

LLOYD'S

Capital Markets Day 2024

12 June 2024

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Overview of Lloyd's

John Neal

Chief Executive Officer, Lloyd's

Agenda

14:30 Opening and overview of Lloyd's

John Neal, Chief Executive Officer, Lloyd's

14:55 Managing market performance

Patrick Tiernan, Chief of Markets, Lloyd's

15:20 Performance, progress and investing at Lloyd's

Burkhard Keese, Chief Financial Officer, Lloyd's

15:40 Q&A

John Neal, Chief Executive Officer, Lloyd's

Patrick Tiernan, Chief of Markets, Lloyd's

Burkhard Keese, Chief Financial Officer, Lloyd's

16:10 Break

16:30 A view from Aviva

Amanda Blanc DBE, Group Chief Executive Officer, Aviva

16:40 Panel discussion

Ryan Mather, Chief Executive Officer, Ariel Re

Richard Watson, Founder & Chief Executive Officer, Inigo

Moderated by Alex Cliff, Deputy Chief Financial Officer, Lloyd's

17:15 Closing

John Neal, Chief Executive Officer, Lloyd's

17:30 Reception in Lloyd's underwriting room

Hosted by Lloyd's Executive team

Five years of transformation and progress

Lloyd's global gross written premium exceeded £50bn in 2023

Executing our strategy

- Solid progress against our strategic priorities over the past five years
- Modernising digital framework of the market and driving down operating costs
- Showing leadership on priority issues including climate, geopolitics, cyber and pandemic

Sustaining our performance

- Consistent financial performance: Combined ratio at 84%
- Double digit premium growth: 11.6% increase with 4% organic growth
- High quality balance sheet: Strong solvency ratios; Reserve margin of £4.6bn; S&P, Fitch and Kroll AA- ratings and A.M. Best A Positive Outlook

A profitable market delivering sustainable value for customers and capital partners

Serving clients around the world



200

Reinsurance licences

77

Direct licences

3,300+

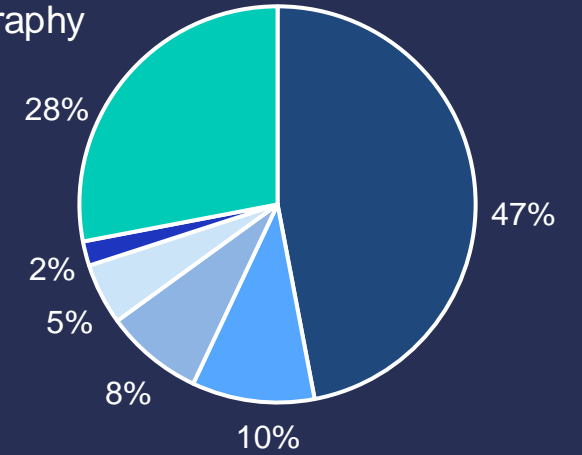
Coverholder office locations with a local route to Lloyd's

350+

Brokers

248 territories by geography

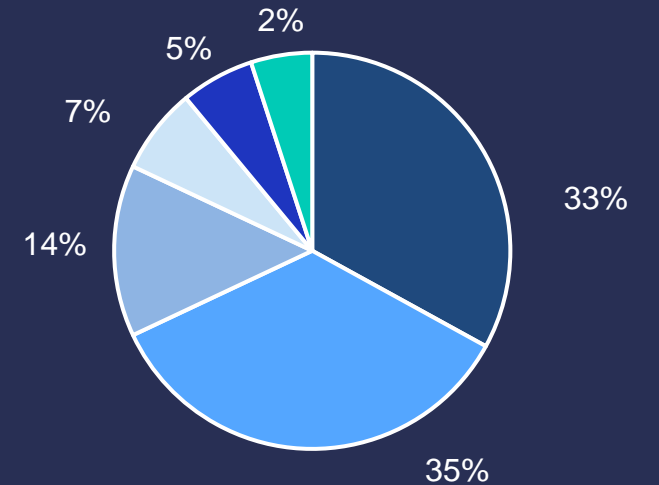
- USA
- UK
- Canada
- Australia
- Bermuda
- Other



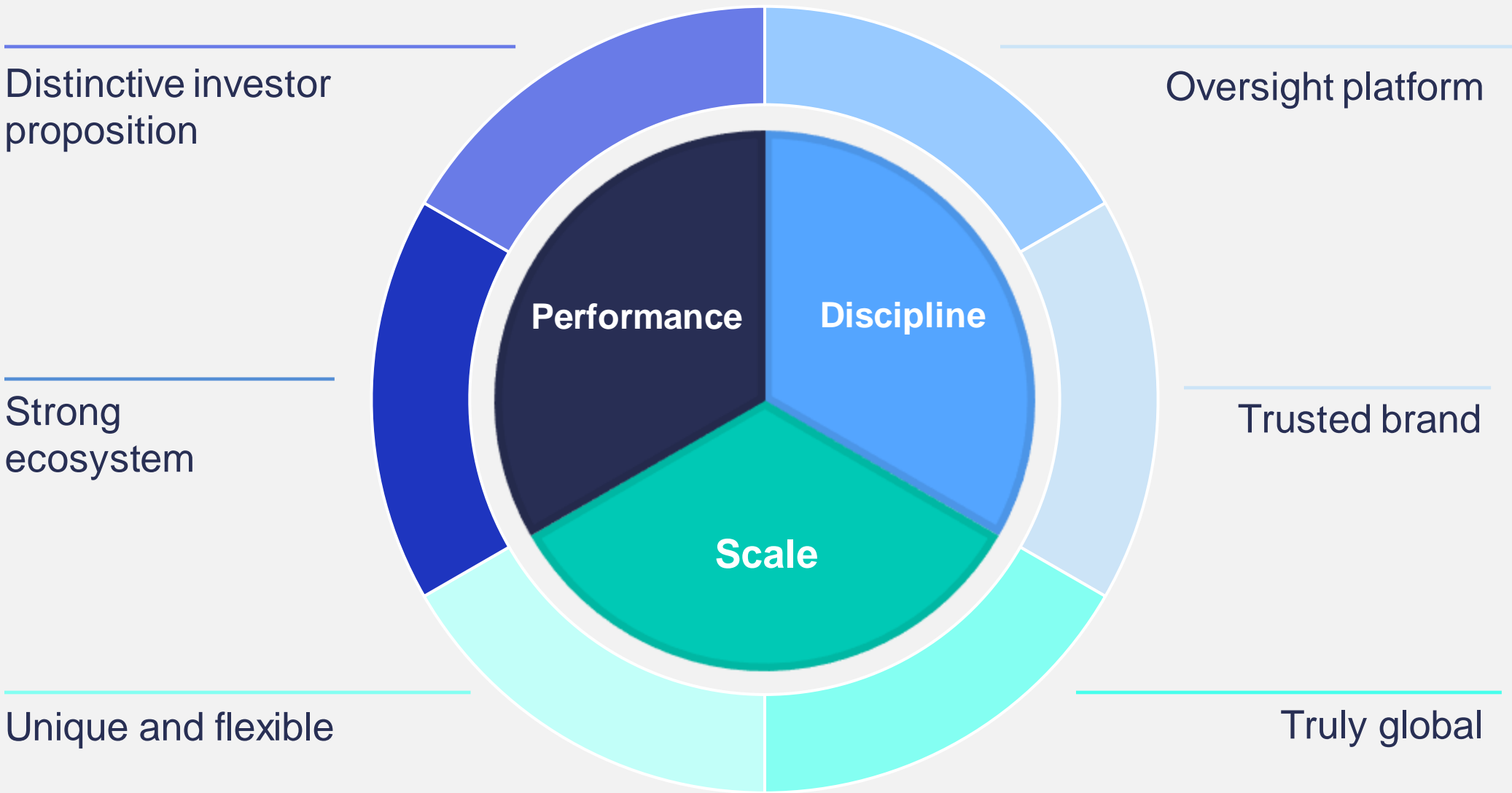
6 segments

200 lines of business

- Property
- Casualty
- Marine & Aviation
- Specialty
- Other Energy
- Accident & Health



Why Lloyd's?



Delivering outstanding performance in 2023

£52.1bn

Gross written premium

84.0%

Combined ratio

£5.3bn

Investment result

£10.7bn

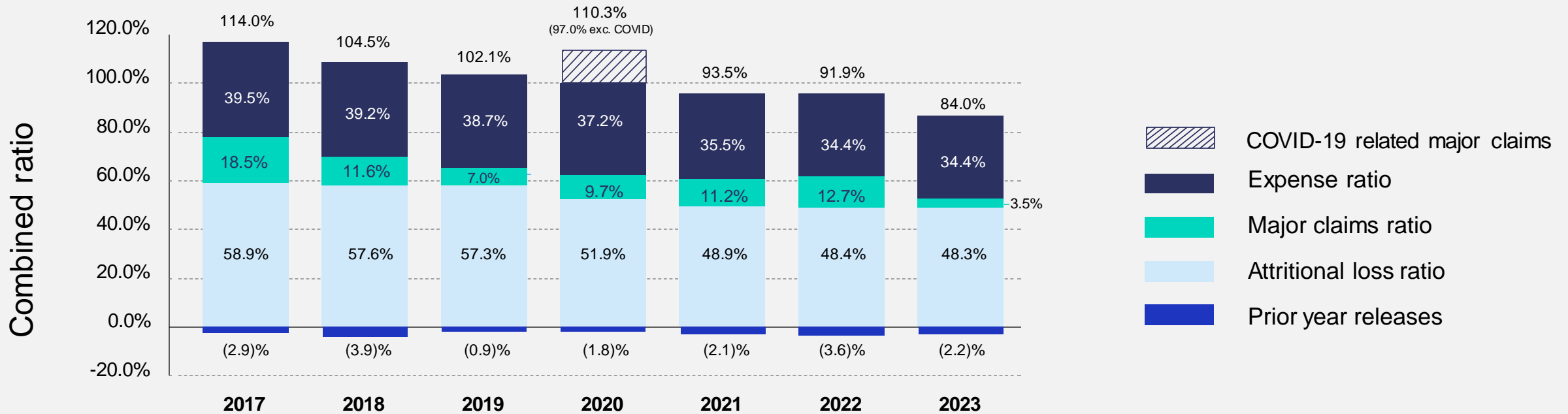
Profit before tax

AA- Fitch Ratings (Very Strong) Stable

AA- KBRA (Very Strong) Stable

AA- S&P Global (Very Strong) Stable

A A.M. Best (Excellent) Positive



Our long-term value proposition

We are

Unique

Profitable

Aligned

Because we offer

Performance

Discipline

Scale

By focusing on our

Past

Present

Future

Managing market performance

Patrick Tiernan
Chief of Markets, Lloyd's

Managing market performance

1 Current state of the Lloyd's market portfolio

2 Peak risks to the Lloyd's market

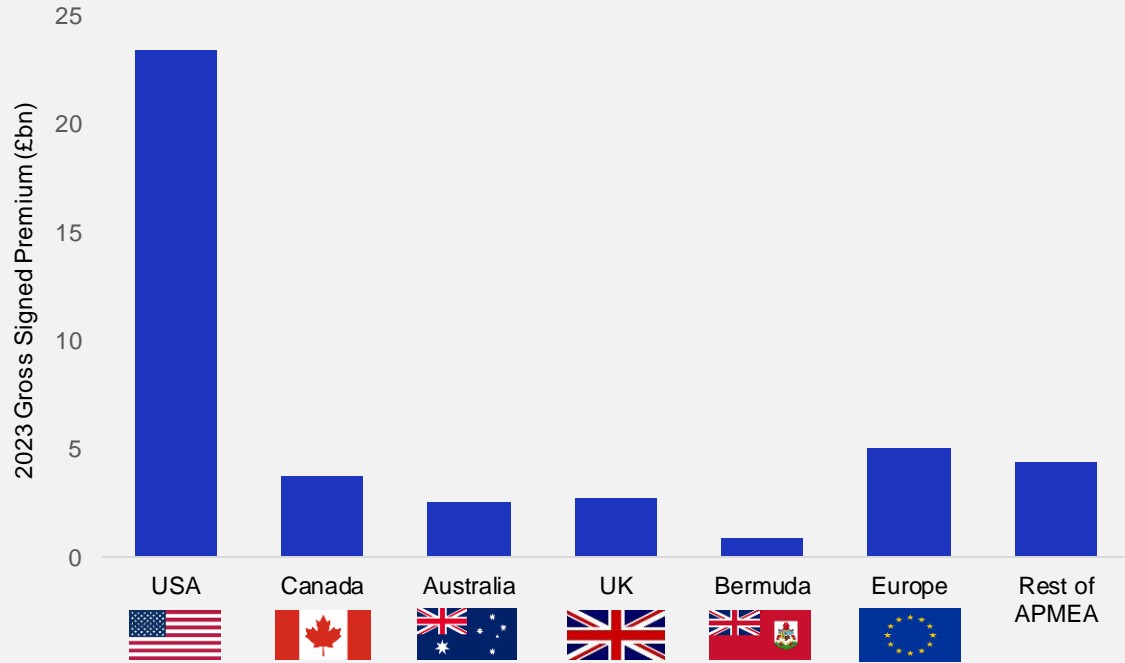
3 Uniquely aligned regulatory framework

4 Future outlook and opportunities ahead

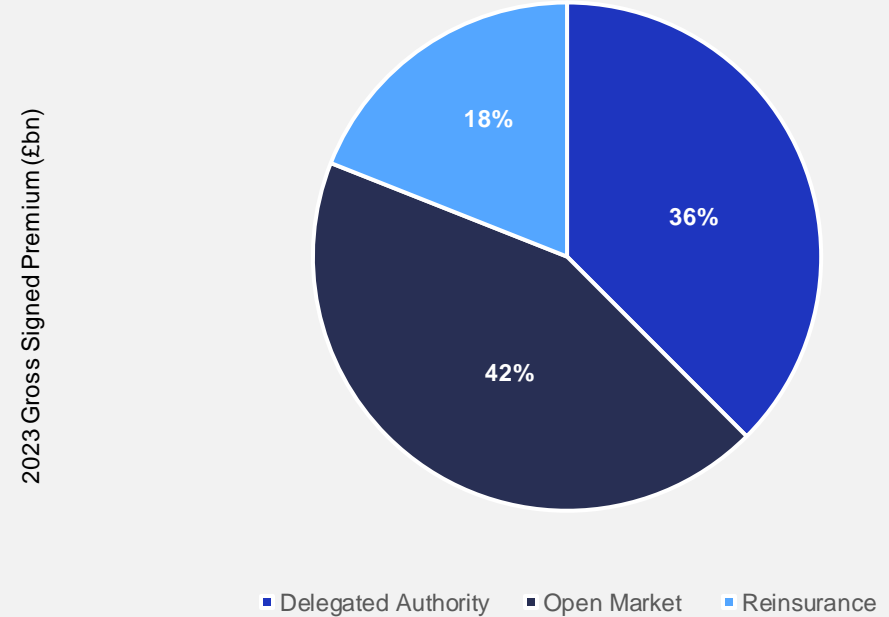
Current state

Shape of the portfolio

Geographic shape



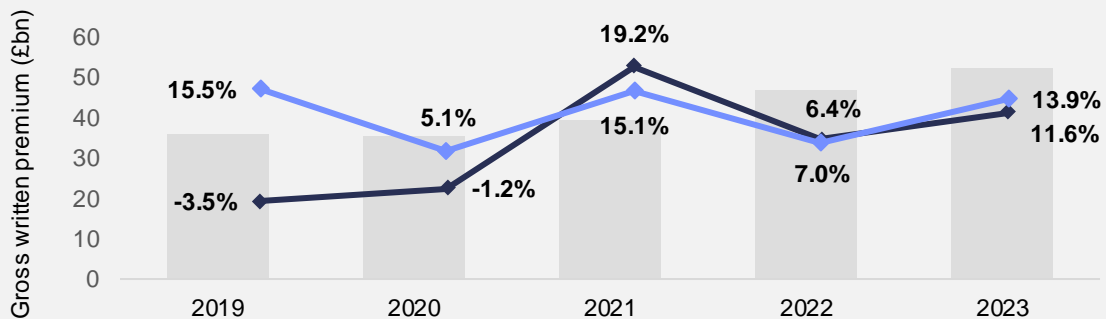
Distribution channel



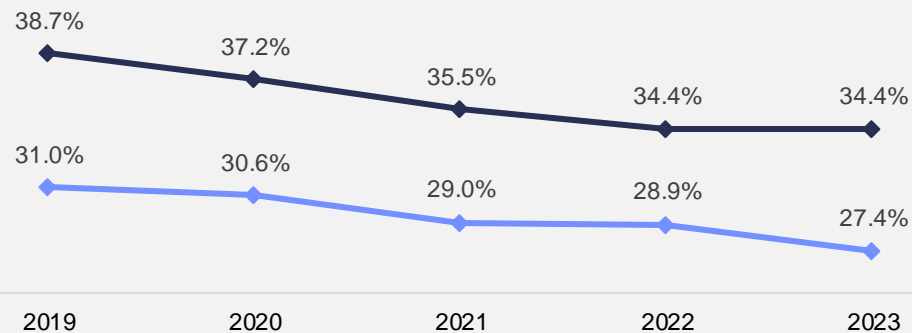
Current state

Lloyd's relative performance over the past five years

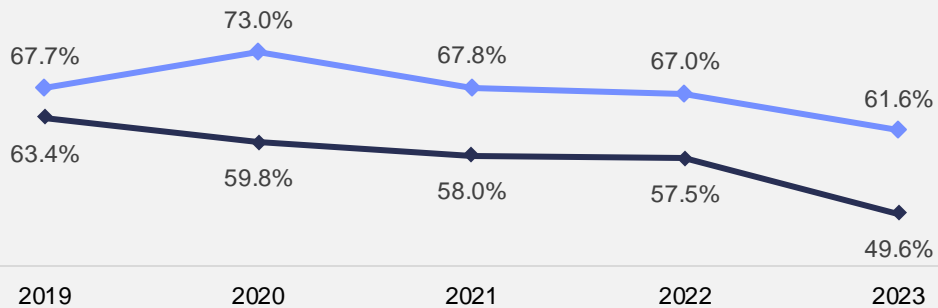
Gross written premium



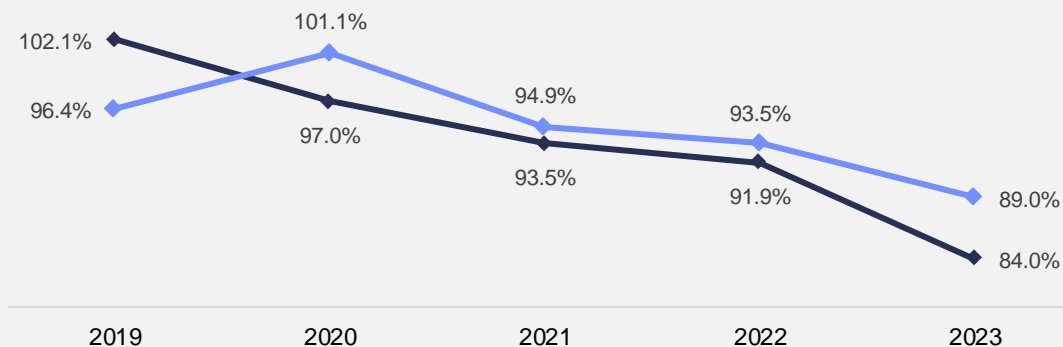
Expense ratio



Loss ratio



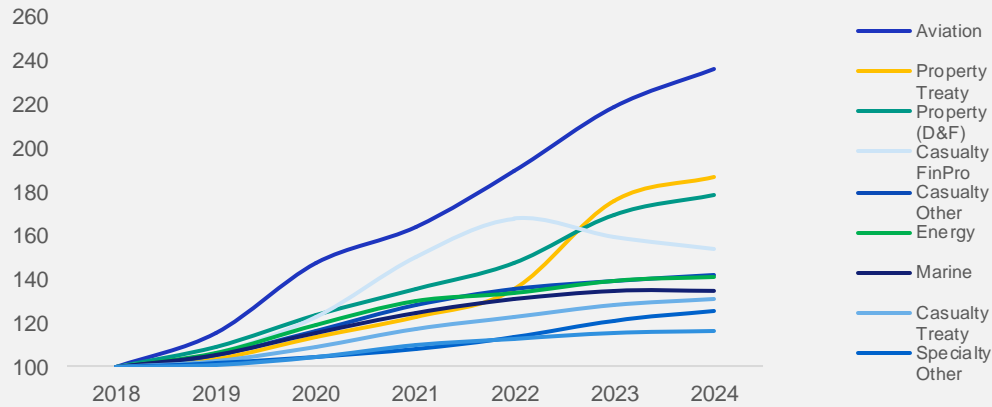
Combined ratio



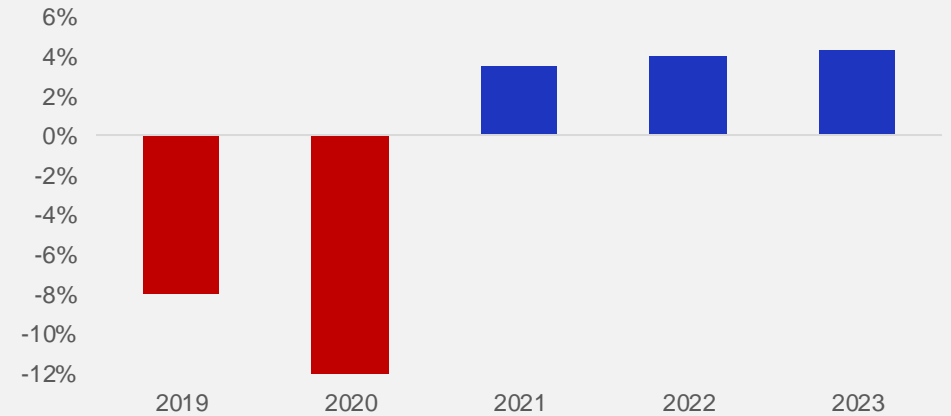
Current state

Resilience from compounding rate gains and strong diversification of risk

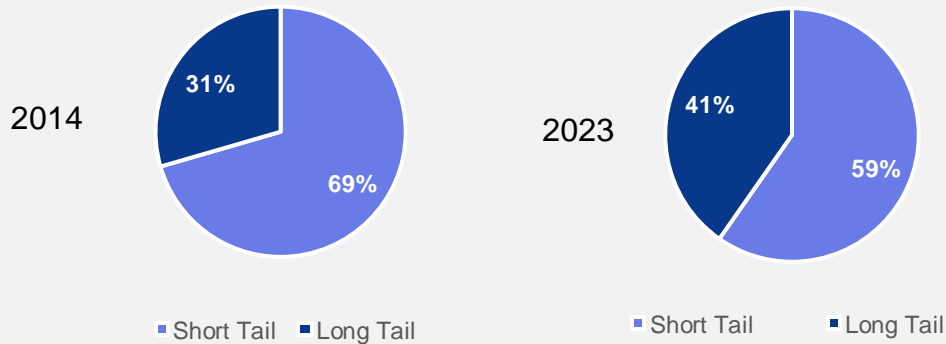
Risk adjusted rate change index



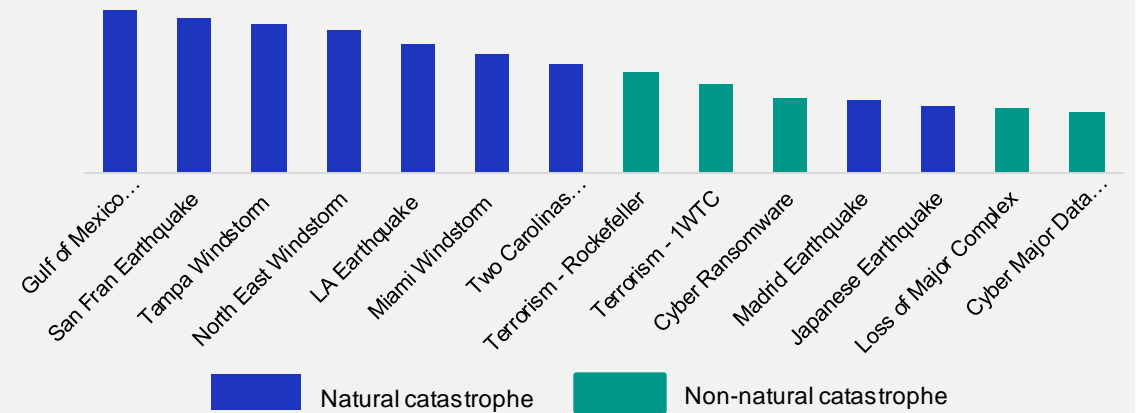
Exposure growth



Short vs long tail

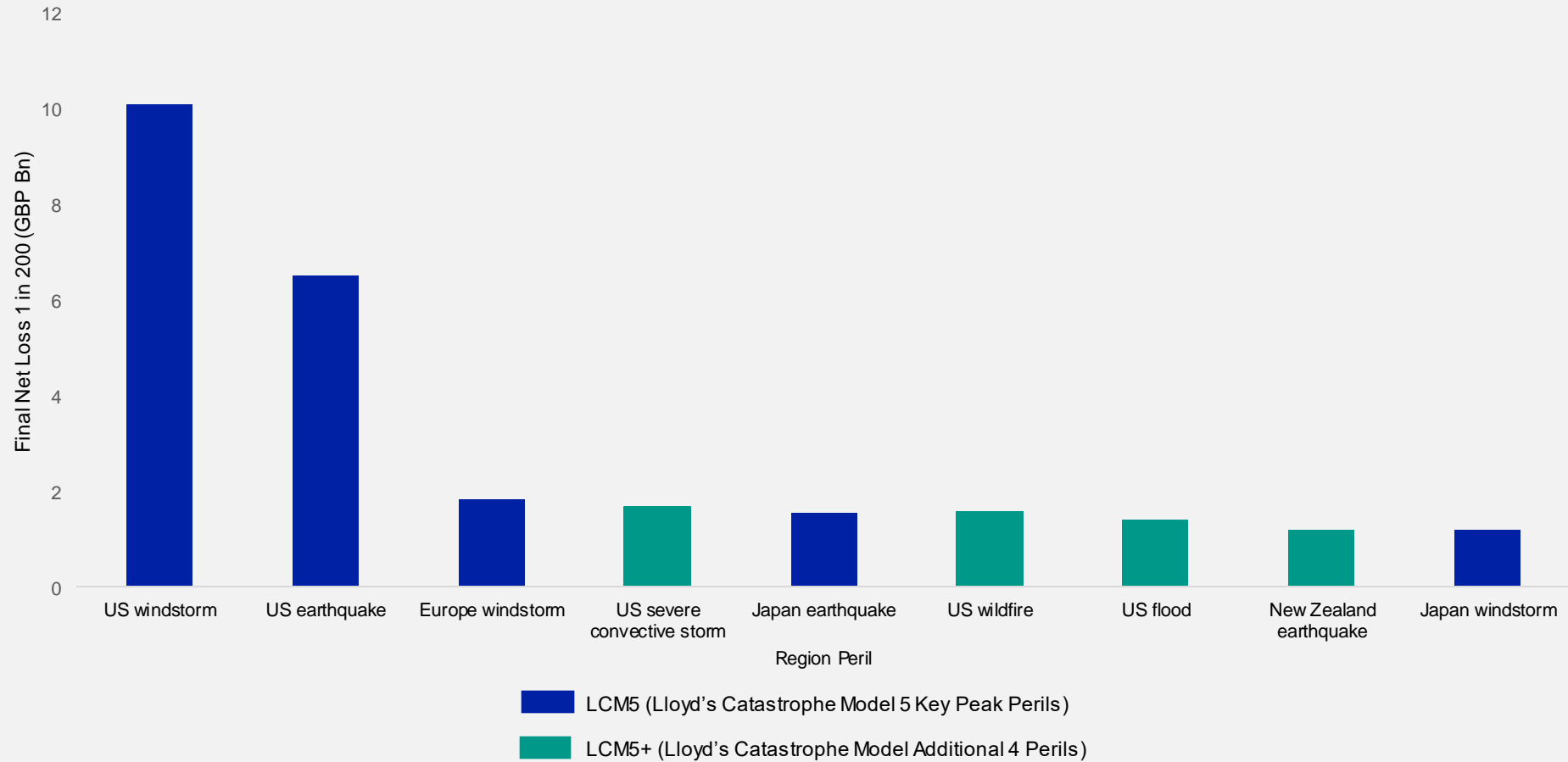


Realistic disaster scenarios



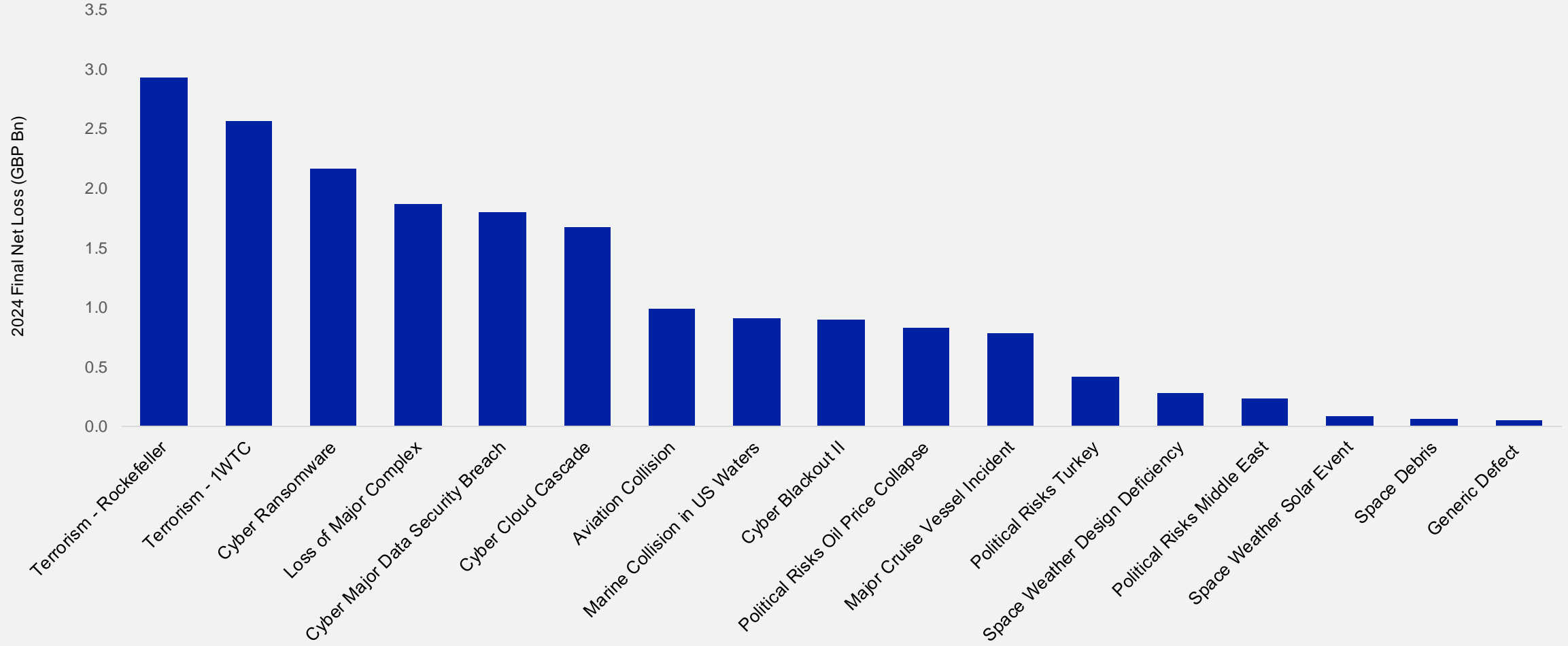
Peak risks

Lloyd's top natural catastrophe perils



Peak risks

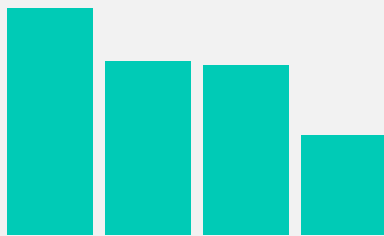
Lloyd's top non-natural catastrophe perils



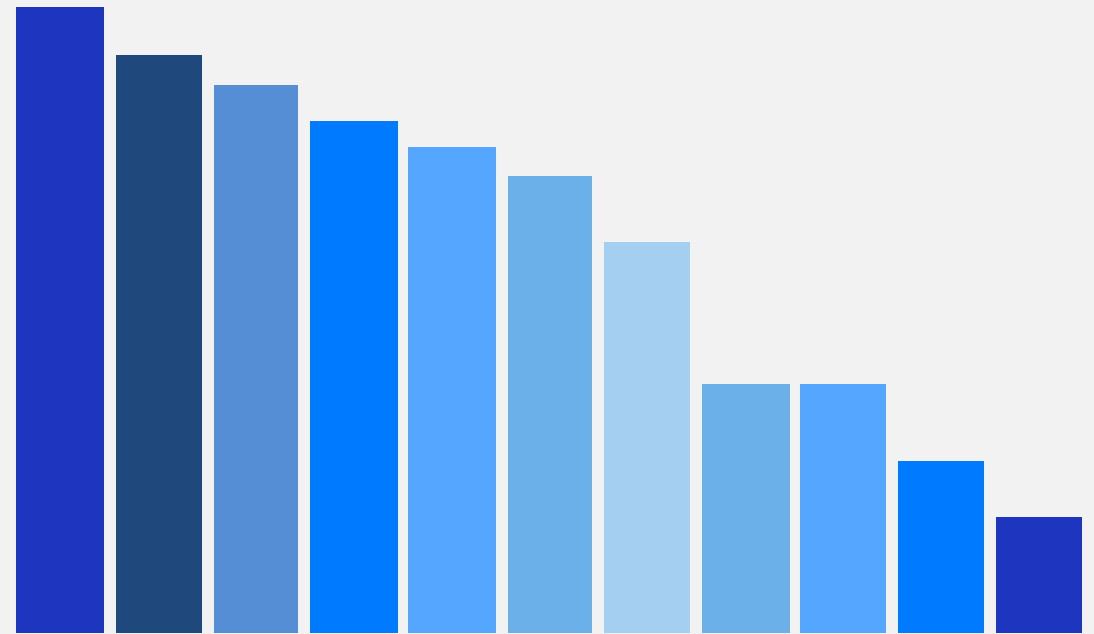
Peak risks

Cyber aggregations in context

Cyber Realistic Disaster Scenarios



Nat Cat Realistic Disaster Scenarios



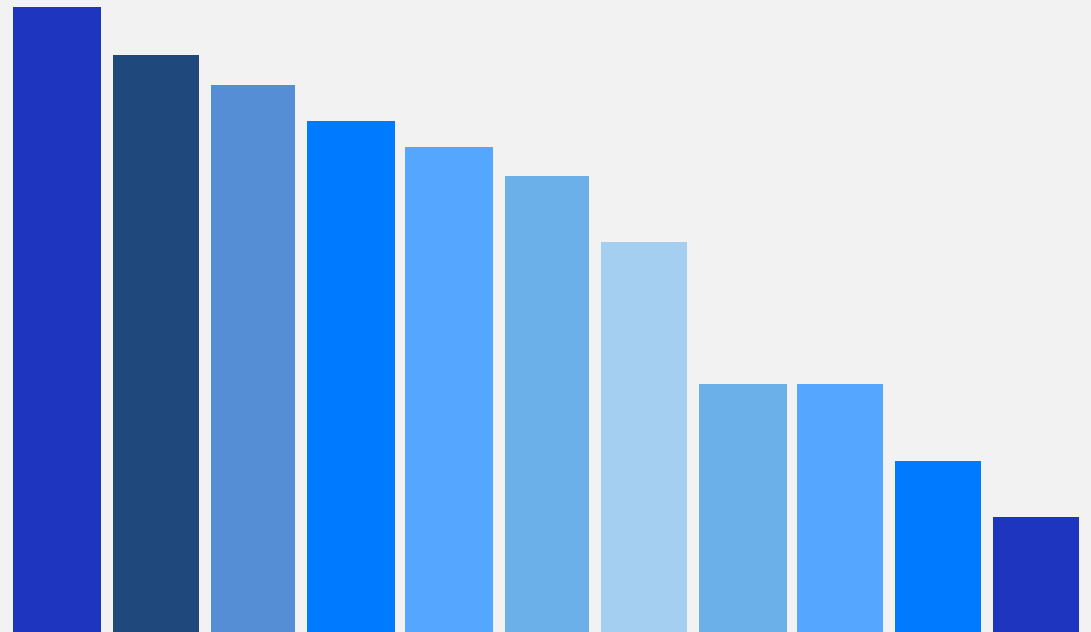
Peak risks

Cyber aggregations in context

Cyber Realistic Disaster Scenarios



Nat Cat Realistic Disaster Scenarios



Regulatory framework

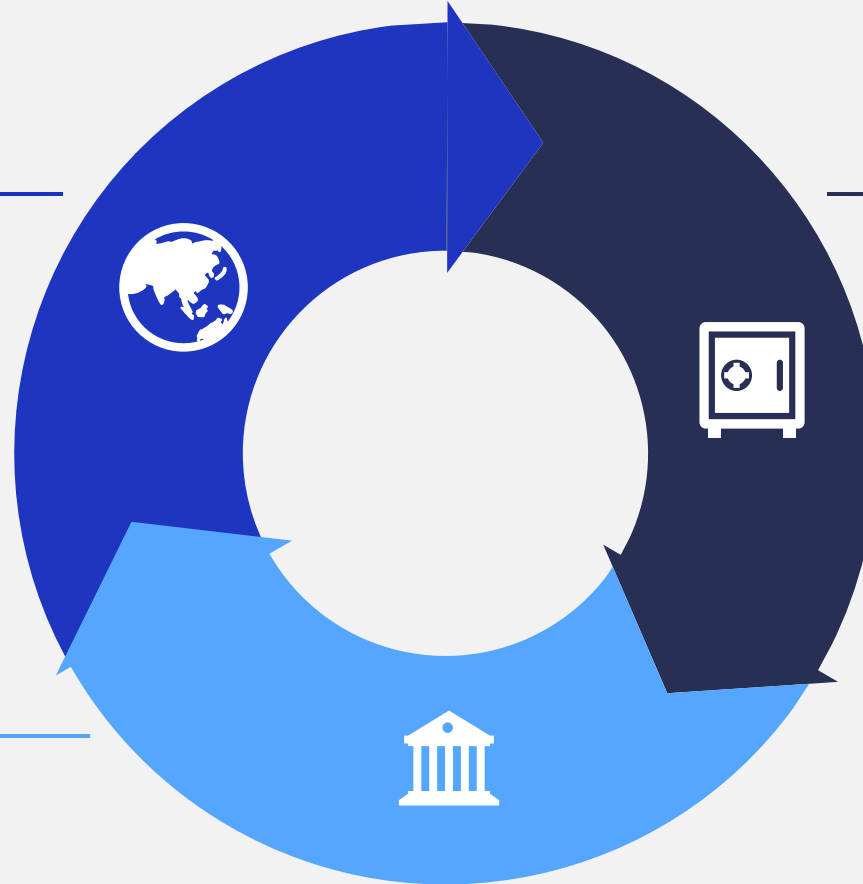
Uniquely aligned interests

Unique license network

Insurance and reinsurance licenses embedded directly in local legislation

Strong financial rating

A.M. Best	A
Fitch Ratings	AA-
S&P	AA-
Kroll	AA-

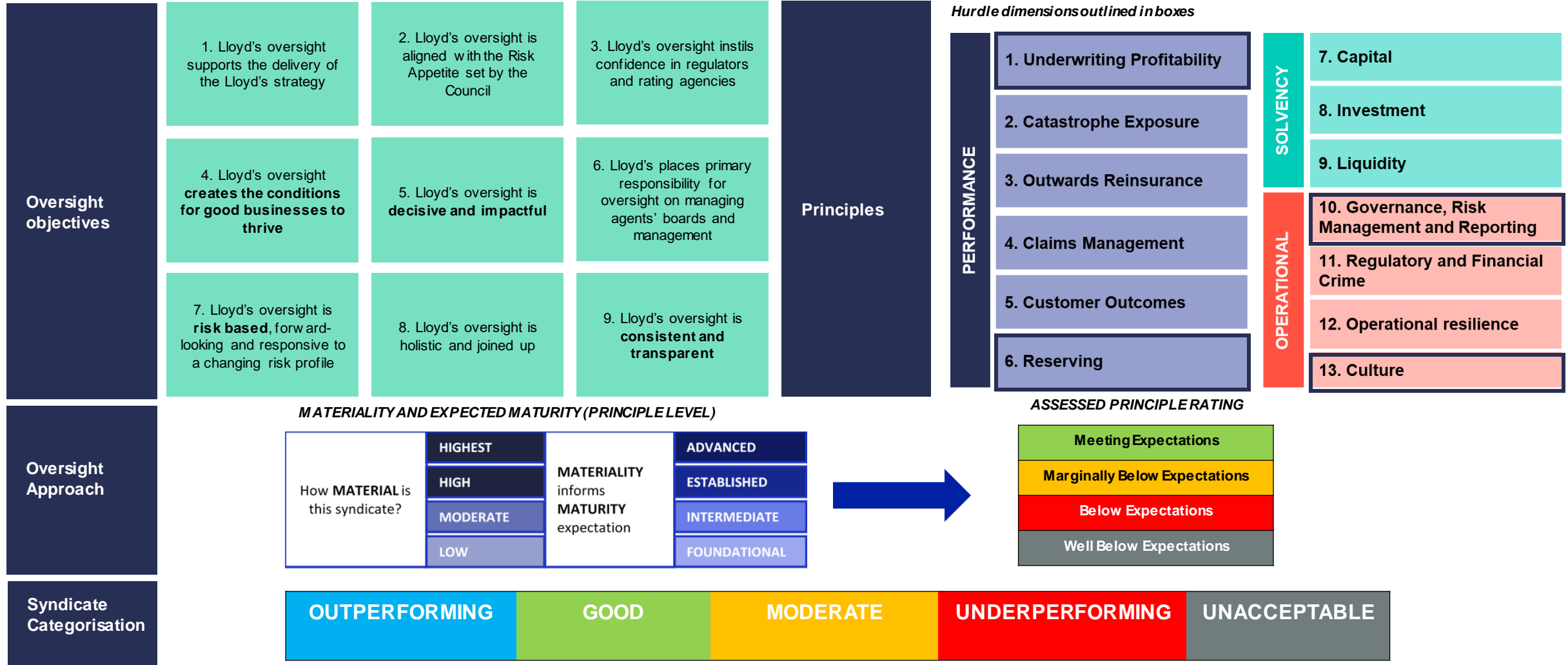


Central fund

Three-tiered chain of security

Regulatory framework

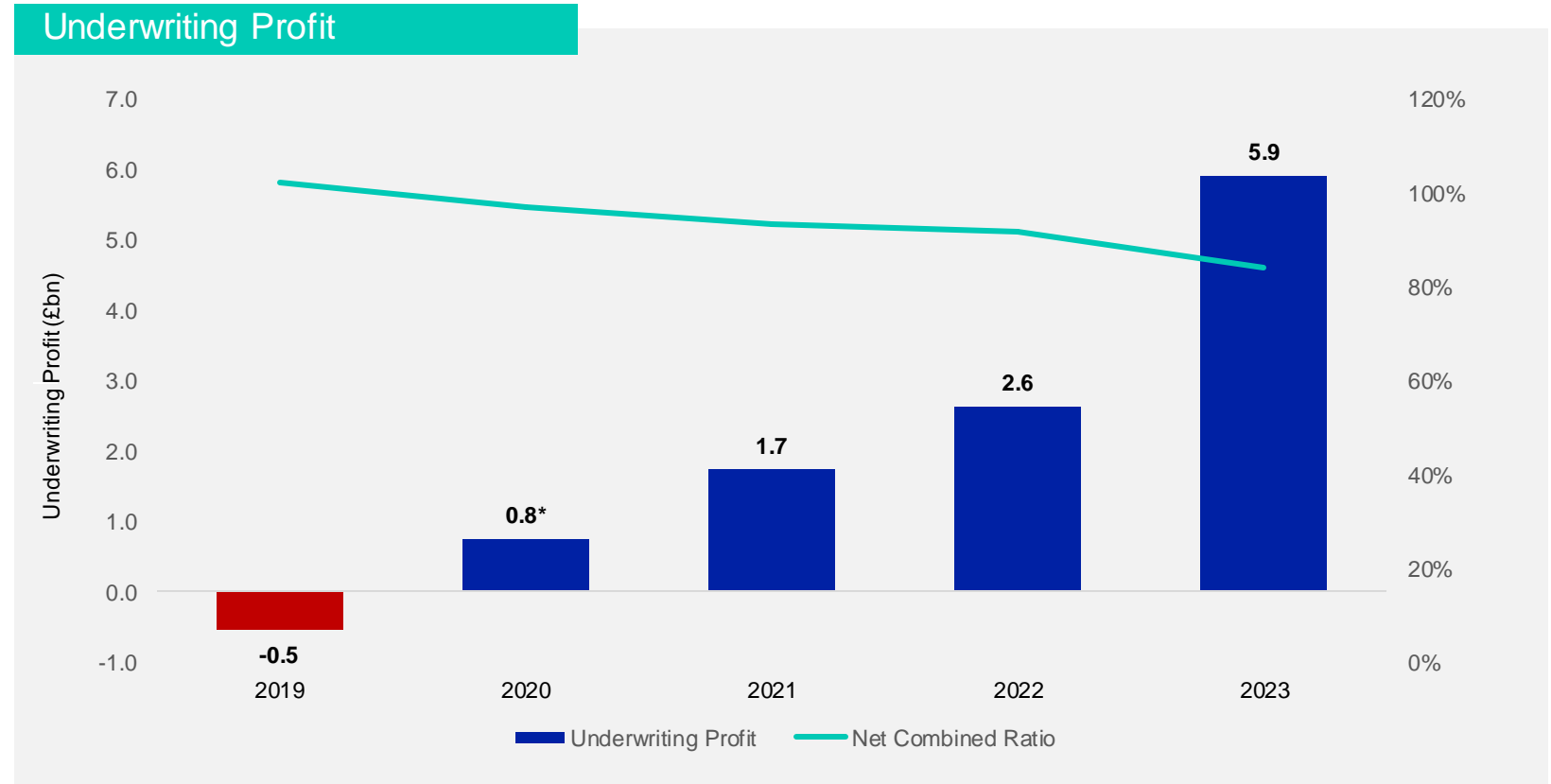
Principles-based oversight



Future outlook

Focus on the fundamentals

- 1 Capital
- 2 Demand
- 3 Volatility



*2020 results ex-covid

Future outlook

Securing our strategic relevance

Developing wholesale markets

- Focusing on markets with potential for wholesale structures
- Developing tools for underwriters to service needs of clientele
- UKs only fully operationalised captive market
- Enhancing existing licenses for a true multinational offering

Structural growth

Managing expense

- Driving efficiency and improving expense from three lenses:
 - Performance related expenses
 - Frictional costs of operating at Lloyd's
 - Making market charges simpler and more attractive for scale

Superior performance

Attracting the best underwriters

- Strategically essential platform for the world's best underwriters
- Clearly defined routes in for new and existing participants
- Bespoke structuring providing an array of optionality
- Ease of attaching capital to underwriting risks

Strategically essential platform

Key takeaways

- 1 Superior underwriting performance
- 2 £52bn of speciality premium diversified across key global wholesale markets
- 3 Resilience to take volatility from both nat-cat and non-nat-cat events
- 4 Uniquely aligned interests built into oversight framework
- 5 Bright future and bullish outlook

Performance, progress and investing at Lloyd's

Burkhard Keese
Chief Financial Officer, Lloyd's

Our track record since 2019

+45%

GWP growth
since 2019

15%pts

Underlying COR improvement
since 2019

1

Economic profit and return on capital

2

Progress report on the commercialisation of Lloyd's

3

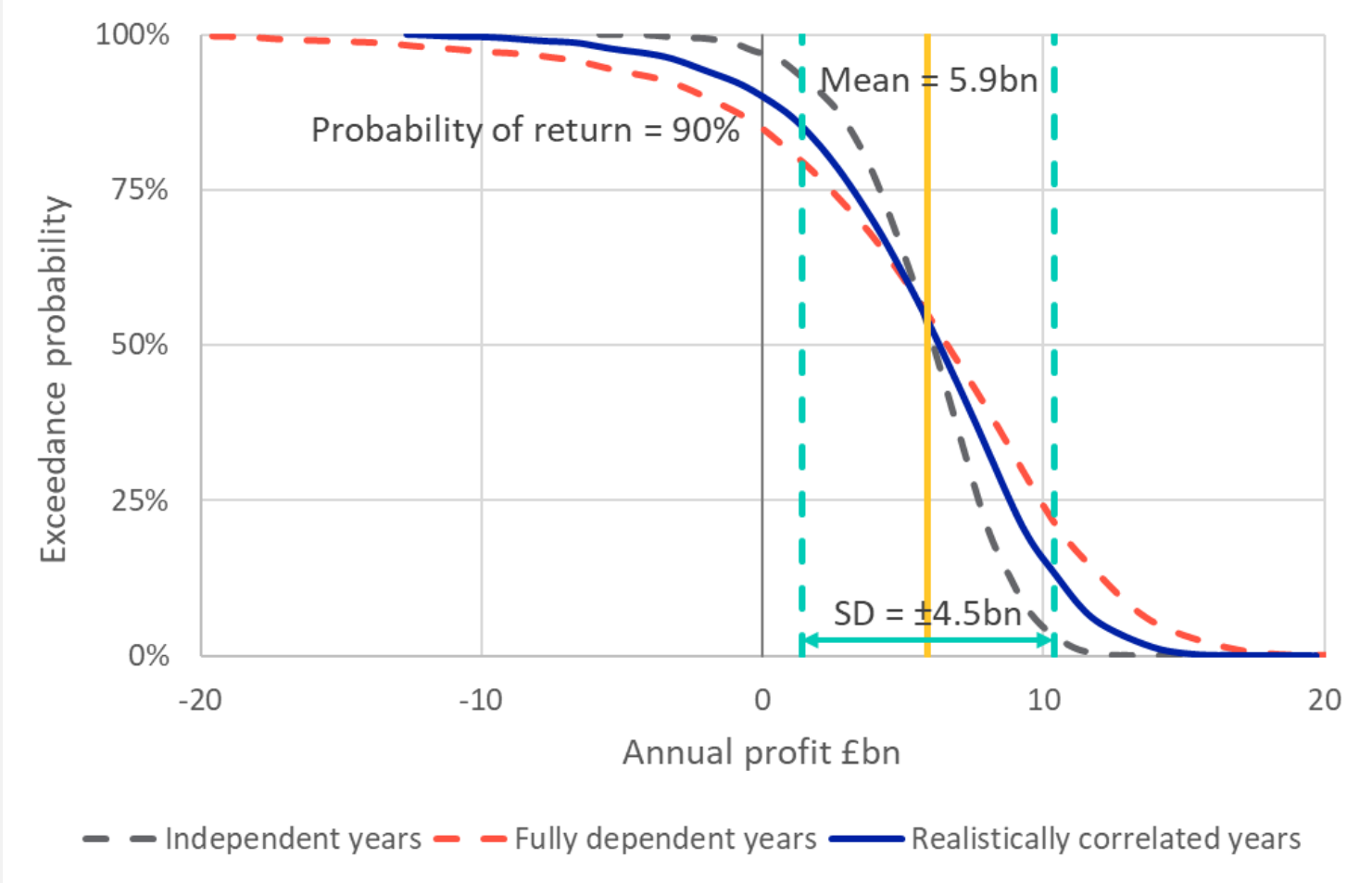
Investments into the Lloyd's market including our capital framework

4

Updates on Q1 2024 and outlook

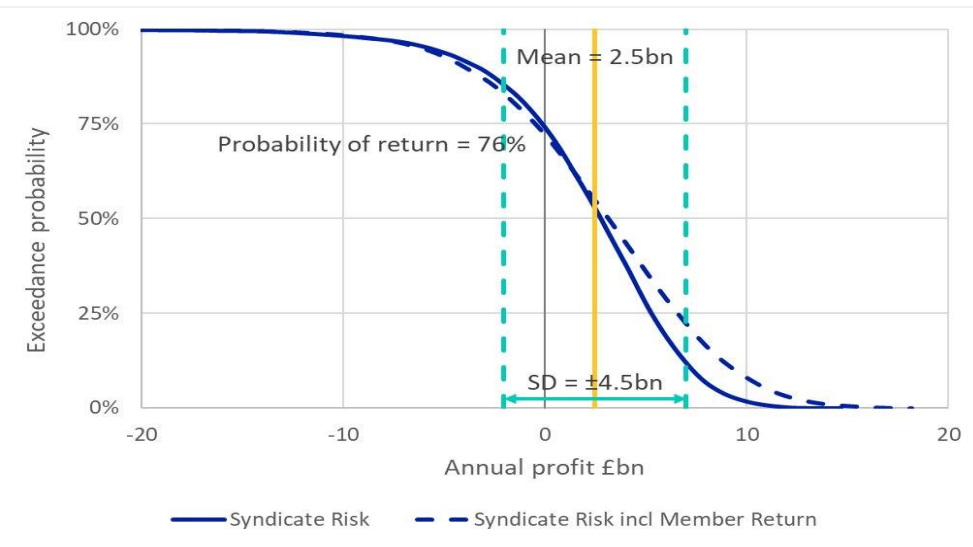
2024 expected returns of £5.9bn

Five-year view

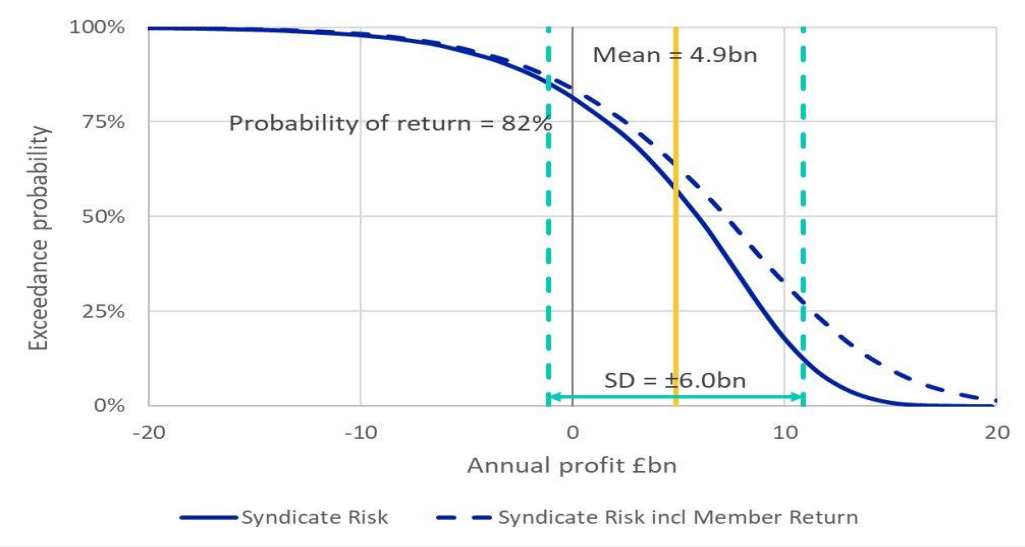


Mean return increased by £3.4bn between 2021 and 2024

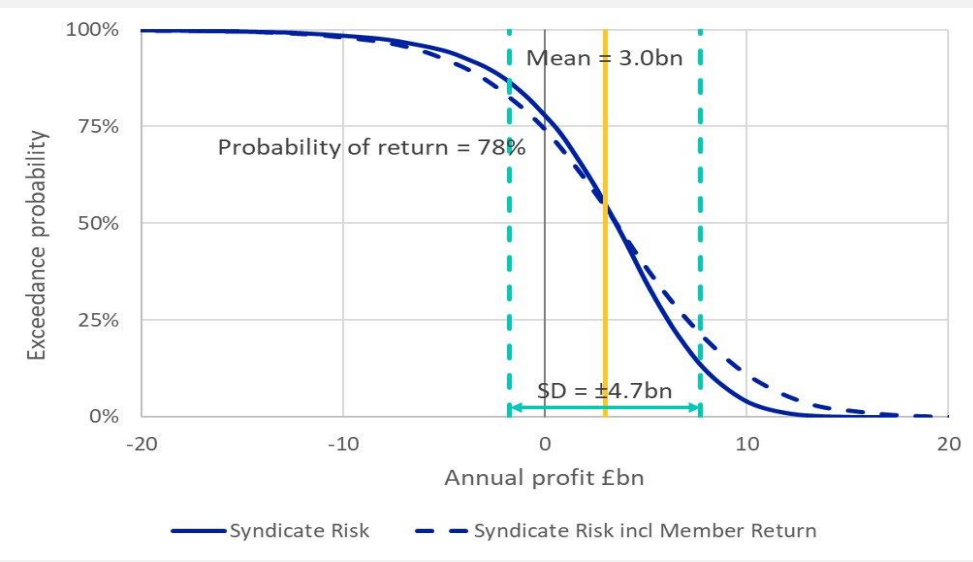
2021



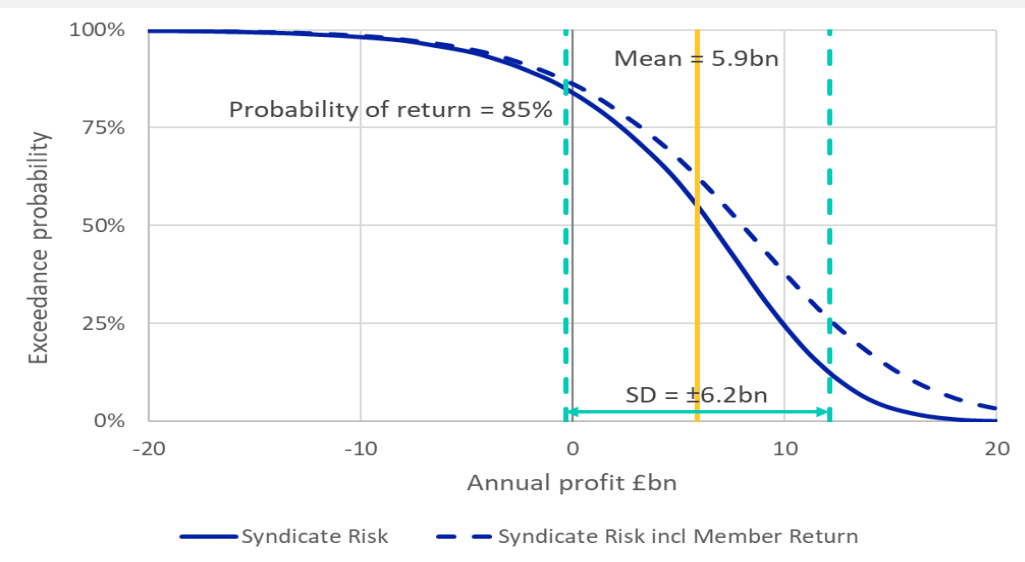
2023



2022



2024



Expected economic return on capital of 18.1%

Double gearing of assets

$$\begin{array}{ccc} \text{£5.9bn} & + & \sim\text{£1.7bn}^1 \\ \text{Underwriting \& investment income} & & \text{Funds at Lloyd's investment} \\ \text{of syndicates} & & \text{return} \end{array}$$

£42bn

18.1%
Expected return on capital
before leverage

¹ Assuming a risk-free rate of ~4% of £42bn Funds at Lloyd's.

The foregoing should not be relied upon as a promise or representation as to past or future performance. Furthermore, past performance is not necessarily indicative of future performance.

Progress report on the commercialisation of Lloyd's

<p>Expanding our global relevance</p>	<p>Commercial strategy to attract the best underwriters</p>	<p>Aviva, Fidelis, one captive</p>
<p>Ongoing cost structure review</p>	<p>Simplify charging model</p>	<p>Flat rate on GWP up to £3bn and thereafter 0.35% central fund charge</p>
<p>Reducing reporting burdens</p>	<ul style="list-style-type: none"> • Redesigning reporting: <ul style="list-style-type: none"> ○ Reserving data (TPD) ○ Quarterly reporting (QMA) • Asset platform to streamline accounting, reconciliation, and reporting of PTF assets 	<ul style="list-style-type: none"> • Market standard set of reserve classes • Removing 70 annual reporting forms and ~50 quarterly forms • Consulting the market on the asset infrastructure
<p>Ongoing capital management</p>	<ul style="list-style-type: none"> • Early renewal of Central Fund Insurance (CFI) • Redemption of syndicate loans to reduce complexity • Solvency II coverage ratio • Rating improvement 	<ul style="list-style-type: none"> • CFI renewed in Q2 2024 • Redemption of syndicate loans in 2024 • Solvency coverage ratio of over 500% • Upgrade to AA- by S&P
<p>Cost reduction</p>	<p>Reducing net operating cost by 25%</p>	<p>Programs started in 2024</p>

Capital efficiency

Low upfront capital requirement

- 135% of solvency capital requirement
- Significantly lower capital requirement compared to other AA- institutions
- 50% of capital requirement can be lodged as LOCs

Quarterly corridor test

- We expect that losses get picked up quarterly up to 90% of your capital requirement
- Profits can be released when they exceed 110% of capital requirement

Market liquidity

- Investors can exit the market after a Reinsurance to Close (RITC) transaction has transferred the risk
- Large run-off market in Lloyd's provides additional liquidity and exit strategies
- The RITC market has sufficient liquidity

Investing your funds at Lloyd's

Double gearing

- Assets deployed at Lloyd's have a double gearing effect
- Underwriting income from syndicates supported
- Investment return from assets invested according to desired asset allocation

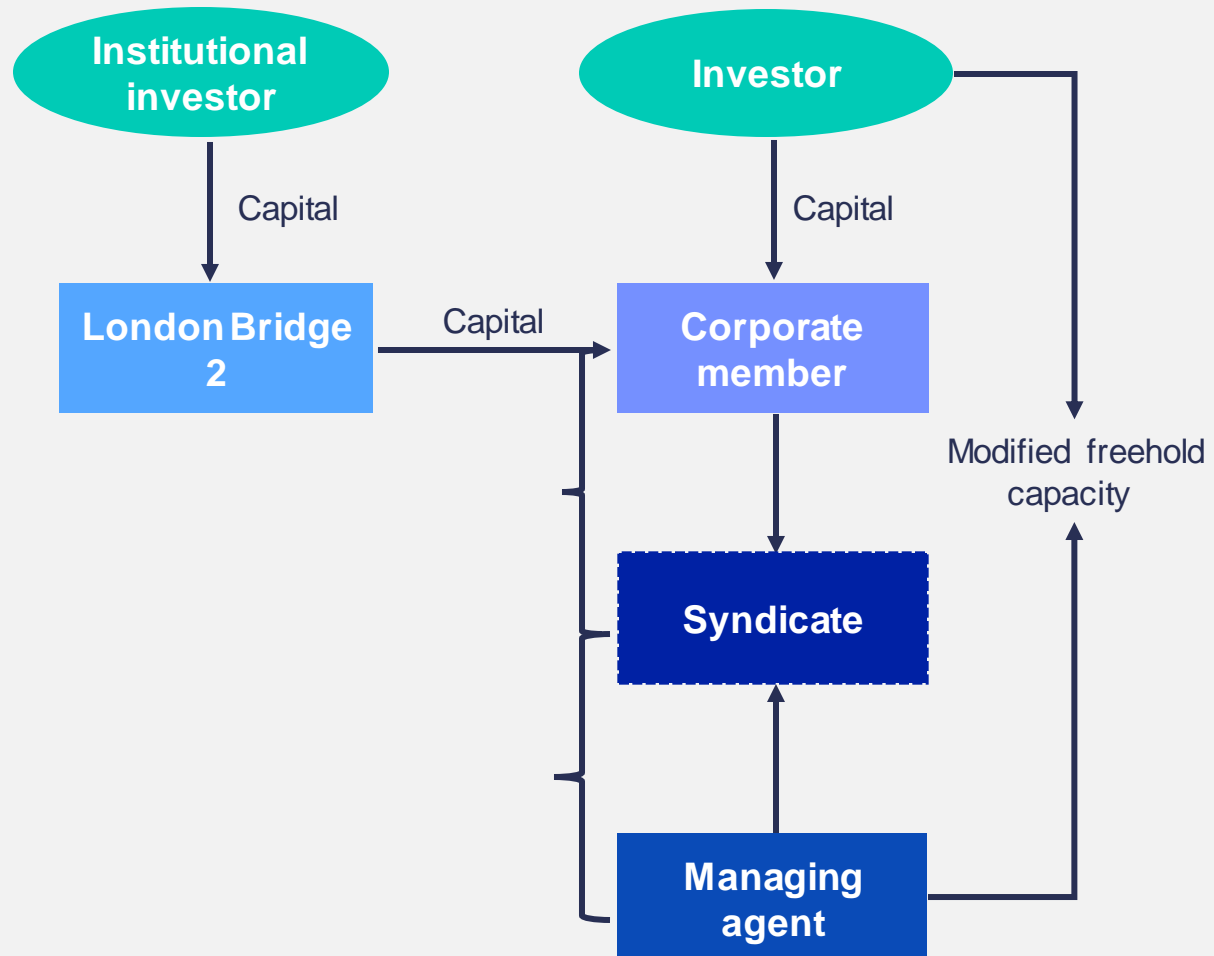
Investment flexibility

- Pre-approved asset allocation of 40% growth and 60% core assets
- The amount of illiquid assets is limited to 10% but exceptions can be granted depending on level of capitalisation

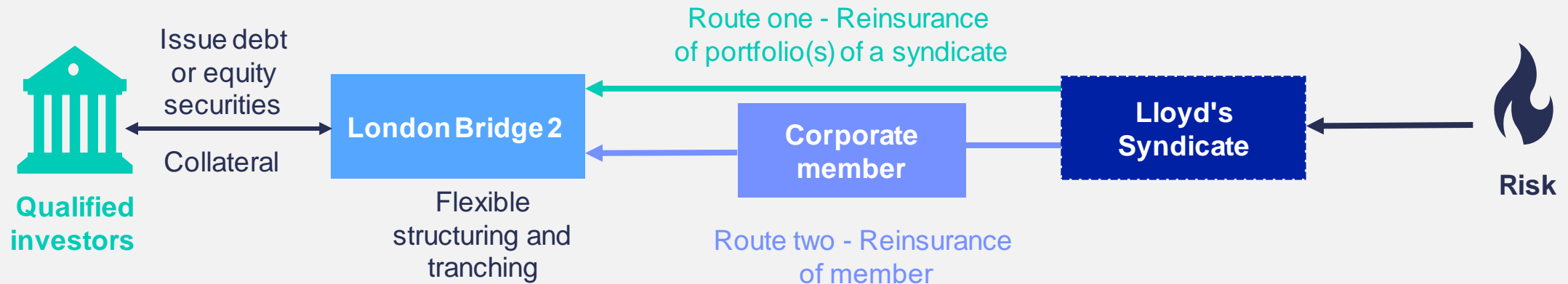
Co-investment

- Co-investing with other market participants in tailor-made investment propositions using our Investment Platform

Flexibility in structure



London Bridge 2 provides flexible structuring to match your appetite



Speed and ease of execution

Pre-agreed regulatory permissions to execute a wide range of transactions including member reinsurance and syndicate reinsurance (sidecars and 144A cat bonds)

Tax transparent

Taxes payable in the domicile of the investing entity

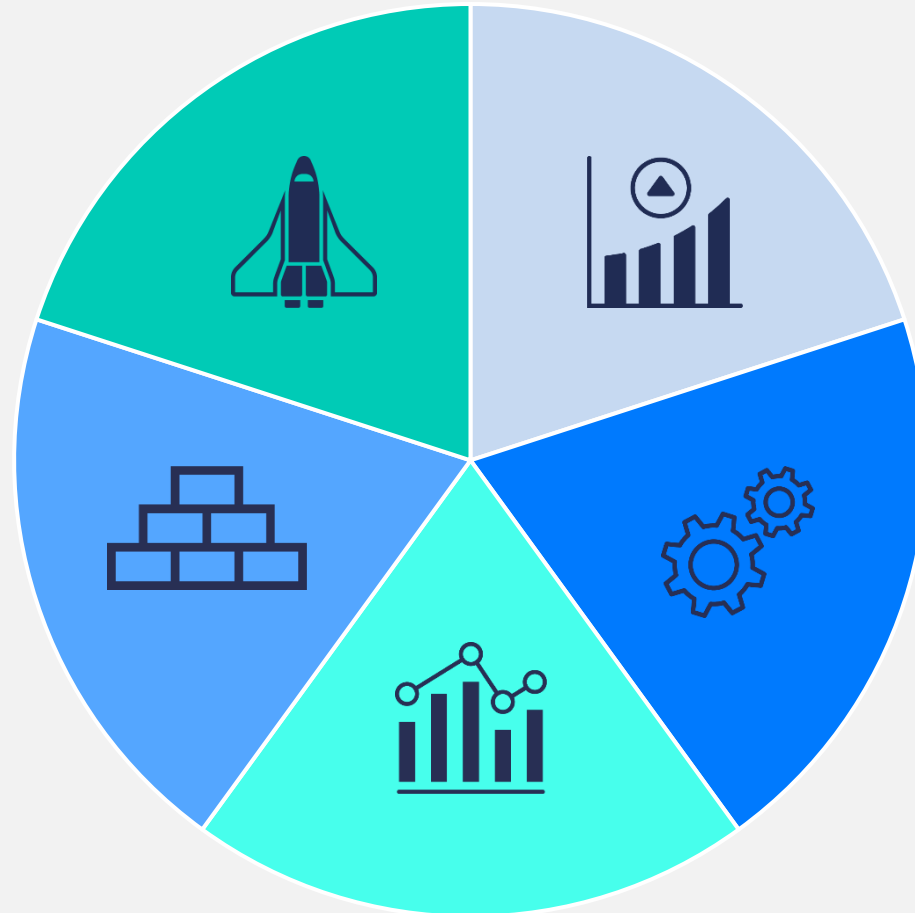
Solid track record

£590m+ now deployed through London Bridge 2

Why invest in the Lloyd's market?

Sound market conditions

Stable underwriting conditions likely to continue



Robust growth outlook

Capital efficiency

Progressing our journey of commercialisation

Outlook

2024 Outlook¹

£57bn +/- 5%

Gross written premium

90-95%

Combined ratio

~4%

Investment return

15-20%

UK GAAP return on capital

Q&A

John Neal
Chief Executive Officer, Lloyd's

Patrick Tiernan
Chief of Markets, Lloyd's

Burkhard Keese
Chief Financial Officer, Lloyd's

Closing remarks

John Neal
Chief Executive Officer, Lloyd's

Our long-term value proposition

We are

Unique

Profitable

Aligned

Because we offer

Performance

Discipline

Scale

By focusing on our

Past

Present

Future

Thank you

DISCLAIMER: EP curves for overall Lloyd's Market

The 1-year Exceedance Probability (EP) curve shows the distribution of overall profit and loss outcomes that can emerge in a single year across all syndicate risks written in the Lloyd's market. It is calculated on a Solvency II basis and is therefore not directly comparable to society results published on a UK GAAP basis.

The curve is calculated using the Lloyd's Internal Model (LIM) as a base with an additional overlay to reflect greater alignment to syndicates' view of risk based on their own models. This overlay ensures that aspects of the risk profile that cannot be reflected in the LIM (due to lack of data/knowledge of specific exposure) are adjusted to be more in line with syndicates' overall risk views. As with any model that projects extreme losses with low probabilities, there is a high degree of uncertainty and actual losses arising in rare scenarios may differ from the results shown.

Curves for past years are presented on an "as at" basis, using the same methodology as for 2024 applied to the models and returns that would have been available at the time. This includes the premium and reserve volumes quoted on each slide. There are no backwards-looking corrections to figures or models based on actual performance.

The overall EP curves models market-wide Lloyd's risk profile and is subject to modelling limitations and significant uncertainty, and includes the following controls:

- The Lloyd's Internal model is informed by backwards looking performance and volatility of the Lloyd's market over the last 25 years, as well as a forwards looking view informed by experts on the future risk and return profile. Syndicates models will undergo similar considerations but with greater sight and ability to reflect specific exposures and mitigations.
- Both the Lloyd's Internal Model and the local syndicate models are subject to annual independent validation to ensure appropriateness – a key control which both the Lloyd's Council and managing agency Boards rely on. Lloyd's ongoing oversight and annual approvals of syndicate's models and business plans is a further control.

Note that individual syndicate risks would typically be expected to have higher volatility than the market since there is no benefit from diversification between syndicates.

Further detail on the basis of the EP curve, as well as the associated controls is available upon request.

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