly at the discretion of the Council for a fixed period, normally one year, and therefore are not deemed to be constructive obligations, except for renewals of those commitments previously granted.

For those corporate members in provisional liquidation, the Council provides a supporting commitment, which will ensure that in no circumstance will an insurance creditor receive less than the amount it would have received in a winding up commencing on the date of the provisional liquidation. As the supporting Undertakings are legally enforceable commitments, an estimate of their value is included within provisions in the Group financial statements and changes during the period are reflected in the Group profit and loss account. The Council has provided no such supporting commitments during the year and therefore no provision is held at year end.

Recoveries in respect of Undertakings previously given are credited to the Group profit and loss account when contractually committed to be received.

Notes to the Financial Statements

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(o) Syndicate loans

Syndicate loans comprise loans issued to strengthen the Society's central resources and facilitate the injection of capital into Lloyd's Europe. The amount collected was based on a percentage of the syndicate gross written premium forecast.

The loans are treated as equity as there is no contractual obligation to settle the loans and the Society may elect not to settle at its sole discretion (other than on liquidation). On initial recognition, syndicate loans are measured at fair value and are not subsequently revalued. All syndicate loans outstanding at 31 December 2024 were fully repaid during the year ended 31 December 2025, and no such balances remain at the reporting date.

(p) Cash at bank and in hand

This consists of cash at bank and in hand and deposits held at call with banks.

(q) Other technical income

Income directly related to the insurance activities of the Society is presented in the technical account and largely comprises recoveries of costs from syndicates for the provision of underwriting support and office subletting.

(r) Net operating income/(expenses) – technical account

Costs directly related to the insurance activities of the Society are presented in the technical account in the Group profit and loss account.

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. Administration costs are expensed as incurred.

Reinsurance commission income is receivable from syndicates as a percentage of forecast gross written premium for both Lloyd's Europe and Lloyd's China.

(s) Non-technical income

The Society supports the market to underwrite risks through its trading rights and distribution network. It also ensures that the market remains well capitalised and provides services to enable the market's efficient operation. Revenue consists of members' subscriptions (net of rebates), various market charges and other services, and Central Fund contributions.

Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Society expects to be entitled in exchange for those services:

- members' subscriptions, market charges and other services are recognised in the period for which the service is provided. They are recognised on a basis that reflects the timing, nature and value of the benefits provided, and are net of rebates;
- Central Fund contributions from members' underwriting in the year are recognised in the period for which the service is provided; and
- other income is recognised on a basis that reflects the timing, nature and value of the benefits provided. Other income includes rental income from the sub-lease of properties held under operating lease contracts, and income from Placing Platform Limited including fees for the provision of an electronic (re)insurance placing platform to its customers.

For members' subscriptions, market charges and other services, and Central Fund contributions, the period for which the service is provided is the financial year, and performance obligations are generally satisfied within the financial year. Revenue arising in respect of members' subscriptions and Central Fund contributions is calculated by applying a percentage to the forecast gross written premiums of each syndicate underwriting year.

Where performance obligations are not satisfied in the financial year, revenue is recognised based on the extent to which service obligations are completed. Judgement has been applied in determining revenue recognised for the year.

Share of profits from associates and joint ventures is recognised as stated in note 17.

Debtors represent the Society's right to an amount of consideration that is unconditional (only the passage of time is required before payment of the consideration is due).

(t) Non-technical operating expenses

Non-technical operating expenses comprise costs relating to the operating activities of the Society. These costs are charged to the Group profit and loss account as incurred. Non-technical operating expenses comprise employment costs, premises costs, legal and professional fees, systems and communications costs, Central Fund protection cover costs, depreciation and amortisation and interest expense.

(u) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses.

Investment income

Investment income includes:

- interest receivable, recognised on a time-apportioned basis using the effective interest method. Any unwinding of discount is recognised as interest income;
- dividend income from equity investments on the ex-dividend date; and
- realised gains and losses on financial instruments, including derivative contracts, calculated as the difference between net sales proceeds and purchase price.

Notes to the Financial Statements

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Unrealised gains/(losses) on investments

Movement in unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date, or their purchase price for investments acquired during the period, together with the reversal of unrealised gains or losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The Society enters into forward currency contracts to manage exposures to fluctuation in foreign exchange rates, and to provide a service to the Lloyd's market. Where gains and losses are not expected to be refunded or recovered from the Lloyd's market, these amounts are taken to the Group profit and loss account.

Investment expenses and charges

Investment expenses and charges comprise costs relating to the investing activities of the Society and impairment charges on financial assets held at amortised cost. These costs are charged to the Group profit and loss account as incurred.

(v) Taxation

Corporation tax on profit or loss for the periods presented comprises current and deferred tax. Corporation tax is recognised in the Group profit and loss account except to the extent that it relates to items recognised directly in the Group statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

4. Critical accounting judgements and estimation uncertainty

In preparing the financial statements, significant estimates and judgements are made in respect of some of the items reported, based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The estimates and assumptions that have a significant risk of a material change to the carrying value of assets and liabilities within the next financial year are set out below:

(a) Significant judgements in applying accounting policies

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which require significant judgement. The Society's Level 3 financial investments relate to the loan to Constellation of US$101m in regard to the Central Fund cover, which has a carrying value of £78m (2024: £82m), investments in the Lloyd's Private Impact Fund (LPIF) of £162m (2024: £84m) and Lloyd's US Direct Lending Fund (LUSDLF) of £87m (2024: £69m) (formerly known as Lloyd's Private Credit Fund (LPCF)) and four private investments totalling £15m (2024: £nil). The LPIF, LUSDLF and the other private asset funds are managed by third-party investment managers. Model based valuation techniques, which include inputs such as discount rates, expected cash flows and comparable market data to establish the fair value of the underlying investments, are applied on a quarterly basis by an Alternative Investment Fund Manager acting as a valuation agent for the fund, independently of the fund managers.

In each case, judgement is applied to select a method and make assumptions based on observable market conditions and unobservable factors existing at the end of each reporting period, and a change to the applied methodology and/or assumptions could lead to a range of plausible valuations for financial investments. See note 5 for discussion of the related interest rate and credit risks.

(b) Key sources of estimation uncertainty

Ultimate liability arising from claims made under insurance contracts and asset arising from reinsurance contracts

In setting the provision for insurance liabilities an allowance for risk and uncertainty is added, the objective being to ensure that local statutory requirements and management's reasonable expectations have been met. The insurance reserves, including the allowance for uncertainty, are 100% reinsured with Lloyd's syndicates and there is no impact on the profit before tax or net assets of the Group. The carrying amount of the liability is £7,387m (2024: £7,287m) and of the asset is £7,387m (2024: £7,287m).

The estimation of the ultimate liability arising from claims made under insurance contracts and the related asset arising from the 100% reinsurance quota share agreements in place are significant accounting estimates, as the valuation is inherently uncertain and reliant on a number of actuarial assumptions. Determining the amount of this liability is inherently challenging and in a given year there is a risk this estimate may materially change in the following year, due to change in the risk profile and/or reassessment of the assumptions underlying the reserving methodology. A key area of estimation uncertainty as to the ultimate amounts at which they will be settled exists in respect of claims arising from the Russia-Ukraine conflict.

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In respect of this conflict, the market has reserved £3.7bn of liabilities (2024: £2.4bn), with a proportion of those liabilities being provided for in Lloyd's Europe and relating to aviation leasing.

There are a number of claims which were brought against insurers, including Lloyd's Europe, in England and Ireland by aviation lessors under policies taken out in respect of aircraft operating in Russia and related countries in 2022. In respect of the English proceedings, on 11 June judgment was handed down and found War Risks insurers (including Lloyd's Europe) liable to indemnify the policyholders for the loss of aircraft and engines as a result of Russian Government's actions of March 2022. Payments of the principal amounts took place early July. War Risks insurers have applied for permission to appeal certain of the judge's findings, and such application is still outstanding. A consequentials hearing took place on 15 to 16 September to decide on interests and costs, and judgment was handed down on 6 October finding (inter alia) War Risks insurers (including Lloyd's Europe) liable to pay certain amounts in costs and interest to the policyholders and All Risks insurers. Payments of those amounts took place throughout the rest of 2025. While the C&P Aviation Claims are substantively resolved (subject to the appeal), the Operator Policy (OP) Claims continue to progress.

At the end of December 2025, there were four ongoing claims in Ireland and one in Hungary. Further claims may be issued. Lloyd's Europe reserves have been adjusted taking into account the developments.

While the Council considers that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to it, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amount of the provision are reflected in the Group financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. See note 27 for disclosures relating to these provisions and note 5 for discussion of the related risks.

Defined benefit pension scheme

The Group has obligations to pay pension benefit liabilities to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors which underpin the estimated actuarial value of the scheme liabilities. The major financial assumptions used by the actuary are the discount rate on corporate bonds, the rate of price inflation, life expectancy and the rate of increase in future pension payments. The assumptions reflect historical experience and current trends and are considered to be a key source of estimation uncertainty as a small change to the assumptions applied could result in a material movement in the Group financial statements within the next 12 months. The scheme liabilities are netted against the scheme assets and the carrying value of the Lloyd's Pension Scheme is a net surplus of £53m (2024: £51m) which has been recognised as an asset on the balance sheet. See note 23 for further details.

(c) Other areas of judgement and accounting estimates

There are a number of accounting assumptions made by the Society about the future, and other sources of estimation uncertainty at the end of the reporting period. These assumptions do not have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year and therefore do not represent a major source of estimation uncertainty.

Climate change

As set out in the principal current and emerging risks on pages 23 to 26, Lloyd's continues to monitor and manage the physical, transition and litigation risks associated with climate change. There is inherent complexity and uncertainty in how the future climate pathway will develop; however, the current management view is that reasonably possible changes arising from climate risk would not have a material impact on asset and liability valuations at the reporting date.

5. Insurance and financial risk

(a) Insurance risk

This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Lloyd's Europe and Lloyd's China are the principal insurance businesses of the Society. The companies' principal activity is to provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of retrocession agreements. Lloyd's Europe and Lloyd's China have reinsured and retroceded 100% of the insurance risk for all underwritten premiums to Lloyd's syndicates. As such, insurance risk after this is nil. Therefore, an increase or decrease in estimated technical provisions has a corresponding impact on the reinsurers' share of technical provisions, and nil net impact on the Society's claims incurred, net of reinsurance and profit before tax for the year and the capital and reserves at the balance sheet date. The Society's insurance risk can be subdivided into the following categories:

- underwriting risk;
- reserving risk;
- credit risk;
- catastrophe risk; and
- concentration risk.

Lloyd's Europe accounts for 98% (2024: 98%) of the Society's gross written premiums for the year. As such, the vast majority of the Society's gross insurance risk relates to the operations of Lloyd's Europe.

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Underwriting risk

There is a risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected. Lloyd's Europe and Lloyd's China underwrite business introduced by Lloyd's syndicates in line with their approved business plans. As outlined on page 46, approval of syndicates' business plans (which includes the syndicates' underwriting strategy) is the key control the Society uses to manage the underwriting risk of Lloyd's Europe and Lloyd's China.

The Society has controls in place to ensure that risks are underwritten within regulatory requirements and the scope of Lloyd's market licenses. Controls are also in place to ensure reinsurance agreements are in place with syndicates to retrocede 100% of the insurance risk of all underwritten premiums.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. Lloyd's Europe and Lloyd's China estimate incurred but not reported (IBNR) claims based on case reserves set by managing agents and their own historic claims development data. Lloyd's Europe and Lloyd's China reserves are annually subject to a formal independent actuarial opinion.

Specific reserving issues for the Society reflect those for the market as a whole in the geographic areas business is written, as outlined on page 47. In particular, Lloyd's Europe has gross exposure to losses arising from the Russia-Ukraine conflict. Any change in the estimated ultimate loss ratio has a nil net impact on capital and reserves in the balance sheet as all risks are 100% reinsured.

For Lloyd's Europe, the ultimate claim cost including claims expense reserves is determined by using actuarial techniques based primarily on historical experience, actual claims experience, and in accordance with their statutory reporting requirements. Significant judgement is required in applying these actuarial techniques in order to calculate the expected ultimate claims and expenses. A combined approach is taken, with the provisions for the business transferred through the Part VII agreement in 2020, and calculated using the same techniques as are used for the business originally written through Lloyd's Europe. An explicit allowance is also derived for specific claims that are thought to require an additional IBNR allowance, such as those linked to the Russia-Ukraine conflict, primarily using ultimate claims estimates provided by the syndicates.

For Lloyd's China, the ultimate claim cost is determined based on historical experience, the expected loss ratio provided by the syndicates and actual claims experience, and in accordance with their statutory reporting requirements. Claims expense reserves are calculated with reference to actual claims expenses and future developing trends by line of business. Significant judgement is required in assessing the expected loss ratios provided by syndicates to determine whether the provision for insurance claims held for prior underwriting years is reasonable. Changes in loss ratios for one or more lines of business have had a relatively insignificant impact on the valuation of insurance contract liabilities as a whole. For Lloyd's China only, outstanding claims reserves are calculated taking the time value of money into account. The discount rate used is the same as that used for the calculation of the unexpired risk reserve.

Credit risk

Lloyd's Europe and Lloyd's China are exposed to credit risks primarily associated with insurance and reinsurance arrangements with their insurance counterparties. The most significant credit risk is the recoverability of the Society's reinsurance assets receivable from syndicates under the 100% reinsurance agreements. Credit risk is minimised by actively monitoring the creditworthiness of counterparties to ensure this is managed proactively. Expected credit losses are calculated and recognised as described in note 3(k).

Catastrophe risk

Catastrophe risk is the risk of loss occurring across multiple lines of business from worldwide catastrophic events. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate-level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently, and additional information is provided by syndicates as described on page 47. In addition, enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved Internal Model under UK Solvency II.

Concentration risk

As described on page 57, the Society monitors concentrations of risk against defined risk appetites. Any reported metrics outside of appetite are reported to, and discussed by, the Lloyd's Europe or Lloyd's China Audit and Risk Committees.

Claims development table

The table below shows the development of claims over a period of time on a gross basis. The claims development table shows the cumulative incurred claims, including both notified and IBNR claims for each successive year, together with cumulative claims at the current reporting date. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later, as a large proportion of premiums are earned in the year of account's second year of development.

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	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	Total £m
At end of underwriting year	5,923	902	915	753	908	995	–
One year later	7,157	2,647	1,484	1,595	1,824	–	–
Two years later	6,988	2,816	1,728	1,532	–	–	–
Three years later	6,781	3,318	1,748	–	–	–	–
Four years later	6,834	3,995	–	–	–	–	–
Five years later	5,419	–	–	–	–	–	–
Current estimate of cumulative claims	5,419	3,995	1,748	1,532	1,824	995	15,513
Provision in respect of older years							363
Cumulative payments to date	(3,796)	(2,583)	(967)	(631)	(439)	(73)	(8,489)
Total provision for insurance claims	1,623	1,412	781	901	1,385	922	7,387

As the Lloyd's Europe and Lloyd's China insurance liabilities are 100% reinsured and comprise the vast majority of the Society's insurance business, the Society has not prepared a claims development table on a net basis.

The claims development table above includes claims relating to the 2020 and prior underwriting year EEA business transferred under the Part VII agreement on 30 December 2020. All liabilities transferred are included within the 2020 underwriting year.

(b) Financial risk

The Society's risk management of investment operations is predominantly controlled by the Lloyd's Treasury and Investment Management function under policies approved by the Investment Committee. The Council provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments. Refer to note 16 on pages 148 to 152 for further details of the Society's financial investments.

(c) Credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations. Other than the credit risk on the 100% reinsurance agreements with syndicates, the Society's primary credit risk relates to its financial investments and cash balances. Refer to note 16 for classification of assets according to credit ratings. The Society is also exposed to credit risk in its premium debtors.

Credit risk in respect of premium debt is controlled through internal credit evaluation of related counterparties and regular monitoring of premium settlement performance.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that there are insufficient funds to meet liabilities as they fall due.

The value and term of short-term assets are carefully monitored against those of the Society's liabilities. The Society maintains sufficient liquid assets to meet liabilities as they fall due.

The liquidity of the Central Fund is managed to meet short-term operational commitments, including the payment of any drawdown. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee, in accordance with the risk appetite set by the Council.

The Society had no committed borrowing facilities as at 31 December 2025 or 2024. The primary long-term financial liabilities of the Society are subordinated debt and senior loan notes, which are detailed in note 26, including details of the maturity of these liabilities.

The Society has a strong free cash balance at 31 December 2025 of £245m (2024: £318m), with additional holdings in short-term investments, making the Society's liquidity strong.

(e) Market risk

Market risk is the risk of loss, or of adverse change in a financial situation, resulting from fluctuations in the level of market prices of assets and liabilities arising from exposure to economic variables and market forces such as interest rates, foreign currency rates or inflation.

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest rate risk arising from the requirement to make fixed rate coupon payments in respect of the Society's senior and subordinated debt, and discretionary fixed rate coupon payments in respect of the Society's syndicate loans, is considered in conjunction with the market risk arising on the Society's investments.

Borrowings from the Lloyd's market for the purpose of funding statutory insurance deposits do not bear a fixed rate of interest. Instead, investment returns earned on the borrowed assets are passed on to lenders. Consequently, no interest rate risk arises on such borrowings.

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Short term assets held by the Society may be significant at certain times. These are invested in money market instruments of up to 12 months' duration with the objective of maximising current income while meeting liquidity requirements.

As part of the strategy to mitigate these risks, the Society has entered into a number of interest rate swap contracts.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax of the effects of changes in interest rates.

	Impact on profit before tax £m	
	2025	2024
+50 basis points	(44)	(34)
-50 basis points	44	34
+100 basis points	(89)	(69)
-100 basis points	89	69

Foreign currency risk

Currency risk is the risk that the sterling value of the Society's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Society's exposure to the risk of changes in foreign exchange rates relates primarily to changes in the fair value of foreign currency denominated investments and forward contracts.

The majority of foreign exchange exposures arising from investments denominated in foreign currencies are held with the objective of limiting volatility in the Society's capital position and matching expected foreign currency outflows. As potential claims on the Central Fund are largely denominated in US dollars, a significant proportion of Central Fund investments are held in US dollars. The remainder of the Society's investments are primarily denominated in sterling, with a smaller exposure to other foreign currencies. As a result, the Society has significant net exposure to the US dollar and limited exposure to other currencies, and the sterling value of its investments for financial reporting purposes may be affected by movements in exchange rates. Such movements reflect unrealised foreign exchange gains or losses in sterling and do not represent a full economic gain or loss to the Society.

A 10% strengthening/weakening of the pound against all other currencies at 31 December 2025 would have reduced/increased the profit before tax for the financial year by £347m (2024: £327m). This analysis is presented net of foreign exchange hedges and assumes that all other variables remain constant.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Such risks are managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each sector and market.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the profit before tax due to changes in the fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account).

	Impact on profit before tax £m	
	2025	2024
5% increase in equity markets	35	37
5% decrease in equity markets	(35)	(37)
15% increase in equity markets	105	111
15% decrease in equity markets	(105)	(111)

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6. Segmental analysis

Segmental information is presented in respect of the Society's business segments. The primary business segments are based on the Society's management and internal reporting structure. Intra-segment pricing is determined on an arm's-length basis. Segmental results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The Society's primary business segments are as follows:

- Corporation of Lloyd's: the main corporate purpose is to facilitate the carrying on of insurance business by members of Lloyd's and the advancement and protection of their interests in this context. The activities of authorised insurance company subsidiary undertakings (Lloyd's Europe and China) are included within this business segment; and
- Lloyd's Central Fund: comprising the New Central Fund and Old Central Fund, are assets of the Society, held and administered at the discretion of the Council, primarily as funds available for the protection of policyholders. Unless the approval of members is obtained, the New Central Fund may not be used for the purposes of extinguishing or reducing liabilities which have been reinsured by Equitas Reinsurance Limited.

	Note	2025 Corporation of Lloyd's £m	2025 Lloyd's Central Fund £m	2025 Society total £m	2024 Corporation of Lloyd's £m	2024 Lloyd's Central Fund £m	2024 Society total £m
Segment revenue and expenses							
Technical account							
Earned premiums, net of reinsurance		–	–	–	–	–	–
Other technical income		8	–	8	9	–	9
Claims incurred, net of reinsurance		–	–	–	–	–	–
Net operating income	8	42	–	42	37	–	37
Balance on the technical account for general business		**50**	**–**	**50**	**46**	**–**	**46**
Non-technical account							
Total investment return	9	63	270	333	56	215	271
(Loss)/profit on foreign exchange		(80)	(134)	(214)	34	9	43
Non-technical income	10	429	226	655	397	212	609
Non-technical operating expenses	11	(435)	(80)	(515)	(413)	(85)	(498)
Profit before tax		**27**	**282**	**309**	**120**	**351**	**471**
Tax charge on profit	14	(10)	(71)	(81)	(27)	(89)	(116)
Profit after tax		**17**	**211**	**228**	**93**	**262**	**355**

	Note	2025 Corporation of Lloyd's £m	2025 Lloyd's Central Fund £m	2025 Society total £m	2024 Corporation of Lloyd's £m	2024 Lloyd's Central Fund £m	2024 Society total £m
Segment assets and liabilities							
Intangible assets	15	53	–	53	60	–	60
Investments		1,997	3,006	5,003	1,565	2,793	4,358
Reinsurers' share of technical provisions	27	10,261	–	10,261	9,628	–	9,628
Debtors		4,348	572	4,920	3,859	543	4,402
Other assets		516	19	535	871	418	1,289
Prepayments and accrued income		724	25	749	608	25	633
Pension scheme asset	23	53	–	53	51	–	51
Total assets		**17,952**	**3,622**	**21,574**	**16,642**	**3,779**	**20,421**
Technical provisions	27	10,261	–	10,261	9,628	–	9,628
Provisions for other risks		59	3	62	68	6	74
Deposits received from reinsurers		1,054	–	1,054	1,006	–	1,006
Creditors		5,431	116	5,547	4,980	67	5,047
Accruals and deferred income	30	785	3	788	645	1	646
Subordinated debt	26(a)	–	298	298	–	298	298
Total capital and reserves		362	3,202	3,564	315	3,407	3,722
Total capital, reserves and liabilities		**17,952**	**3,622**	**21,574**	**16,642**	**3,779**	**20,421**

7. Particulars of insurance business

The geographical analysis of direct gross written premiums by location where contracts were concluded is as follows:

	2025 £m	2024 £m
European Economic Area (EEA)	4,212	3,705
China	65	71
Total	**4,277**	**3,776**

Refer also to note 27 for details of insurance balances.

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8. Net operating income – technical account

	2025 £m	2024 £m
Acquisition costs	(1,002)	(825)
Change in deferred acquisition costs	107	42
Administrative expenses	(61)	(59)
Reinsurance commissions and profit participation	998	879
Total net operating income	**42**	**37**

9. Total investment return

	2025 £m	2024 £m
Income from financial investments held at FVTPL	101	80
Income from financial investments held at amortised cost	13	52
Net realised gains/(losses) on derivative contracts	3	(4)
Other net realised gains on investments held at FVTPL and amortised cost	121	63
Total investment income	**238**	**191**
Net unrealised (losses)/gains on derivative contracts	(3)	6
Unrealised market value gains designated at FVTPL and amortised cost	101	75
Total net unrealised gains on financial assets	**98**	**81**
Investment expenses and charges	(3)	(1)
Total investment return	**333**	**271**

10. Non-technical income

	2025			2024		
	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Members' subscriptions, net of rebate	314	–	314	208	–	208
Market charges and other services:						
Market charges[1]	60	–	60	163	–	163
Other charges[1]	16	–	16	15	–	15
Central Fund contributions	–	226	226	–	212	212
Other income						
Electronic (re)insurance placing platform	31	–	31	6	–	6
Share of profits from associates and joint ventures	8	–	8	5	–	5
Total non-technical income	**429**	**226**	**655**	**397**	**212**	**609**

[1] The comparative for 2024 has been reclassified to enhance clarity and does not impact total amounts previously reported.

At the start of the year Lloyd's moved to a new charging structure, consolidating the previous Member Subscriptions, Central Fund Contribution and Overseas Operating Charge and replacing them with a simplified headline 1% charge for Member Subscriptions and Central Fund Contribution. The Overseas Operating Charge is reflected within Market charges in the comparative.

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11. Non-technical operating expenses

	2025			2024		
	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Employment costs	163	–	163	198	–	198
Premises costs	44	–	44	42	–	42
Legal and professional fees	104	13	117	86	6	92
Systems and communications costs	56	3	59	50	–	50
Central Fund protection cover	–	43	43	–	46	46
Depreciation and amortisation	24	–	24	14	–	14
Interest expense	11	15	26	10	27	37
Other	33	6	39	13	6	19
Total non-technical operating expenses	**435**	**80**	**515**	**413**	**85**	**498**

12. Auditors' remuneration

During the year the Group obtained the following services from the Society's auditors, PricewaterhouseCoopers LLP, as detailed below:

	2025 £m	2024 £m
Audit of the Group's annual financial statements	1	1
Audit of subsidiaries pursuant to legislation	1	1
Audit-related assurance services and other assurance services	1	2
Total auditors' remuneration	**3**	**4**

Services payable to the Group's auditors include audit-related assurance services required by regulations (such as work undertaken on the Aggregate Accounts, Pro Forma Financial Statements and regulatory returns) of £1m (2024: £1m), and other assurance services of £nil (2024: £1m).

13. Employees and directors

Employment costs

	2025 £m	2024 £m
Wages and salaries (including bonus)	123	145
Social security costs	16	17
Pension costs	9	10
Other employment costs	15	26
Total employment costs	**163**	**198**

Pension costs largely relate to contributions made under the defined contribution scheme. Further information on this scheme and the defined benefit pension scheme can be found in note 23.

Employment costs exclude those relating to the insurance activities of the Group, which are presented in the technical account.

Number of employees

The average number of employees, on a full-time equivalent basis, was as follows:

	2025	2024
UK employees	962	1,044
Overseas employees	257	263
Average number of total employees	**1,219**	**1,307**

Directors

The aggregate amount of remuneration paid to, or receivable by, both executive and non-executive directors (including the highest paid) is shown in the Remuneration Report on pages 94 to 104. Post-employment benefits are accruing for three executive directors (2024: three) under a defined contribution pension scheme. No executive or non-executive directors (2024: none) were members of the defined benefit pension scheme.

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14. Taxation

(a) Tax charge

	2025 £m	2024 £m
Current tax:		
Corporation tax at 25% (2024: 25%)	(53)	(86)
Adjustments in respect of prior periods	–	1
Foreign tax	(18)	(26)
Total current tax	**(71)**	**(111)**
Deferred tax:		
Origination and reversal of timing differences	(10)	(5)
Tax charge recognised in the Group profit and loss account	**(81)**	**(116)**
Analysis of tax credit recognised in the Group statement of comprehensive income:		
Tax credit on syndicate loan interest	4	4
Tax charge on actuarial loss on Group pension liabilities	–	(2)
Tax credit recognised in the Group comprehensive income	**4**	**2**
Total tax charge recognised in the Group statement of comprehensive income	**(77)**	**(114)**

(b) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax for the year of 25% (2024: 25%). The differences are explained below:

	2025 £m	2024 £m
Profit on ordinary activities before tax	309	471
Expected tax at the current rate of 25% (2024: 25%)	(77)	(118)
Expenses not deductible for tax purposes	(3)	(3)
Income not taxable	11	–
GAAP adjustments	(2)	–
Tax on share of profits of associates and joint ventures	3	1
Prior year adjustment	(2)	6
Transfer pricing adjustments	(10)	–
Other	(1)	(2)
Tax charge	**(81)**	**(116)**

The standard rate of UK corporation tax for the year ending 31 December 2025 is 25% (2024: 25%). Deferred tax assets and liabilities are measured at the tax rate that will apply when an asset is expected to be realised or a liability is expected to be settled, using tax rates and laws enacted or substantively enacted at the balance sheet date.

The Group is subject to the global minimum top-up tax under the OECD Base Erosion and Profit Shifting Pillar Two rules ('Pillar Two'), which came into effect in the UK for accounting periods beginning on or after 31 December 2023. As such, the Pillar Two rules are effective for the year ending 31 December 2025. Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion (GloBE) effective tax rate for each jurisdiction in which it operates and the 15% minimum rate.

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group's modelling of the Pillar Two legislation indicates that all jurisdictions other than Ireland are expected to fall within one of the transitional safe harbours. As a result, no top-up tax is anticipated in any jurisdiction except Ireland.

The Group's activities in Ireland did not qualify for the transitional safe harbours in 2024 and, therefore, a full Pillar Two calculation will be required for Ireland in all future years. The expected top-up tax for Ireland is approximately £0.05m. No current tax expense in respect of Pillar Two top-up tax has been recognised, as the amount is not considered material to users of the financial statements.

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15. Intangible assets

	Software £m	Software development £m	Goodwill £m	Total £m
Cost				
At 1 January 2025	119	2	(3)	118
Additions	12	5	–	17
Transfer between classes	2	(2)	–	–
At 31 December 2025	**133**	**5**	**(3)**	**135**
Accumulated amortisation and impairment				
At 1 January 2025	(58)	–	–	(58)
Amortisation for the year	(22)	–	–	(22)
Impairment losses	(5)	–	3	(2)
At 31 December 2025	**(85)**	**–**	**3**	**(82)**
Net book value at 31 December 2025	**48**	**5**	**–**	**53**
Net book value at 31 December 2024	61	2	(3)	60

Impairment losses

Impairment reviews are undertaken bi-annually for the assessment of the carrying value of assets. Following the assessment, £5m (2024: £nil) of software assets was impaired and £3m (2024: £nil) of negative goodwill was written back. Amortisation and impairment charges are recognised within non-technical operating expenses in the Group profit and loss account.

16. Financial investments

	Note	2025 Carrying value £m	2024 Carrying value £m
Financial investments at amortised cost			
Statutory insurance deposits	16(a)	952	881
Deposits with credit institutions	16(a)	33	54
Loans secured by mortgages		16	22
Total financial investments at amortised cost		**1,001**	**957**
Financial assets at fair value through profit or loss			
Financial investments at fair value through profit or loss	16(b)	3,950	3,353
Derivative financial assets	16(c)	2	7
Total financial assets at fair value through profit or loss		**3,952**	**3,360**
Total financial investments		**4,953**	**4,317**

Loans secured by mortgages comprise loans made from the Central Fund to hardship members related to the valuation of hardship, Limited Financial Assistance Agreement and legal assets. Gains and losses are included in the Group profit and loss account in the period they arise.

The segmental allocation of financial investments at amortised cost is as follows: Corporation £985m (2024: £920m) and Central Fund £16m (2024: £37m).

(a) Financial investments at amortised cost

Financial investments at amortised cost include investments such as government bonds, treasury bills, letters of credit, call accounts, fixed-term deposits and cash deposits held in certain countries to satisfy local trading authorisation requirements. These are excluded from cash and cash equivalents because they are not available to finance the Society's operations.

	2025			2024		
Statutory insurance deposits	Securities £m	Deposits £m	Total £m	Securities £m	Deposits £m	Total £m
At 1 January	169	712	881	179	858	1,037
Additions at cost	71	1,810	1,881	16	1,262	1,278
Disposal proceeds	(13)	(1,831)	(1,844)	(16)	(1,374)	(1,390)
Profit/(loss) on sale and revaluation	13	21	34	(10)	(34)	(44)
At 31 December	**240**	**712**	**952**	**169**	**712**	**881**

	2025			2024		
Statutory insurance deposits	Securities £m	Deposits £m	Total £m	Securities £m	Deposits £m	Total £m
AAA	1	–	1	1	–	1
AA	228	540	768	156	510	666
A	–	165	165	–	198	198
BBB	8	–	8	9	–	9
Other	3	7	10	3	4	7
At 31 December	**240**	**712**	**952**	**169**	**712**	**881**

Deposits with credit institutions	2025 £m	2024 £m
A	9	33
BBB	24	21
At 31 December	**33**	**54**

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(b) Financial investments at fair value through profit or loss

	2025 Corporation of Lloyd's £m	2025 Lloyd's Central Fund £m	2025 Total carrying value £m	2025 Total cost £m
At 1 January	604	2,749	3,353	
Additions at cost	1,753	3,270	5,023	
Disposal proceeds	(1,434)	(3,082)	(4,516)	
Profit on the sale and revaluation of investments	39	51	90	
Fair value at 31 December	**962**	**2,988**	**3,950**	
Analysis of securities				
Debt securities and other fixed-income securities:				
Government	170	614	784	792
Corporate securities	306	1,084	1,390	1,398
Total debt securities and other fixed-income securities	**476**	**1,698**	**2,174**	**2,190**
Shares and other variable yield securities and units in unit trusts:				
Global equities	–	337	337	215
Exchange traded funds	209	137	346	285
Unlisted equity and other investments	–	1	1	1
Participation in investment pools:				
Private assets	–	264	264	255
Hedge funds	–	20	20	11
Multi-asset funds	–	242	242	200
Emerging markets	–	–	–	–
Money market funds	–	18	18	19
Liquidity funds	277	193	470	451
Other loans	–	78	78	81
Fair value at 31 December	**962**	**2,988**	**3,950**	**3,708**

	2024 Corporation of Lloyd's £m	2024 Lloyd's Central Fund £m	2024 Total carrying value £m	2024 Total cost £m
At 1 January	541	2,635	3,176	
Additions at cost	764	2,123	2,887	
Disposal proceeds	(710)	(2,149)	(2,859)	
Profit on the sale and revaluation of investments	9	140	149	
Fair value at 31 December	**604**	**2,749**	**3,353**	
Analysis of securities				
Debt securities and other fixed-income securities:				
Government	161	636	797	786
Corporate securities	275	1,074	1,349	1,361
Total debt securities and other fixed-income securities	**436**	**1,710**	**2,146**	**2,147**
Shares and other variable yield securities and units in unit trusts:				
Global equities	–	456	456	306
Exchange traded funds	168	29	197	165
Unlisted equity and other investments	–	–	–	–
Participation in investment pools:				
Private assets	–	153	153	146
Hedge funds	–	19	19	11
Multi-asset funds	–	224	224	185
Emerging markets	–	76	76	65
Money market funds	–	–	–	–
Liquidity funds	–	–	–	–
Other loans	–	82	82	81
Fair value at 31 December	**604**	**2,749**	**3,353**	**3,106**

The increase in the Participation in investment pool assets reflects a strategic decision to invest in Liquidity funds and away from rolling short-term deposits. All securities, including those held in pooled investments, are listed with the exception of private assets, other loans and some instruments held in hedge funds.

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Other loans comprise the loan to Constellation IC Limited of US$101m/£81m, a loan which was first paid in 2021 towards the arrangements made for the protection of Lloyd's Central Fund, in situations where the Central Fund makes payments to cover members' liabilities. The programme renewed on 1 January 2024 and has an initial fixed duration of five years (with a possible extension to hold collateral for a further three years to cover adverse claims development).

The Society retains the first US$1,134m (2024: US$1,000m) of claims payable. The total amount of cover provided by the programme is US$813m (2024: US$813m), with layers provided by Constellation and a panel of reinsurers. The layer covered by Constellation of US$563m (2024: US$563m) is 100% collateralised for the five year term. Constellation has been funded by loans, including US$101m from the Society (2024: US$101m). The loan is classified and measured at fair value through profit or loss in accordance with the Society's accounting policy for financial assets, in accordance with IFRS 9 'Financial Instruments'. Interest income is accrued on the loan.

Analysis of securities	2025 Corporation of Lloyd's £m	2025 Lloyd's Central Fund £m	2025 Total £m
AAA	114	187	301
AA	55	544	599
A	120	521	641
BBB	194	536	730
Other	479	1,200	1,679
Fair value at 31 December	**962**	**2,988**	**3,950**

Analysis of securities	2024 Corporation of Lloyd's £m	2024 Lloyd's Central Fund £m	2024 Total £m
AAA	169	363	532
AA	46	355	401
A	85	395	480
BBB	98	655	753
Other	206	981	1,187
Fair value at 31 December	**604**	**2,749**	**3,353**

The increase in Other assets reflects a strategic decision to invest in Liquidity funds during the year.

(c) Fair value hierarchy

To provide further information on the valuation techniques used to measure assets and liabilities carried at fair value, the Society categorises the measurement basis for assets carried at fair value into a 'fair value hierarchy', based on the lowest level input that is significant to the valuation as a whole.

Fair values are determined by using a pricing hierarchy structure for valuation purposes. The valuation principles employed are to provide the most accurate valuations, while also working to provide independent valuations. The pricing process employs a hierarchy that utilises numerous third-party sources in a tiered system, described as follows:

Level 1 – Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Examples are listed debt securities in active markets, listed equities in active markets or listed deposits held with credit institutions in active markets.

Level 2 – Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (ie as prices) or indirectly (ie derived from prices) and fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include quoted prices for similar (ie not identical) assets in active markets, quoted prices for identical or similar assets in markets that are not active or in which little information is released publicly and low volatility hedge funds where tradable net asset values are published.

Where estimates are used to value unlisted securities, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market-observable data. While such valuations are sensitive to estimates, changing one or more of the assumptions to reasonably possible alternative assumptions is unlikely to result in a significant change in fair value.

Level 3 – Inputs to Level 3 fair values are inputs that are unobservable for the asset. Unobservable inputs have been used to measure fair value where observable inputs are not available, allowing for situations where there is little or no market activity. Unobservable inputs reflect assumptions that the Society considers market participants would use in pricing the asset and have been based on a combination of independent third party evidence and internally developed models.

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	2025			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	784	1,390	–	2,174
Shares and other variable yield securities and units in unit trusts	683	–	1	684
Participation in investment pools	327	423	264	1,014
Other loans	–	–	78	78
Total financial investments at fair value through profit or loss	**1,794**	**1,813**	**343**	**3,950**
Derivative financial instruments				
Currency conversion service	–	–	–	–
Other forward foreign exchange contracts	–	2	–	2
Interest rate swaps	–	–	–	–
Total derivative financial instruments	**–**	**2**	**–**	**2**
Total financial assets at fair value through profit or loss	**1,794**	**1,815**	**343**	**3,952**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Currency conversion service	–	–	–	–
Other forward foreign exchange contracts	–	(1)	–	(1)
Interest rate swaps	–	–	–	–
Total financial liabilities at fair value through profit or loss	**–**	**(1)**	**–**	**(1)**

	2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	797	1,349	–	2,146
Shares and other variable yield securities and units in unit trusts	653	–	–	653
Participation in investment pools	–	319	153	472
Other loans	–	–	82	82
Total financial investments at fair value through profit or loss	**1,450**	**1,668**	**235**	**3,353**
Derivative financial instruments				
Currency conversion service	–	1	–	1
Other forward foreign exchange contracts	–	5	–	5
Interest rate swaps	–	1	–	1
Total derivative financial instruments	**–**	**7**	**–**	**7**
Total financial assets at fair value through profit or loss	**1,450**	**1,675**	**235**	**3,360**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Currency conversion service	–	(1)	–	(1)
Other forward foreign exchange contracts	–	(1)	–	(1)
Interest rate swaps	–	(1)	–	(1)
Total financial liabilities at fair value through profit or loss	**–**	**(3)**	**–**	**(3)**

Derivative financial instruments

The Society enters into forward currency contracts to manage exposures to fluctuation in exchange rates and to provide a currency conversion service to the Lloyd's market. The Society also enters into interest rate swaps and equity futures to manage exposures aligned to its investment strategy. The Society's derivative financial instruments are categorised as fair value hierarchy Level 2.

The fair value and notional amounts of derivative instruments held, all of which mature within one year, are analysed in the table on the following page.

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As at 31 December	2025 Assets Fair value £m	2025 Assets Notional £m	2025 Liabilities Fair value £m	2025 Liabilities Notional £m
Currency conversion service	–	46	–	(46)
Other forward foreign exchange contracts	2	272	(1)	(271)
Interest rate swaps	–	22	–	(22)
Total	**2**	**340**	**(1)**	**(339)**

As at 31 December	2024 Assets Fair value £m	2024 Assets Notional £m	2024 Liabilities Fair value £m	2024 Liabilities Notional £m
Currency conversion service	1	110	(1)	(111)
Other forward foreign exchange contracts	5	211	(1)	(207)
Interest rate swaps	1	102	(1)	(102)
Total	**7**	**423**	**(3)**	**(420)**

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in the fair value of Level 3 investments:

	2025 £m	2024 £m
As at 1 January	235	148
Addition	110	155
Disposal	–	(78)
(Loss)/gain on foreign exchange	(18)	4
Gain recognised in the profit and loss account	16	6
As at 31 December	**343**	**235**

As at 31 December 2025, the Society has invested £162m (2024: £84m) in the Lloyd's Private Impact Fund and £87m (2024: £69m) in the Lloyd's US Direct Lending Fund (formerly known as Lloyd's Private Credit Fund). These investments are classified as Level 3 investments in the fair value hierarchy. Level 3 investments also include the loan to Constellation IC Limited of US$101m (2024: $101m) towards the arrangements made for the protection of Lloyd's Central Fund, in situations where the Central Fund makes payments to cover members' liabilities. Refer to page 150 for further detail. There were no transfers to or from fair value hierarchy Level 3 for the year ending 31 December 2025. New investments in private credit funds were made in the year of £15m.

17. Investments in associates and joint ventures

The carrying value of the Group's investments in associates and joint ventures was as follows:

	2025 £m	2024 £m
At 1 January	41	46
Share of operating profits	10	7
Share of tax on profit on ordinary activities	(2)	(2)
Derecognition (business combination achieved in stages)	–	(9)
Total share of profits of associates and joint ventures	**8**	**(4)**
Share of remeasurement gain/(loss) on pension liabilities	1	(1)
At 31 December	**50**	**41**

Set out below are the Group's significant holdings which have been included as investments in associates and joint ventures as at 31 December 2025:

Company name	Registered address and country of incorporation	Proportion of equity capital held	Nature of business
Associates			
Ins-sure Holdings Limited	110 Pinehurst Road, Farnborough Business Park, Farnborough, Hampshire GU14 7BF England and Wales	25%	Provision of premiums and claims accounting and settlement, policy production and ancillary insurance services principally to the London insurance market
Xchanging Claims Services Limited	110 Pinehurst Road, Farnborough Business Park, Farnborough, Hampshire GU14 7BF England and Wales	50%	Provision of claims and recoveries services
Joint ventures			
London Market Operations and Strategic Sourcing Limited	One Lime Street, London EC3M 7HA England and Wales	Limited by guarantee 33%	Centralised capability to source and manage outsourced market services for the London insurance market

The issued share capital of Ins-sure Holdings Limited is £4,000. There are three classes of shares. The Society holds 1,000,000 B shares of 0.1p each that have the right to participate in 25% of any profits available for distribution.

The issued share capital of Xchanging Claims Services Limited is £4,001. There are three classes of shares. The Society holds 1,000 A shares of £1 each and 2,001 C shares of £1 each.

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The A and C shares have the following rights with respect to dividends:

- the A shares participate in 50% of any profits available for distribution in proportion to shares held as outlined above; and
- the C shares carry a right to a fixed cumulative preference dividend of 5%, calculated on the paid-up nominal capital, and a variable participating dividend in priority to the payment of any dividend to the holders of the A and B shares.

The wholly owned subsidiaries of Xchanging Claims Services Limited are LCO Marine Limited and LCO Non-Marine & Aviation Limited; and for Ins-sure Holdings Limited are Ins-sure Services Limited, London Processing Centre Limited and LPSO Limited.

18. Tangible assets

	Furniture and fittings £m	Leasehold improvements £m	Computer and specialised equipment £m	Lloyd's Collection £m	Total £m
Cost					
At 1 January 2025	25	7	7	15	54
Additions	7	3	1	–	11
Disposals	(3)	–	–	–	(3)
At 31 December 2025	**29**	**10**	**8**	**15**	**62**
Depreciation					
At 1 January 2025	(17)	–	(4)	–	(21)
Depreciation charge for the year	(3)	(1)	–	–	(4)
Impairment losses	(1)	–	–	–	(1)
Disposals	1	–	–	–	1
At 31 December 2025	**(20)**	**(1)**	**(4)**	**–**	**(25)**
Net book value at 31 December 2025	**9**	**9**	**4**	**15**	**37**
Net book value at 31 December 2024	8	7	3	15	33

Impairment losses

Impairment reviews are undertaken bi-annually of the recoverability of the carrying value of tangible assets held. As part of this review, an impairment charge of £1m (2024: £nil) was recognised during the year.

Lloyd's Collection

The Lloyd's Collection represents various paintings, antiques and artefacts. A desktop valuation was conducted by Gurr Johns Limited, valuers and fine art consultants, dated 3 June 2024.

The collection was valued at £15m on the basis of open market auction value, assuming all items are not sold at the same time, and taking into account the nature, age, condition and quality of each chattel. The Lloyd's Collection is valued every five years unless there is any indication of impairment. There was no indication of impairment in 2025 (2024: £nil).

19. Cash at bank and in hand

	2025 £m	2024 £m
Cash at banks	478	520
Short term deposits	9	733
Total cash at bank and in hand	**487**	**1,253**

Cash at banks earns interest at floating rates, based on daily bank deposit rates. Short term deposits are made for varying periods of between one and thirty days, depending on the immediate cash requirements of the Society, and earn interest at the respective short-term deposit rates. The deposits are short term cash instruments and are all redeemable on demand. The fair value of cash at bank and in hand is £487m (2024: £1,253m). The decrease in the short term deposits in 2025 reflects a strategic decision to invest in Liquidity funds during the year.

20. Note to the Group statement of cash flows

	2025 £m	2024 £m
Cash at bank and in hand	487	1,253
Liquidity funds	309	–
Money market funds	18	–
Cash and cash equivalents	**814**	**1,253**

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21. Deferred acquisition costs

	2025			2024		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
At 1 January	461	(461)	–	439	(439)	–
Expenses for the acquisition of insurance contracts during the year	1,002	(1,002)	–	820	(820)	–
Amortisation	(895)	895	–	(777)	777	–
Foreign exchange movements	26	(26)	–	(21)	21	–
At 31 December	**594**	**(594)**	**–**	**461**	**(461)**	**–**

Reinsurers' share of deferred acquisition costs is presented within accruals and deferred income. Please refer to note 30.

22. Other debtors, other assets, prepayments and accrued income

(a) Other debtors

	2025 £m	2024 £m
Other debtors	20	16
Tax receivable	7	8
Total other debtors	**27**	**24**

(b) Other assets

	2025 £m	2024 £m
Deferred tax asset	11	3
Total other assets	**11**	**3**

(c) Other prepayments and accrued income

	2025 £m	2024 £m
Prepayments	103	125
Accrued income	12	11
Total prepayments and accrued income	**115**	**136**

Prepayments include amounts paid for services to Xchanging Global Insurance Solutions Limited (XGIS) in 2021. During the year, management reassessed the recoverability of this prepayment and concluded that the criteria for continued recognition were no longer met. Accordingly, the remaining balance of £22m has been written down in full and no balance remains in respect of this prepayment at 31 December 2025 (2024: £22m)

23. Pension schemes

Lloyd's operates a number of defined benefit and defined contribution pension schemes. In the UK, employees are entitled to join a Group personal pension plan and there is also a closed defined benefit scheme. Other schemes have been established for certain employees based overseas.

These schemes are generally funded by the payment of contributions to separately administered funds.

Defined benefit pension schemes

The pension surpluses/(deficits) of the defined benefit schemes are as follows:

	2025 £m	2024 £m
Lloyd's Pension Scheme	53	51
Overseas pension schemes	(3)	(3)
Net surplus from pension schemes	**50**	**48**

The amounts recognised in the Group profit and loss account and Group statement of comprehensive income in respect of defined benefit schemes, before tax, are as follows:

	2025 £m	2024 £m
Lloyd's Pension Scheme	1	–
Overseas pension schemes	1	–
Total Group profit and loss account	**2**	**–**
Lloyd's Pension Scheme	1	10
Share of associates' and joint ventures' pension	2	(1)
Total Group statement of comprehensive income, before tax	**3**	**9**

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The Lloyd's Pension Scheme

The Lloyd's Pension Scheme is a defined benefit pension scheme with assets held in a separately administered fund. The Scheme provides pensions to members on retirement, as well as benefits on the death of members.

The Scheme operates in accordance with Trust Deed and Rules and relevant legislation. A Board of Trustees manages and administers the Scheme; it is primarily responsible for ensuring that members are paid the correct benefits at the correct time, and that there are sufficient Scheme assets to pay benefits as they fall due.

The Lloyd's Pension Scheme closed to new members in 2013 and closed to future accrual for existing members on 30 June 2018. Existing members of the Scheme at that time were enrolled into the Group personal pension plan for future pension benefits.

On an FRS 102 Section 28 'Employee Benefits' valuation basis, the pension scheme asset at 31 December 2025 was £53m (2024: £51m) before the allowance of deferred tax. An actuarial pre-tax gain of £1m has been recognised in the year (2024: £10m). In accordance with paragraph 22 of FRS 102 Section 28 'Employee Benefits', the value of the net pension scheme asset that can be recognised in the balance sheet is restricted to the present value of economic benefits available in the form of refunds from the Scheme or reductions in future contributions. The Society has recognised the Scheme surplus as a defined benefit plan asset as the Scheme Trust Deed and Rules give the Society the right to a refund of surplus in certain circumstances, and as such the asset is recoverable.

Scheme contributions and funding valuation

UK legislation requires the funding position of the Scheme to be assessed at least every three years by an independent qualified actuary. Following closure of the Scheme to future benefit accrual, there are no regular monthly contributions paid to the Scheme. However, where a funding deficit is identified, a recovery plan will be agreed between the Society and the Trustees, setting out the contributions required to meet the deficit.

A triennial funding valuation as at 30 June 2022, undertaken by Willis Towers Watson, was completed during 2023. The total market value of the Scheme's assets at the date of the valuation was £756m and the total value of accrued liabilities was £800m, resulting in a funding deficit of £44m. These figures exclude both liabilities and the related assets in respect of money purchase additional voluntary contributions (AVCs). The recovery plan agreed by the Trustees assumes that the deficit will be met by post-valuation-date investment outperformance relative to the liabilities; however a contingent contribution structure is in place until the next valuation (30 June 2025) under which contributions will be made should the estimated funding level fall below 103% as at 30 June in any given year. No additional contribution was paid in 2025. The 30 June 2025 valuation is currently underway, in line with expected timelines.

Information about the risks of the Scheme to the Society

The ultimate cost of the Scheme to the Society will depend upon actual future events rather than the assumptions made. Many of the assumptions made may not be borne out in practice and, as such, the cost of the Scheme may be higher or lower than disclosed.

In general, the risk to the Society is that the assumptions underlying the disclosures, or the calculation of contribution requirements, are not borne out in practice and the cost to the Society is higher than expected. This could result in a deficit disclosed and therefore higher recovery contributions required from the Society. This may also affect the Society's ability to grant discretionary benefits or other enhancements to members.

The key assumptions that may not be borne out in practice are unchanged from those described in the 2024 Lloyd's Annual Report. A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond assets.

Principal actuarial assumptions in respect of FRS 102 Section 28 'Employee Benefits'

The only material change compared to the assumptions outlined in the 2024 Lloyd's Annual Report is the mortality assumptions.

These have been updated with the most current data available. The discount rate assumption is determined with reference to the yields on corporate bonds at the valuation date, which have decreased since the previous valuation. There has been no change in the methodology used to derive the discount rate compared to the valuation at 31 December 2024.

Other changes in assumptions compared to the 31 December 2024 valuation do not have a material impact on the net pension asset balance at 31 December 2025. The demographic assumptions that are most financially significant are those relating to the life expectancy of retired members.

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The mortality table used for the purposes of the valuation is as follows:

Post retirement mortality assumption	2025 SAPS Light 4 table: Male 102% Female 99%	2024 SAPS Light 3 table: Male 94%, Female 93%
Additional description of allowance of future mortality improvements	CMI 2024	CMI 2023
	Years	Years
Life expectancy of a male aged 60 now	27	28
Life expectancy of a female aged 60 now	29	30
Life expectancy of a male aged 60 in 15 years	28	29
Life expectancy of a female aged 60 in 15 years	30	31

The other major financial assumptions used by the actuary are as follows:

	2025 % per annum	2024 % per annum
Discount rate	5.5	5.6
Price inflation		
• Retail Price Index (RPI)	3.0	3.3
• Consumer Price Index (CPI)	2.4	2.8

Other financial assumptions, including rate of increase in pensions in-payment, increases to final salary deferred pensions, career average revaluation in service and in deferment and increases in payment and guaranteed minimum pension equalisation, are largely similar and not presented above.

Total market value of assets

Changes in the fair value of plan assets are as follows:

	2025 £m	2024 £m
Fair value of Scheme assets at 1 January	645	707
Interest income on Scheme assets	35	33
Benefits paid	(37)	(36)
Return on plan assets excluding interest income	(6)	(59)
Fair value of Scheme assets at 31 December	**637**	**645**

The fair value of the plan assets is comprised as follows:

Asset analysis of the Scheme	2025 £m	2024 £m
Bonds		
Corporate bonds	151	65
Index-linked bonds	131	171
Fixed interest bonds	177	265
Equities		
UK equities	2	2
Overseas (excluding UK) equities	78	60
Diversified income credit	–	24
Asset backed securities	46	–
Hedge funds	47	38
Cash and net current assets	5	20
Total market value of assets	**637**	**645**

All of the Scheme's assets are quoted in an active market when looking at the underlying assets, apart from hedge funds (2025: £47m; 2024: £38m). The Scheme is not currently invested in any of the Society's own assets. Approximately 95% (2024: 94%) of the Scheme's liabilities relate to final salary members and 5% (2024: 6%) relate to career average revalued earnings members.

Total market value of Scheme liabilities

Changes in the present value of the defined benefit obligations are as follows:

	2025 £m	2024 £m
Actuarial value of Scheme liabilities at 1 January	594	666
Interest cost on Scheme liabilities	32	31
Administration costs and taxes	2	1
Benefits paid and administrative expenses	(37)	(36)
Experience losses arising in Scheme liabilities	6	2
Change in assumptions underlying the present value of the Scheme liabilities		
Demographic assumption change	(11)	(6)
Financial assumption change	(2)	(64)
Actuarial value of Scheme liabilities at 31 December	**584**	**594**

Notes to the Financial Statements

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Sensitivity of pension obligation to changes in assumptions

A 1% per annum increase in the discount rate to be adopted as at 31 December 2025 would result in a reduction to the balance sheet liabilities at that date of around 10.1%, or approximately £59m. A corresponding 1% per annum decrease would increase liabilities at that date by around 11.6%, or approximately £68m. A 1% per annum increase in the assumption for future inflation (both Retail Price Index and Consumer Price Index) as at 31 December 2025, which would increase future expectations of pension increases and deferred revaluation, would result in an increase in the balance sheet liabilities at that date of around 4.0%, or approximately £24m. A corresponding 1% per annum decrease would reduce liabilities at that date by around 4.6%, or approximately £27m.

A change in the mortality assumptions could have a significant impact on the liabilities. For instance, if members aged 60 were instead expected to live for one year longer, with all members' life expectancies increasing by a proportionate amount, then the liability as at 31 December 2025 would be around 1.9% higher, or approximately £11m. Similarly, if members aged 60 were instead expected to live for one year less then the liability would be around 2.0% lower, or approximately £12m.

The notional fund

The Society recognises the cost of discretionary increases to pre-6 April 1997 benefits in payment when there is a constructive liability to make such increases. The Society provided £10m in 2007, and a further £20m in 2011, to meet the expected cost of future discretionary increases. This amount is notionally segregated from the Scheme's other assets (the 'notional fund') and its investment performance tracked on the assumption that it is invested in the same way as the Scheme's other assets.

The notional fund will be used to facilitate the award of future discretionary pension increases when the Society carries out its annual review of pensions in accordance with the Scheme's Definitive Trust Deed. As long as there is a notional fund set aside for this purpose, discretionary increases will continue to be considered. As at 31 December 2025, the value of the notional fund was £3m (2024: £6m).

Analysis of the amount recognised in the Group profit and loss account:

	2025 £m	2024 £m
Administration costs	2	–
Net interest on net defined benefit asset	(3)	–
Total operating charge	**(1)**	**–**

Analysis of the amount recognised in the Group statement of comprehensive income:

	2025 £m	2024 £m
Experience losses arising on Scheme liabilities	(6)	(1)
Changes in the assumptions underlying the present value of the Scheme assets/liabilities		
Demographic assumption change	11	6
Financial assumption change	2	64
Actuarial gain arising during period	7	69
Return on plan assets	(6)	(59)
Remeasurement effects recognised in the Group statement of comprehensive income	**1**	**10**

Overseas pension schemes

The Society operates a number of defined benefit schemes for qualifying employees based overseas. The actuarial valuations of these pension schemes at 31 December 2025 resulted in a deficit of £3m (2024: £3m).

	2025 £m	2024 £m
Value of assets	2	2
Actuarial value of Scheme liabilities	(5)	(5)
Net defined benefit liability	**(3)**	**(3)**

Lloyd's Group personal pension plan

UK employees are eligible to join the Lloyd's Group personal pension plan, a defined contribution scheme which is administered by Aviva. The Group personal pension plan was introduced in 2013, when the defined benefit pension scheme was closed to new members. The amount charged to the Group profit and loss account in respect of the Lloyd's Group personal pension plan is £12m (2024: £10m).

Members of the Lloyd's Group personal pension plan can elect their contribution rate (payable via salary sacrifice) and can change this at any time. Lloyd's participates alongside the employees in the contribution scheme.

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24. Equity

(a) Profit and loss account

	2025 £m	2024 £m
Attributable to:		
Corporation of Lloyd's	304	283
Central Fund	3,230	3,031
Total profit and loss account	**3,534**	**3,314**

(b) Translation reserve

Where Group companies have a functional currency which differs from the Group presentational currency, the results and financial position are translated and all resulting gains and losses are recognised in other comprehensive income and as equity, in the translation reserve. As at 31 December 2025, the balance was £1m (2024: £(27)m).

(c) Revaluation reserve

The revaluation reserve of £15m (2024: £15m) is used to record increases in the fair value of the Lloyd's Collection, and decreases to the extent that such decreases relate to the amount previously recognised in the Group statement of comprehensive income.

25. Syndicate loans

	2025 £m	2024 £m
2020 Syndicate loan (November)	–	285
2020 Syndicate loan (June)	–	119
Principal loan balance	**–**	404

Syndicate loans were accounted for as an equity instrument in the Society's financial statements and as such any interest paid to loan holders (syndicates) was recorded as a reduction in equity. An interest payment of £15m (2024: £19m) has been made during the year.

1. The 2020 tranches of syndicate loans were repaid on the fifth anniversary of commencement, being 26 June 2025 and 6 November 2025.

26. Subordinated debt and amounts owing to credit institutions

(a) Subordinated debt

	2025 £m	2024 £m
4.875% subordinated notes of £300m maturing 7 February 2047 ('Sterling 2017 Notes')	300	300
Total subordinated notes issued	**300**	**300**
Less issue costs to be charged in future years	(2)	(2)
Total	**298**	**298**

The notes are subordinated obligations of the Society. Upon the occurrence of any winding-up proceedings of the Society, payments on the notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Society, except for liabilities which rank equally with or junior to the notes. Payments on the notes will also be subordinated to certain payments which may be made out of central assets, including payments made to discharge the liabilities of an insolvent member to any person (including any policyholders) arising out of, or in connection with, insurance business carried on at Lloyd's by the insolvent member and payments made in respect of the costs required by or under any insolvency procedure to which the Society or the Lloyd's market may be subject. However, in the event of a winding-up of the Society, the claims of the holders of the notes rank senior to the distribution of any central assets to members of Lloyd's generally (other than payments made to members in their capacity as senior creditors of the Society).

The Sterling 2017 Notes issued on 7 February 2017 mature on 7 February 2047 and bear interest at a rate of 4.875% per annum, until (but excluding) 7 February 2027, payable annually in arrears on 7 February in each year, and thereafter at a floating rate of interest calculated using a compounded daily SONIA (Sterling Overnight Index Average) interest rate plus a credit adjustment spread and margin, payable quarterly in arrears.

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(b) Amounts owed to credit institutions

	2025 £m	2024 £m
2.48% senior debt of £60m maturing January 2030 ('Sterling 2020')	60	60
2.48% senior debt of £40m maturing January 2031 ('Sterling 2020')	40	40
2.61% senior debt of £70m maturing January 2035 ('Sterling 2020')	70	70
2.81% senior debt of £130m maturing January 2045 ('Sterling 2020')	130	130
Less issue costs and discount on issue to be charged/unwound in future years	(1)	(1)
Total cost	**299**	**299**
Accrued interest	4	4
Amortised cost (carrying value)	**303**	**303**

27. Technical provisions

	2025			2024		
Unearned premium provision	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
At 1 January	2,341	(2,341)	–	2,288	(2,288)	–
Premium written in the year	4,277	(4,277)	–	3,776	(3,776)	–
Premium earned during the year	(3,879)	3,879	–	(3,618)	3,618	–
Foreign exchange movements	135	(135)	–	(105)	105	–
At 31 December	**2,874**	**(2,874)**	**–**	**2,341**	**(2,341)**	**–**

	2025			2024		
Claims outstanding	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
At 1 January	7,287	(7,287)	–	7,087	(7,087)	–
Claims paid during the year	(2,677)	2,677	–	(2,014)	2,014	–
Claims incurred during the year	2,386	(2,386)	–	2,548	(2,548)	–
Foreign exchange movements	391	(391)	–	(334)	334	–
At 31 December	**7,387**	**(7,387)**	**–**	**7,287**	**(7,287)**	**–**

Gross claims outstanding at 31 December 2025 includes claims discounted by Lloyd's China under China GAAP.

The undiscounted claims outstanding as required under UK GAAP are higher than the discounted claims reserves by £7m (2024: £10m) and are not material to the Society financial statements. The claims outstanding are 100% reinsured and there is no impact on the Society's profit before tax or capital and reserves.

28. Other provisions

A provision under contractual arrangements is recognised when the obligation can be reliably estimated and it is probable that there will be a transfer of economic benefits in settlement of such obligation.

	2025			2024		
	Lease cost provision £m	Other provisions £m	Total £m	Lease cost provision £m	Other provisions £m	Total £m
At 1 January	31	18	49	36	5	41
Charged in the year	2	3	5	2	16	18
Utilised in the year	(6)	(13)	(19)	(7)	(3)	(10)
Unused amounts reversed to profit and loss	–	(4)	(4)	–	–	–
At 31 December	**27**	**4**	**31**	**31**	**18**	**49**

Lease cost provision

The lease cost provision represents the Society's obligations in respect of the contractual capital expenditure and dilapidation cost under fully repairing leases. Under the 1986 Building lease, the Society has obligations to the lessor to repair, maintain and cleanse the building throughout the duration of the lease, and to bring the building back to its original condition at the end of the lease. The Society reviews annually the estimated cost of satisfying the obligations under the lease. Third-party experts are engaged to help identify and validate required repairs or maintenance and to estimate the cost of work required. The estimated costs for all repairs that have been evidenced, as required under the lease, are fully provided for.

The value of the lease cost provision is calculated with reference to the costs that are expected to be incurred during the remainder of the lease term. The value of the provision is not sensitive to the timing of expenditure during the lease term.

Other provisions

Other provisions include provisions for obligations under an onerous lease and other contractual obligations, and the Income Assistance Scheme (see below).

Notes to the Financial Statements

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Obligations under onerous lease and contracts

A provision is made for obligations under an operating lease when the physically separable part of a property is taken out of use by the Society and the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received. The provision is calculated using future lease payments as per the lease contract, discounted at the Society's long-term borrowing rate, and is therefore sensitive to changes in this assumption.

Income Assistance Scheme

The Income Assistance Scheme was effective from 1 January 2010 and replaced both the Hardship Income Top-up Scheme and the Income and Housing Support Scheme. The Income Assistance Scheme is permanent and replaces the discretionary nature of the previous schemes and guarantees ongoing payment of income assistance to eligible members of the previous schemes until the full undertaking has been utilised, other than in the event that Lloyd's faces severe financial stress.

The provision covers expected future payments under the Income Assistance Scheme. The Names covered by the scheme receive quarterly payments until: (a) death (or a spouse's death, depending upon the individual arrangements agreed); (b) earlier settlement of the debt by the Name; or (c) default by the Name on their contractual obligations. The value of the provision is therefore sensitive to the factors above, as well as to changes in inflation rates.

29. Creditors

	2025 £m	2024 £m
Creditors arising out of direct insurance operations	884	707
Creditors arising out of reinsurance operations	4,197	3,836
Other creditors including taxation and social security	163	201
Total creditors	**5,244**	**4,744**

Other creditors including taxation and social security comprises the Society's trade and other creditors due within one year.

30. Accruals and deferred income

	2025 £m	2024 £m
Reinsurers' share of deferred acquisition costs	594	461
Accrued expenses	108	110
Deferred income	86	75
Total accruals and deferred income	**788**	**646**

31. Cash generated from operations

	2025 £m	2024 £m
Profit before tax	309	471
Adjustments for:		
Net investment return	(333)	(134)
(Increase)/decrease in other assets	(59)	268
Share of profits of associates and joint ventures	(8)	(4)
Loss on disposal of associate	–	2
Amortisation of intangible assets	22	14
Depreciation of tangible fixed assets	4	2
Impairment losses	3	–
Interest expense on financial liabilities at amortised cost	23	35
Increase in debtors, prepayments and accrued income	(557)	(995)
Increase in creditors, accruals and deferred income	518	1,011
(Decrease)/increase in provisions	(18)	8
Loss/(profit) on foreign exchange	214	(50)
Net defined benefit pension payment	(1)	–
Cash generated from operations	**117**	**628**

32. Operating leases

The totals of future minimum lease payments under non-cancellable operating leases are as follows:

	2025 £m	2024 £m
Payment due:		
Not later than one year	25	24
Later than one year and not later than five years	84	86
Later than five years	71	92
Total	**180**	**202**

Total operating lease charges paid during the year amounted to £25m (2024: £24m).

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33. Contingent liabilities and capital commitments

On behalf of the Society, a letter of credit has been issued to Lloyd's Europe for €50m or £44m with a term until 2030 (2024: €200m or £165m which expired in 2025).

Capital expenditure commitments contracted, but not provided for in the financial statements, were £nil (2024: £nil).

Parental guarantee exemption

The Society has provided a guarantee for all outstanding liabilities as at 31 December 2025 of the subsidiaries listed below, until those liabilities are satisfied in full. The named subsidiaries are therefore exempt, in accordance with section 479A of the Companies Act 2006, from the requirement to obtain an audit of their separate financial statements.

Companies House no.	Legal entity
03189026	Lloyd's America Limited
03189123	Lloyd's of London Limited

34. Analysis of net debt

	At 1 January 2025 £m	Cash flows £m	Fair value and exchange movements £m	Non-cash changes £m	At 31 December 2025 £m
Cash and cash equivalents	1,253	(443)	4	–	814
Borrowings	(1,893)	391	(39)	(23)	(1,564)
Total	**(640)**	**(52)**	**(35)**	**(23)**	**(750)**

35. Group undertakings

Subsidiaries are those entities over which the Society directly or indirectly has the power to govern the operating and financial policies in order to gain economic benefits. The basis on which subsidiaries are consolidated in the Group financial statements is outlined in the basis of preparation in note 3.

The following subsidiaries principally affected the Group's financial position and results for the year ended 31 December 2025, as set out in the Society Group profit and loss account:

Company name	Nature of business	Registered address and country of incorporation
Additional Securities Limited	Provision of deposits overseas on behalf of Lloyd's underwriters to comply with local insurance regulations	One Lime Street, London EC3M 7HA England and Wales
Centrewrite Limited	Authorised UK insurance company assisting resigned members of the Society with participations on run-off syndicates to end their affairs at Lloyd's	One Lime Street, London EC3M 7HA England and Wales
Lloyd's America Limited	Holding company	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Australia Limited	In relation to the Society's activities within Australia, the company undertakes certain regulatory compliance and market development activities	Suite 3209, Level 32, Grosvenor Place, 225 George Street, Sydney NSW 2000, Australia
Lloyd's Canada Inc.	In relation to the Society's activities within Canada, the company undertakes certain regulatory compliance and market development activities	200 Bay Street, Suite 2930, PO Box 51, Toronto, Ontario M5J 2J2 Canada
Lloyd's Brasil Serviços Técnicos Ltda.	In relation to the Society's activities within Brazil, the company undertakes certain regulatory compliance and market development activities	Avenida Republica do Chile 3, block 2 room 1401, Rio de Janeiro 20031-170 Brazil
Lloyd's Insurance Company (China) Limited	In relation to the Society's activities within China, the company provides bespoke services to support business development and underwriting. The entity is an authorised insurance company	Units 3004-3005, 3006 and 3007, 30th Floor, No 479 Lujiazui Ring Road China (Shanghai) Pilot Free Trade Zone
Lloyd's Insurance Company S.A.	In relation to the Society's activities within Europe, the company provides bespoke services to support business development and underwriting. The entity ensures that Lloyd's policyholders across the European Economic Area can continue to access the underwriting expertise and financial security of the Lloyd's market, despite the United Kingdom's exit from the European Union. The entity is an authorised insurance company and is the holding company of various other European subsidiaries of the Society	Bastion Tower – Floor 14 5 Place du Champ de Mars, 1050 Bruxelles Belgium

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Company name	Nature of business	Registered address and country of incorporation
Lloyd's Japan Inc.	In relation to the Society's activities within Japan, the company provides bespoke services to support business development and underwriting	Unit 601A, Tokyo Club Building, 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo 100-0013 Japan
Lloyd's Labuan Limited	In relation to the Society's activities within Malaysia, the company is licensed to carry on business as underwriting manager	Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T. Malaysia
Lloyd's Limited	In relation to the Society's activities within Dubai, the company undertakes certain regulatory compliance and market development activities	Unit GV-00-08-05-OF-4A, Level 5, Gate Village Building 08, Dubai International Financial Centre, P.O. Box 506929, Dubai, United Arab Emirates
Lloyd's of London Limited	Holding company	One Lime Street, London EC3M 7HA England and Wales
Lloyd's of London (Asia) Pte Ltd	In relation to the Society's activities within Singapore (and the wider region), the company provides bespoke services to support business development and underwriting	Floors #03-02 to 04, #04-01 to 04, 138 Market Street, CapitaGreen, Singapore 048946
Lloyd's of London (Representative Office) Greece Single Member SA	In relation to the Society's activities within Greece, the company acts as a fiscal representative	25A Boukourestiou Street, 106 71 Athens Greece
Lloyd's South Africa (Proprietary) Ltd	In relation to the Society's activities within South Africa, the company undertakes certain regulatory compliance and market development activities	15th floor, The Forum 2 Maude Street, Sandton, 2146 South Africa
Lloyd's America Holdings Inc. and Lloyd's America Inc.	In relation to the Society's activities, the companies provide certain services in the United States	280 Park Avenue, 25th Floor, New York, NY 10017 USA
Lloyd's Illinois, Inc.	Serves as the attorney-in-fact for underwriters writing licensed insurance business in Illinois. Provides compliance support for licensed business, as well as operational and IT support services in the Americas	181 W Madison Street, Suite 3870 Chicago, Illinois 60602 USA
Placing Platform Limited	Provision of an electronic (re)insurance placing platform to its customers that allows them to administer, vary, negotiate, cancel and underwrite contracts of (re)insurance	99 Bishopsgate, 26th Floor, London EC2M 3XD, England and Wales
PPL Technologies Group Limited	Holding company	99 Bishopsgate, 26th Floor, London EC2M 3XD, England and Wales

The main territory of operation of subsidiaries incorporated in England and Wales is the UK. For overseas subsidiaries, the principal country of operation is the same as the country of incorporation. All operating subsidiaries have a 31 December year end reporting date with the exception of Lloyd's Japan Inc. and PPL Technologies Group Limited, which have a reporting date of 31 March and 31 May respectively. All operating subsidiaries are 100% directly owned by the Society with the exception of PPL Technologies Group Limited and Placing Platform Limited in which Lloyd's holds a 74.5% interest following additional investment in 2024 and 2025.

Restrictions

Lloyd's operates in more than 200 territories around the world and uses a number of different operating models depending upon local regulatory requirements. Different countries operate different regulatory regimes and, in some cases, these may place certain restrictions on the use of capital and assets that are held within those countries, including capital of RMB 1bn (2024: RMB 1bn) within Lloyd's Insurance Company (China) Limited and €558m (2024: €558m) in Lloyd's Insurance Company S.A. Lloyd's proactively manages its international asset base to ensure that any such restrictions have a minimal impact upon the utilisation of capital and investments or upon the operations of the Corporation.

Notes to the Financial Statements

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Dormant subsidiaries

During the financial year, the Society had, or continues to have, an interest in the following dormant subsidiaries. These subsidiaries are all 100% owned by the Society and have not actively traded for the year ended 31 December 2025.

Company name	Registered address and country of incorporation
Additional Underwriting Agencies (No. 9) Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Nominees Director Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Nominees Secretary Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Building Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Corporation Holding Company Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's List Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's of London Press Limited	One Lime Street, London EC3M 7HA England and Wales
Sharedealer Limited	One Lime Street, London EC3M 7HA England and Wales

All subsidiary undertakings are included in the consolidated Society Report. The proportions of voting rights in the subsidiary undertakings held directly by the Society do not differ from the proportions of ordinary shares held. The only preference shares of subsidiary undertakings included in the Group are £1 preference share for Lloyd's Building Limited and £1 preference share for PPL Technologies Group Limited.

36. Related party transactions

Services provided to Ins-sure Holdings Limited in the year ended 31 December 2025 included operating systems support and development, and other administrative services.

Services provided to Xchanging Claims Services Limited in the year ended 31 December 2025 were primarily administrative services.

Services provided to London Market Operations & Strategic Sourcing Limited in the year ended 31 December 2025 were primarily fee collection services.

In 2020, the Society made a £6.6m investment in Placing Platform Limited (PPL), to continue to advance the implementation of digital trading in the Lloyd's market. During 2023, a second loan of £7.5m was provided to PPL, taking the total advance to £15m, and in 2024, £2.5m of the loan was repaid. Interest on the loan is charged at a rate of 4.25% per annum and the loan is repayable by 31 December 2026. Following additional investment in 2024, PPL became a subsidiary (refer to note 35). The loan was not impacted by this transaction and remains in place and will be settled in accordance with the existing terms.

The following table provides the total value of transactions entered into with Society related parties for the relevant financial years, together with information regarding the outstanding balances at 31 December 2025 and 2024.

	Sales to related parties		Purchases from related parties		Amounts due from related parties		Amounts owed to related parties	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Associates:								
Ins-sure Holdings Limited	1	2	–	4	–	–	2	6
Joint ventures:								
London Market Operations & Strategic Sourcing Limited	–	–	1	–	–	–	–	–
Placing Platform Limited	–	1	–	–	–	–	–	–
Non-wholly owned subsidiaries:								
Placing Platform Limited	–	–	–	2	8	13	–	–
PPL Group Technologies Limited	–	–	–	–	–	10	–	–

Transactions with associates and joint arrangements are priced on an arm's-length basis.

In the normal course of business, the Society may enter into transactions with Lloyd's market businesses in which members of Council may have an interest.

37. Events after the reporting period

Following the balance sheet date, geopolitical tensions continued, including the ongoing Russia-Ukraine and Middle East conflicts. Given the early stage of recent developments and the inherent uncertainty surrounding these events, Lloyd's is currently unable to quantify any financial impact. As these events occurred after the year end, they are treated as non-adjusting events, and developments continue to be monitored.

Other Information

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Alternative performance measures

The following metrics, which are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society Report, are considered to be alternative performance measures. These measures are not defined under UK GAAP and may not be comparable with similarly titled measures presented by other companies.

Metric	Applicable part of the Annual Report	Definition	Reason for use
Combined ratio	Market Results	A measure of the profitability of an insurer's underwriting activity. It is the ratio of net operating expenses plus claims incurred net of reinsurance to earned premiums net of reinsurance.	Used to measure the profitability of underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Expense ratio	Market Results	A measure of the level of expenses associated with underwriting activity. It is the ratio of net operating expenses to earned premiums net of reinsurance.	Used to measure the level of expenses associated with underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market expenses to its peers.
Underwriting result	Market Results	A measure of the profitability of an insurer's underwriting activity. It is calculated as earned premiums net of reinsurance less net operating expenses and claims incurred net of reinsurance.	Used to measure the profitability of underwriting activity across the Lloyd's market.
Underlying combined ratio	Market Results	A measure of the profitability of underwriting activity excluding major claims. It is the ratio of net operating expenses plus claims incurred, excluding major claims, to earned premium net of reinsurance.	Used to measure the profitability of the underwriting activity of the Lloyd's market, excluding the impact of major claims.
Accident year ratio	Market Results	A measure of the profitability of underwriting activity attributable to the current financial year. It is the ratio of net operating expenses plus claims incurred net of reinsurance, before prior year releases, to earned premium net of reinsurance.	Used to measure the profitability of the underwriting activity of the Lloyd's market attributable to the current financial year.
Attritional loss ratio	Market Results	A measure of residual insurance claims, expressed as a percentage of earned premiums net of reinsurance. Attritional insurance claims are calculated as total claims less major losses and movements in prior year claims reserves.	Used to measure the profitability of general underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Prior year release ratio	Market Results	A measure for assessing prior year movements in claims reserves. It is calculated as a percentage of earned premiums net of reinsurance.	Used to determine the adequacy of reserves across the Lloyd's market and the benefit of reserve margin to be considered within the combined ratio. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Major claims ratio	Market Results	A measure of significant loss events which have impacted the profitability of underwriting activity. It is calculated as the sum of major claims in the market, expressed as a percentage of earned premiums net of reinsurance.	Used to measure the impact of significant loss events on the underwriting performance of the market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.

Alternative performance measures

continued

Metric	Applicable part of the Annual Report	Definition	Reason for use
Return on capital	Market Results	A measure of overall profitability. It is the ratio of results for the year before tax to the average of opening and closing total capital and reserves.	Used to measure the overall profitability and value creating potential to create value of the Lloyd's market.
Investment return	Market Results and Society Report	A measure of the performance of an insurer's investing activity. It can be expressed as the ratio of total investment return to the average of opening and closing financial investments and cash at bank and in hand.	Used to measure the performance of the portfolio of investments and cash balances held across the Lloyd's market.
Free cash	Society Report	Represents the amounts, both at bank and in highly liquid short term investments. held in the UK and overseas, excluding any balances held in respect of insurance and arbitration activities.	Provides a measure of the cash resources available to the Society to meet operating expenses.
Solvency coverage ratio	Market Results and Society Report	Under the UK Solvency II regime, Lloyd's monitors the amount of eligible capital available to cover its market-wide SCR (MWSCR) and Central SCR (CSCR). This is calculated as total eligible capital, expressed as a percentage of the respective solvency capital requirements.	Solvency coverage ratios are used to ensure that the Society and its members hold sufficient capital to meet Lloyd's regulatory capital requirements, as well as to ensure Lloyd's solvency risk appetites are satisfied.

Glossary of terms and useful links

Set out below is a guide to insurance and Lloyd's-related terms. These are not precise definitions but are included to provide assistance to readers as to the general meaning of terms commonly used in the Lloyd's market. Formal definitions are set out in the Definitions Byelaw at www.lloyds.com.

Accident year ratio A measure of the profitability of underwriting activity attributable to the current financial year. The accident year ratio is calculated as net operating expenses and net incurred losses (paid and reserves) for claims occurring in the year as a proportion of net premiums earned during the year. It excludes movements during the calendar year on claims, expenses and premium estimates for previous years.

Active underwriter A person employed by a managing agent with principal authority to accept insurance and reinsurance risks on behalf of the members of a syndicate.

Binding authority An agreement between a Lloyd's managing agent and a coverholder under which the Lloyd's managing agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate.

Callable layer Central Fund assets may be supplemented by a 'callable layer' of up to 5% of members' overall premium limits in any one calendar year. These funds would be drawn from premium trust funds.

Central assets The net assets of the Society, including the Central Fund, but excluding the subordinated debt liability and the callable layer.

Central Fund The fund financed by (among other things) contributions from Lloyd's members and administered by the Council primarily as a fund for the protection of policyholders. It includes both the Old Central Fund and the New Central Fund.

Central SCR The Lloyd's Central Solvency Capital Ratio is calculated to cover all of the risks facing the Society and the Central Fund at a 99.5% confidence level over a one year time horizon.

Combined ratio A measure of an insurer's underwriting profitability based on the ratio of net incurred claims plus net operating expenses to net earned premiums. A combined ratio of 100% is breakeven (before taking into account investment returns). A ratio less than 100% is an underwriting profit.

Corporate member A company incorporated with limited liability, a Scottish limited partnership or a limited liability partnership, admitted to membership of the Society.

Corporation The Corporation of Lloyd's provides the licences and other facilities that enable business to be underwritten on a worldwide basis by managing agents acting on behalf of members.

Council The Council, created by the Lloyd's Act 1982, has the management and superintendence of the affairs of the Society and the power to regulate and direct the business of insurance at Lloyd's.

Coverholder A firm either in the UK or overseas that is authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance to be underwritten by members of a syndicate managed by the managing agent. A Lloyd's broker may act as a coverholder.

Economic Capital Assessment The level of capital required to meet Lloyd's financial strength, licence and rating objectives.

Financial Conduct Authority (FCA) The FCA supervises the conduct of the UK financial services industry. The Society, managing agents, members' agents and Lloyd's brokers are regulated by the FCA.

Free cash balances Represents amounts held at bank and in highly liquid cash equivalent investments, including liquidity and money market funds, held in the UK and overseas, excluding any balances held in respect of insurance and arbitration activities.

Funds at Lloyd's (FAL) Capital lodged and held in trust at Lloyd's as security for the policyholders and to support a member's overall underwriting business.

Insurance-Linked Securities (ILS) Financial instruments whose value is determined by insurance loss events, effectively transferring insurance or reinsurance risk to capital market investors.

Integrated Lloyd's Vehicle (ILV) An arrangement in which a syndicate's capital is wholly provided by corporate members that are under the same ownership and control as the syndicate's managing agent.

Investment return A measure of performance of an insurer's investing activity. It is the ratio of total investment return to the average financial investments and cash at bank and in hand.

Lines of business Refers to the product segmental split disclosed in the Pro Forma Financial Statements.

Major claims Major claims encompass both natural and non-natural catastrophe losses reported by the market, in aggregate, net of reinsurance.

Managing agent An underwriting agent responsible for managing a syndicate, or multiple syndicates.

Glossary of terms and useful links

continued

Market-wide SCR The market-wide Solvency Capital Ratio is calculated to cover all the risks arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon.

Member (of the Society) A person admitted to membership of the Society.

Members' agent An underwriting agent appointed by a member to provide services and perform duties including advising the member on which syndicates they should participate.

Name A member of the Society who is an individual and who trades on an unlimited basis.

New Central Fund The New Central Fund constituted by and governed by the New Central Fund Byelaw (No. 23 of 1996).

Non-technical account Under UK GAAP the profit and loss account must be divided between the technical account and the non-technical account. Reported in the latter is all investment return, although an element will be reanalysed to the technical account, and any income and expenses that do not arise directly from the entity's underwriting activity.

Premium trust funds (PTF) The premiums and other monies that members receive in respect of their underwriting at Lloyd's are held by their managing agents in trust for them, subject to the discharge of their underwriting liabilities.

The premium trust funds comprise a sterling fund, Lloyd's American Trust Fund, Lloyd's Dollar Trust Funds, Lloyd's Canadian Trust Fund and the Lloyd's Asia Trust Funds (which cover general business written through coverholders in Singapore). These premium trust funds are available to fund overseas regulatory deposits, claims, return premiums, underwriting expenses and any profit that is payable to the member after providing for all future liabilities.

Price changes on renewal business These are calculated as current year insurance premium less prior year insurance premium, expressed as a proportion of prior year insurance premium, where the policy coverage and wording are held consistent.

Prior years' reserve movements These are calculated as movements in reserves established for claims that occurred in previous accident years.

Prudential Regulation Authority (PRA) The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The Society and managing agents are regulated by the PRA.

Realistic Disaster Scenarios (RDS) A series of scenarios, both natural and man-made, which are used to assess the market's risk profile to a variety of different catastrophes and enable better risk management practices within Lloyd's.

Reinsurance to close (RITC) A reinsurance agreement under which members of a syndicate for a year of account to be closed are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.

Reinsurance to close (RITC) syndicate A syndicate set up solely to underwrite the reinsurance to close of other syndicates.

Return on capital A measure of overall profitability. It is the ratio of results for the year before tax to the average of opening and closing total capital and reserves.

Service company A wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is authorised to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.

Solvency ratio The measure of an insurer's solvency based on the ratio by which the net assets for solvency purposes exceed the solvency requirement.

Special Purpose Arrangement (SPA) A syndicate set up solely to underwrite a quota share reinsurance of another syndicate's business for a year of account.

Syndicate A member, or group of members, underwriting insurance business at Lloyd's through the agency of a managing agent.

Syndicate allocated capacity In relation to a syndicate, the aggregate of the member's syndicated premium limits of all the members for the time being of the syndicate.

Syndicate in a box A member, or group of members, underwriting insurance business at Lloyd's and has met certain criteria for adjusted participation and entry requirements for the first three years of underwriting.

Technical account Under UK GAAP the profit and loss account must be divided between the technical account and the non- technical account. The technical account reports the results of the underwriting activity, premiums less claims, less expenses; and also includes an element of the investment return reanalysed from the non-technical account.

Underwriting result A measure of the profitability of an insurer's underwriting activity. It is calculated as earned premiums net of reinsurance less net operating expenses and claims incurred net of reinsurance.

Year of account The year to which a risk is allocated and to which all premiums and claims in respect of that risk are attributed. The year of account of a risk is usually determined by the calendar year in which the risk incepts. A year of account is normally closed by reinsurance to close at the end of 36 months.

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