

2009 ANNUAL RESULTS

24 March 2010

2009 highlights

- Record financial results
- Solid financial position
 - Equitas transaction completed
 - Market Ratings re-affirmed
- Strong focus on underwriting discipline
- Global presence extended
- Lloyd's Strategic Review

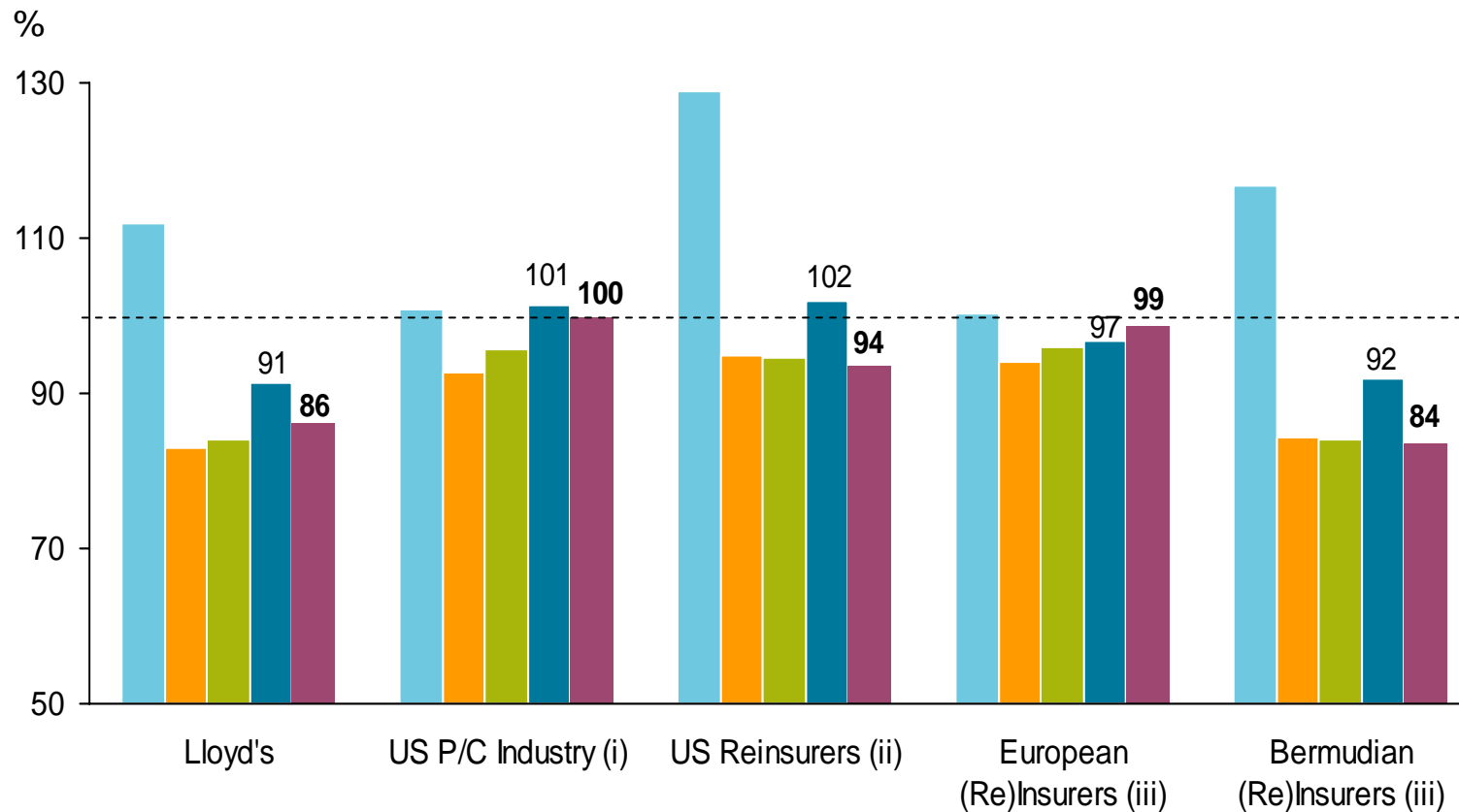
Record results during challenging economic conditions...

£m	2008	2009
Gross written premiums	17,985	21,973
Combined ratio	91.3%	86.1%
Investment return	957	1,769
Profit before tax	1,899	3,868
Return on capital (pre-tax)	13.7%	23.9%

Source: Lloyd's pro forma financial statements, 31 Dec 2009

...and our performance continues to compare well against our peers

COMBINED RATIO



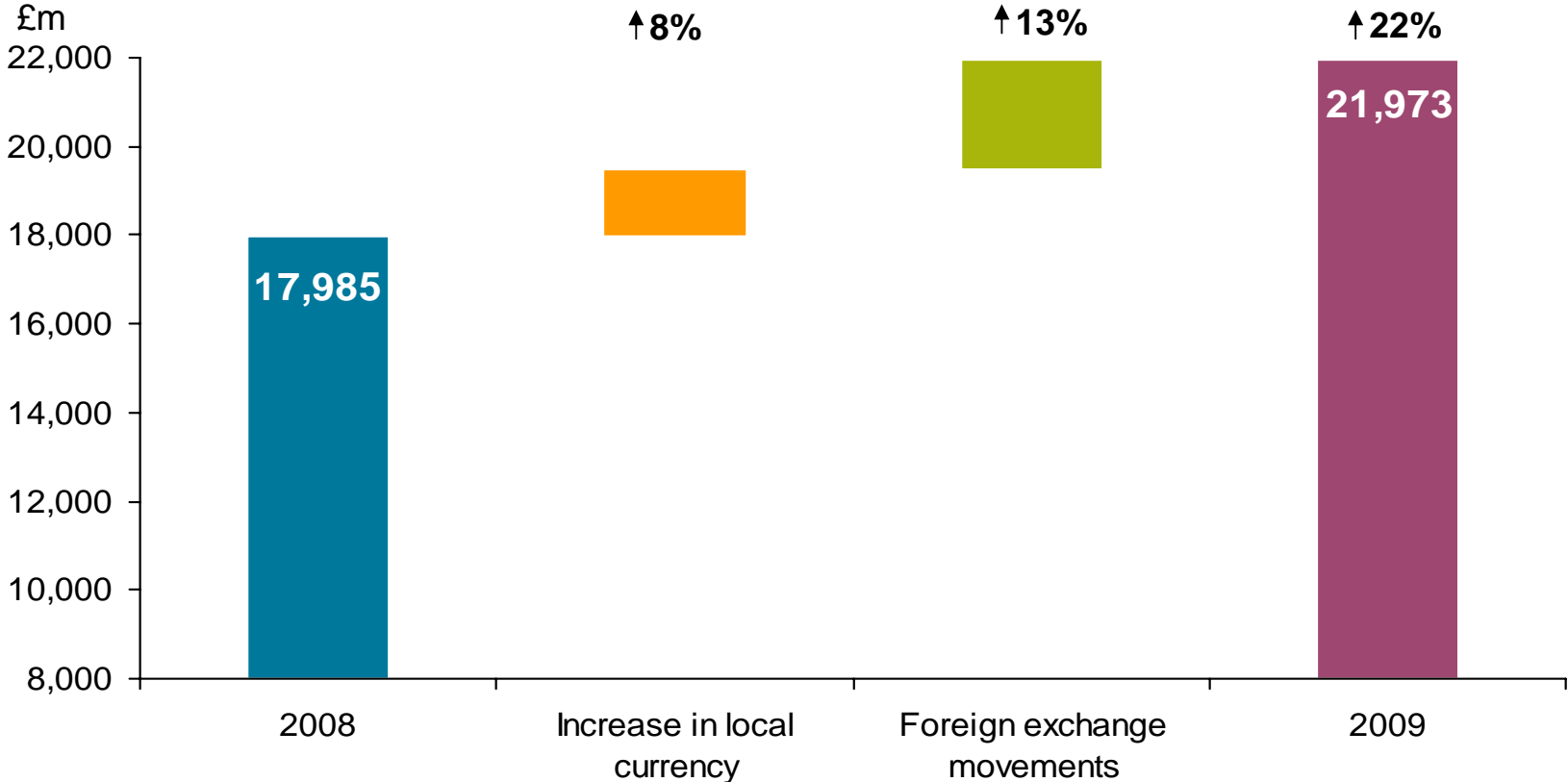
■ 2005 ■ 2006 ■ 2007 ■ 2008 ■ 2009

Sources i) Insurance Information Institute (estimate-2009), ii) Reinsurance Association of America, iii) Company data (8 European companies: 17 Bermudian companies)

FINANCIAL RESULTS

Premium increase driven by currency movements and new business

GWP



Note: Attribution to foreign exchange movements and increase in local currency stated on a compound basis

Source: Lloyd's pro forma financial statements, 31 Dec 2009

Excellent underwriting results and considerable contribution from investment returns

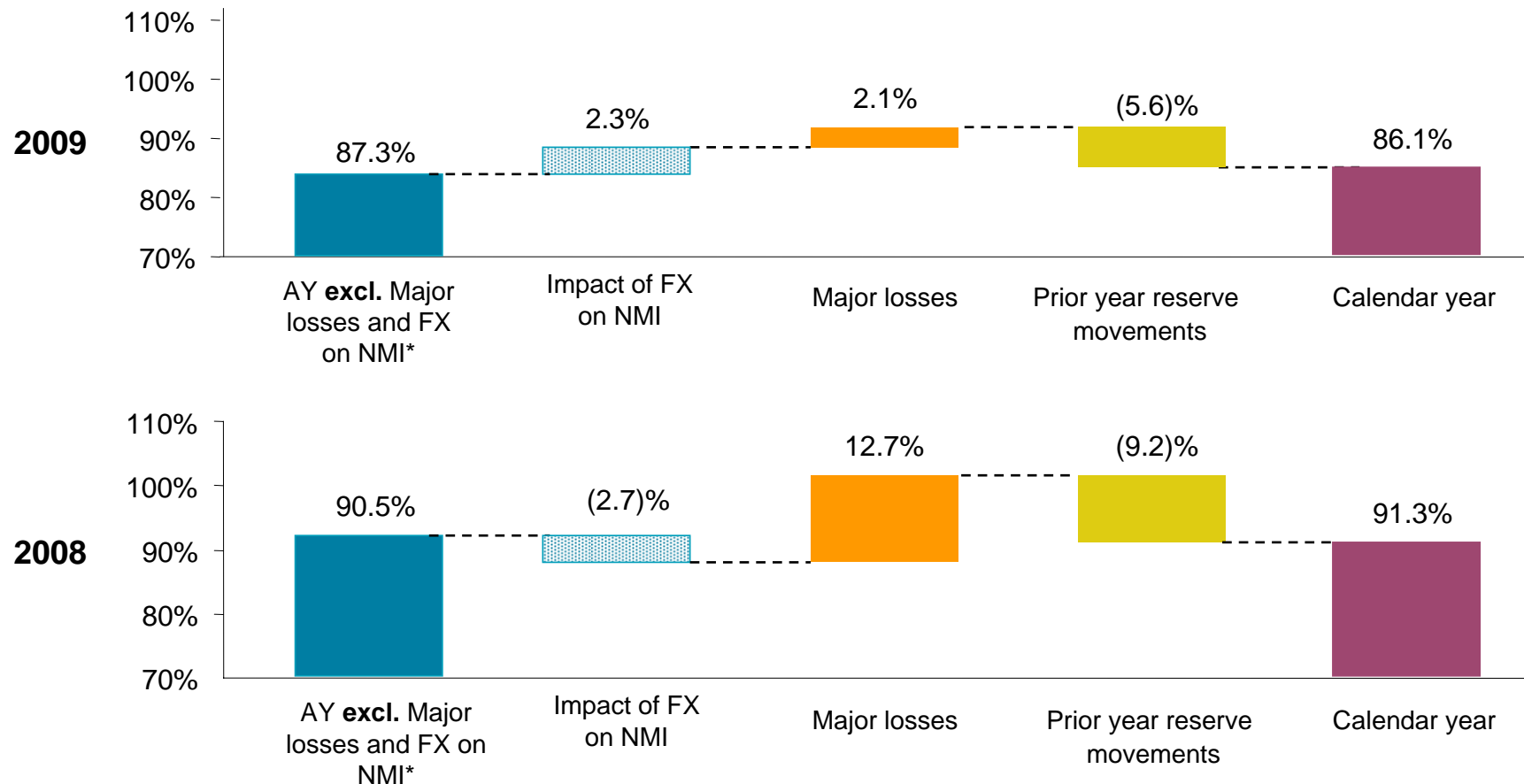
£m	2008	2009	% change	% change in local currency
Gross written premiums	17,985	21,973	22	8
Net earned premiums	13,796	16,725	21	8
Net incurred claims	(8,464)	(8,624)	2	(10)
Underlying operating expenses ¹	(4,987)	(5,712)	15	2
Gains / (losses) on exchange	853	(69)	-	-
Underwriting result	1,198	2,320	94	72
Investment return ²	957	1,769	85	64
Other income / expenses ³	(256)	(221)	(14)	-
Profit before tax	1,899	3,868	104	82
Combined ratio	91.3%	86.1%		

Source: Lloyd's pro forma financial statements, 31 Dec 2009 1) Technical account excluding gains/losses on foreign exchange
 2) Return on syndicates' assets, members' funds at Lloyd's and central assets 3) Non-technical account

UNDERWRITING PERFORMANCE

Absence of severe catastrophes and continued prior year releases...

COMBINED RATIO



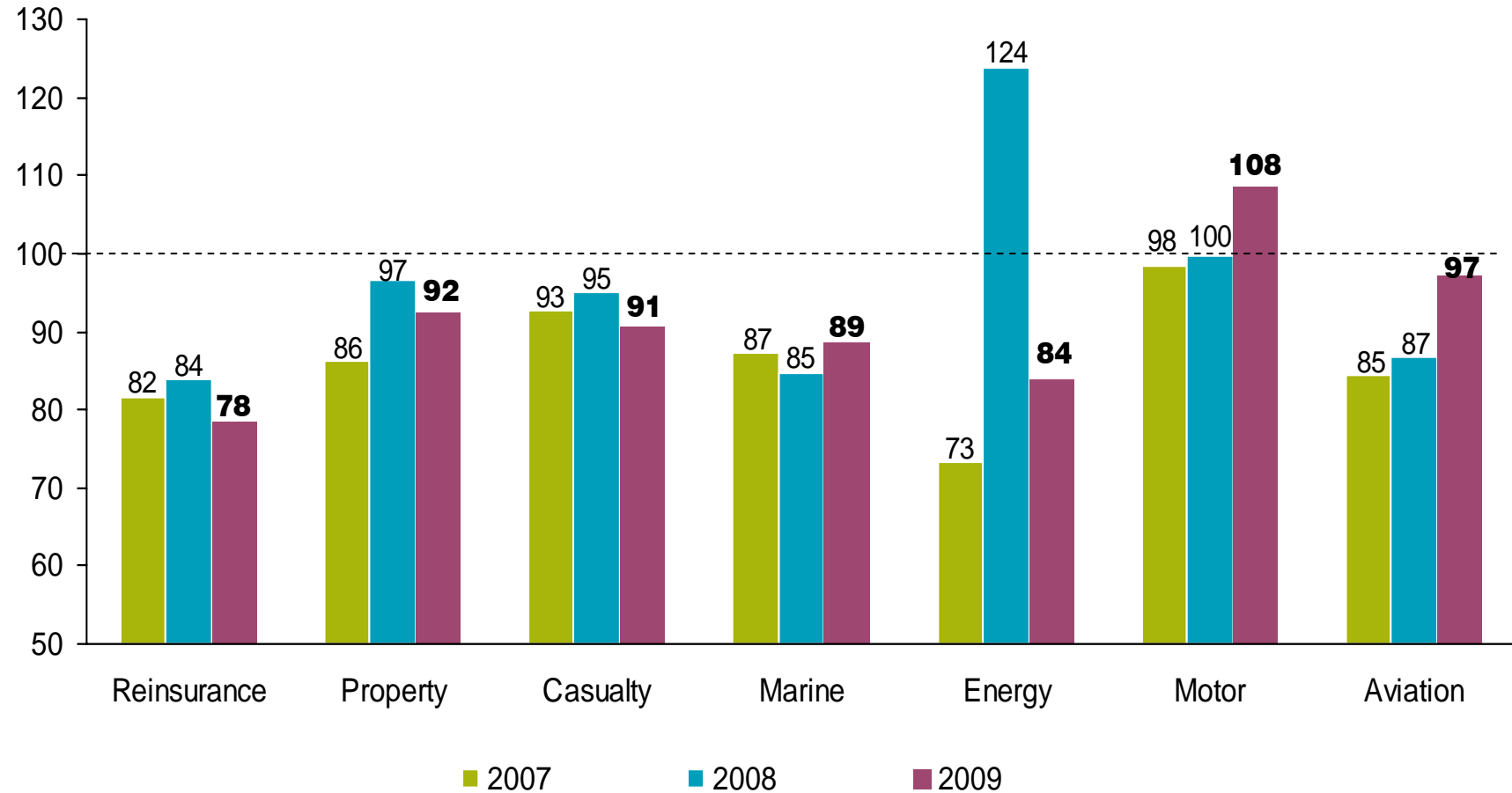
Note: * Accident Year (AY) excluding major losses and foreign exchange on non-monetary items

Source: Lloyd's pro forma financial statements, 31 Dec 2009

...produce strong results for major classes

COMBINED RATIO

%

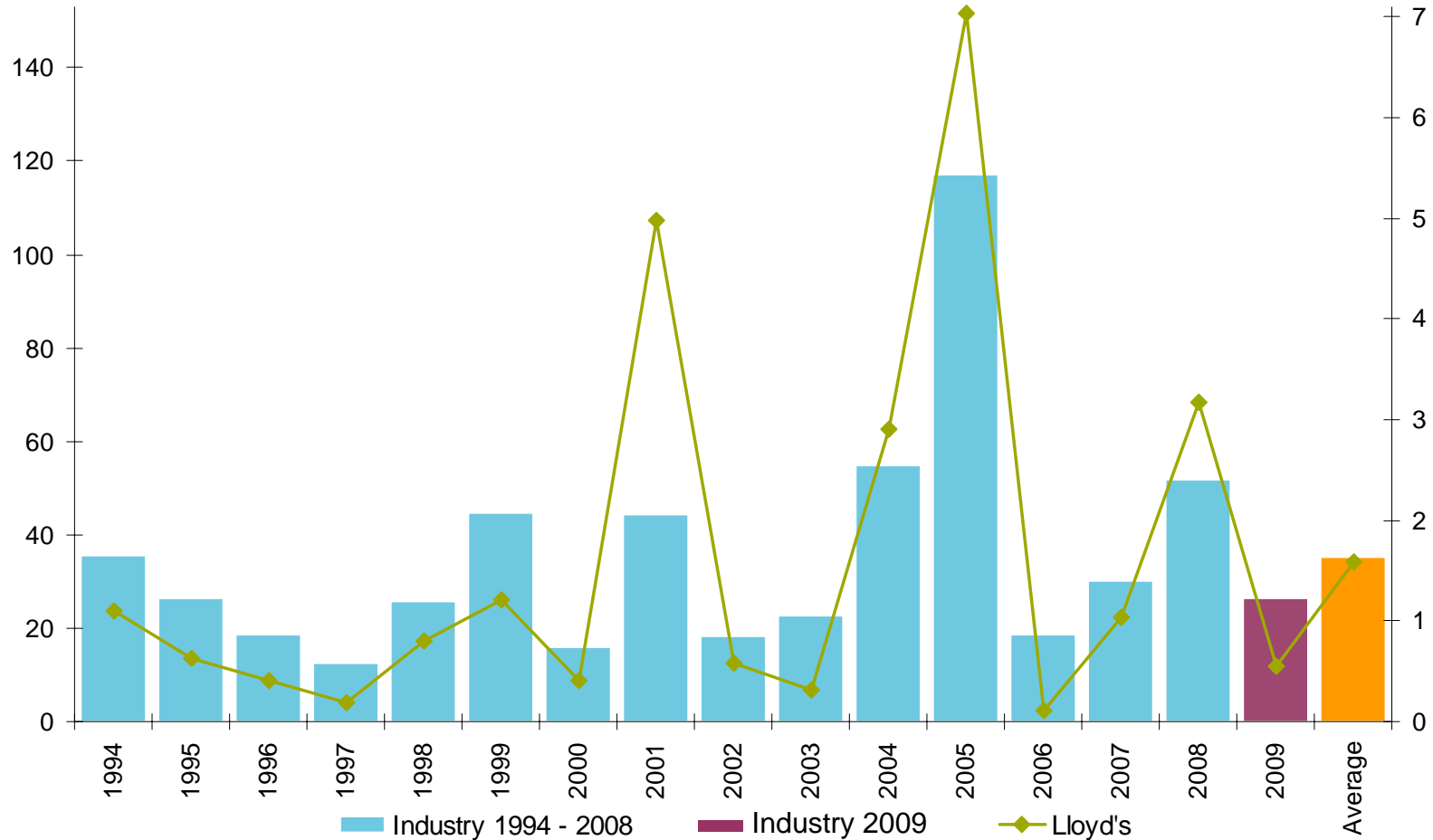


Source: Lloyd's pro forma basis at syndicate level, 31 Dec 2009

Lloyd's outperforms the market during below average catastrophe years

INDUSTRY CAT LOSSES
\$BN INDEXED TO 2009

LLOYD'S MAJOR LOSSES
\$BN INDEXED TO 2009



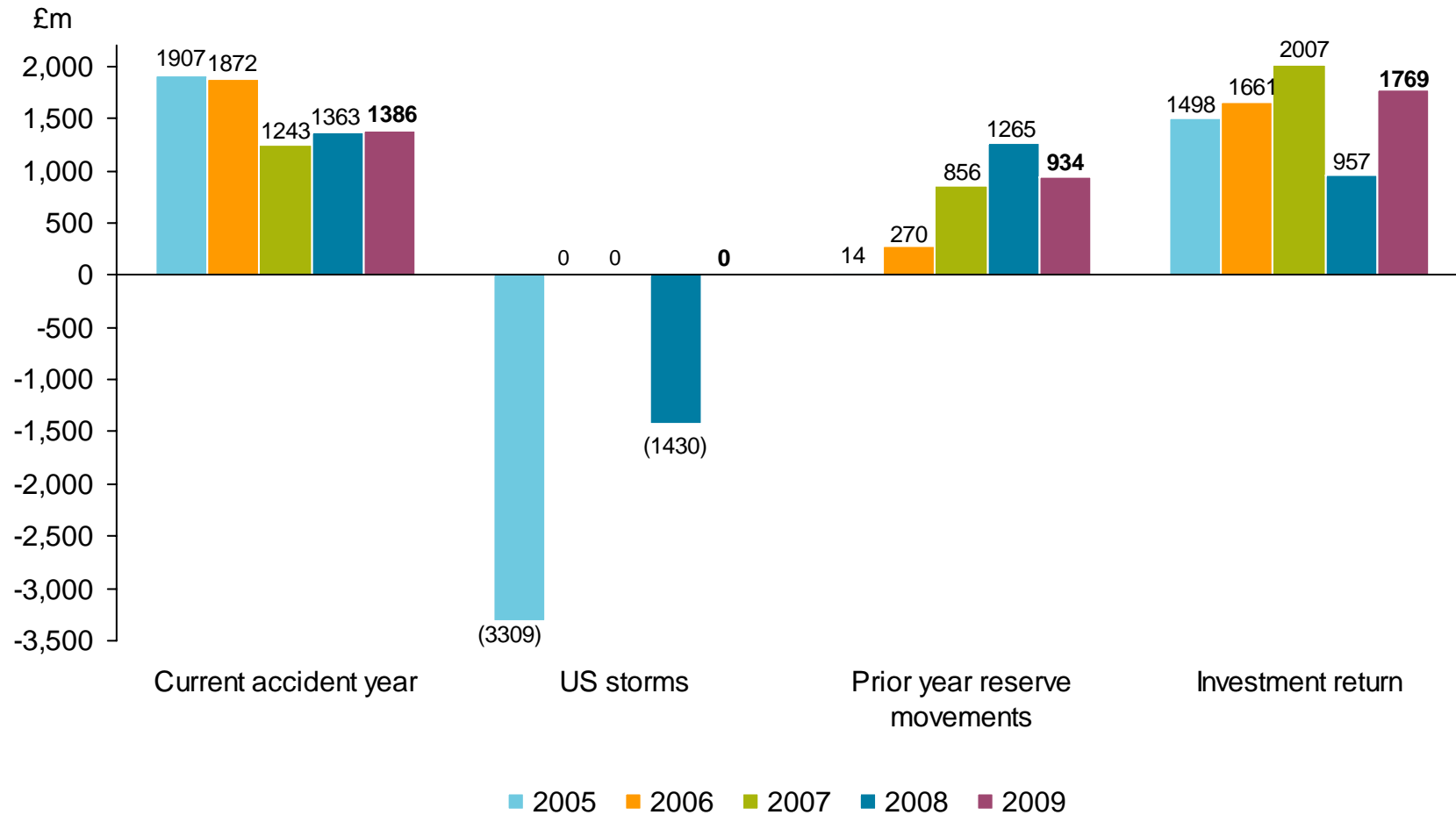
Source: Industry - Swiss Re, Sigma No 1/2010; Lloyd's – Net ultimate claims for major losses per syndicate QMRs, Lloyd's pro forma financial statements, 31 Dec 2009

Underlying operating expenses move in line with premiums

£m	2008	2009	% change
Net earned premiums	13,796	16,725	21
Acquisition costs	3,720	4,408	18
Admin expenses	1,267	1,304	3
Underlying operating expenses	4,987	5,712	15
(Gains) / losses on exchange	(853)	69	-
Net operating expenses	4,134	5,781	40

Source: Lloyd's pro forma financial statements, 31 Dec 2009

Disciplined underwriting supported by reserve releases and solid investment returns



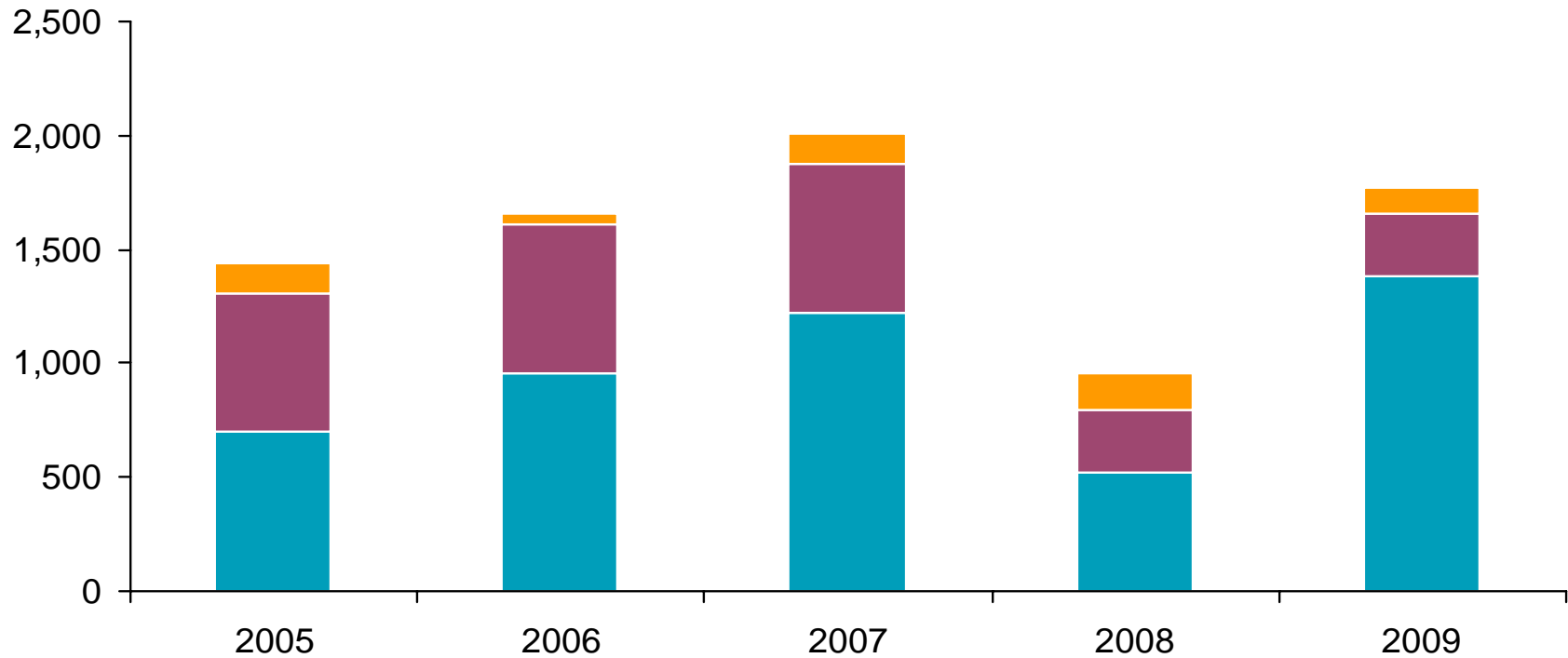
Source: Lloyd's pro forma financial statements, 31 Dec 2009

INVESTMENT PERFORMANCE

Investment return driven by recovery in corporate bond values

INVESTMENT RETURN

£m



IR:	4.3%	4.7%	5.6%	2.5%	3.9%
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■ PTF

■ FAL

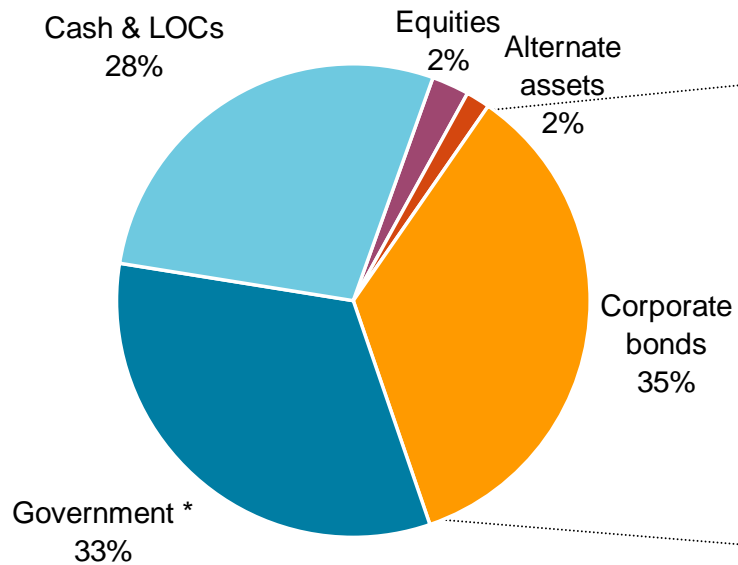
■ Central assets

Note: FAL - Members' Funds at Lloyd's; PTF - Syndicate Premium Trust Funds

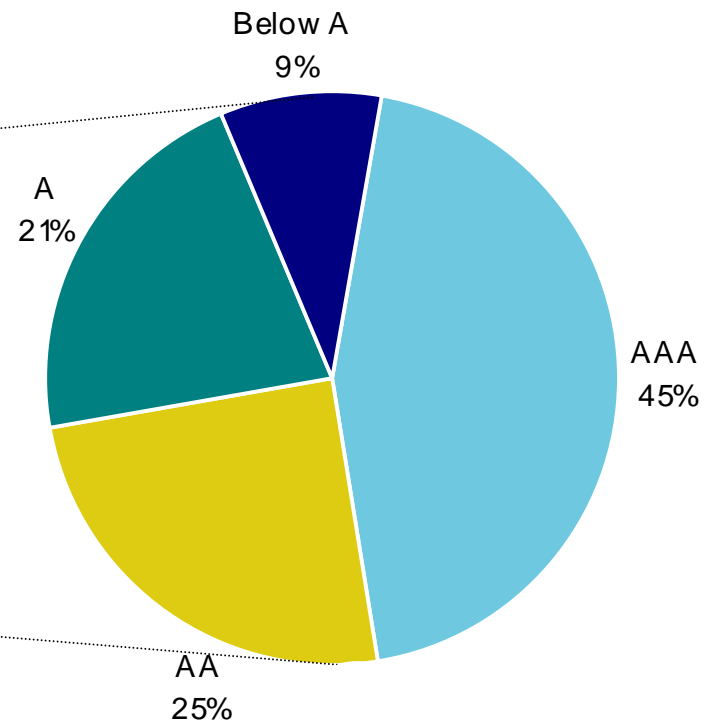
Source: Lloyd's pro forma financial statements, 31 Dec 2009

Over 90% of investments remain in cash and high quality bonds...

LLOYD'S MARKET INVESTED ASSETS



CORPORATE BONDS

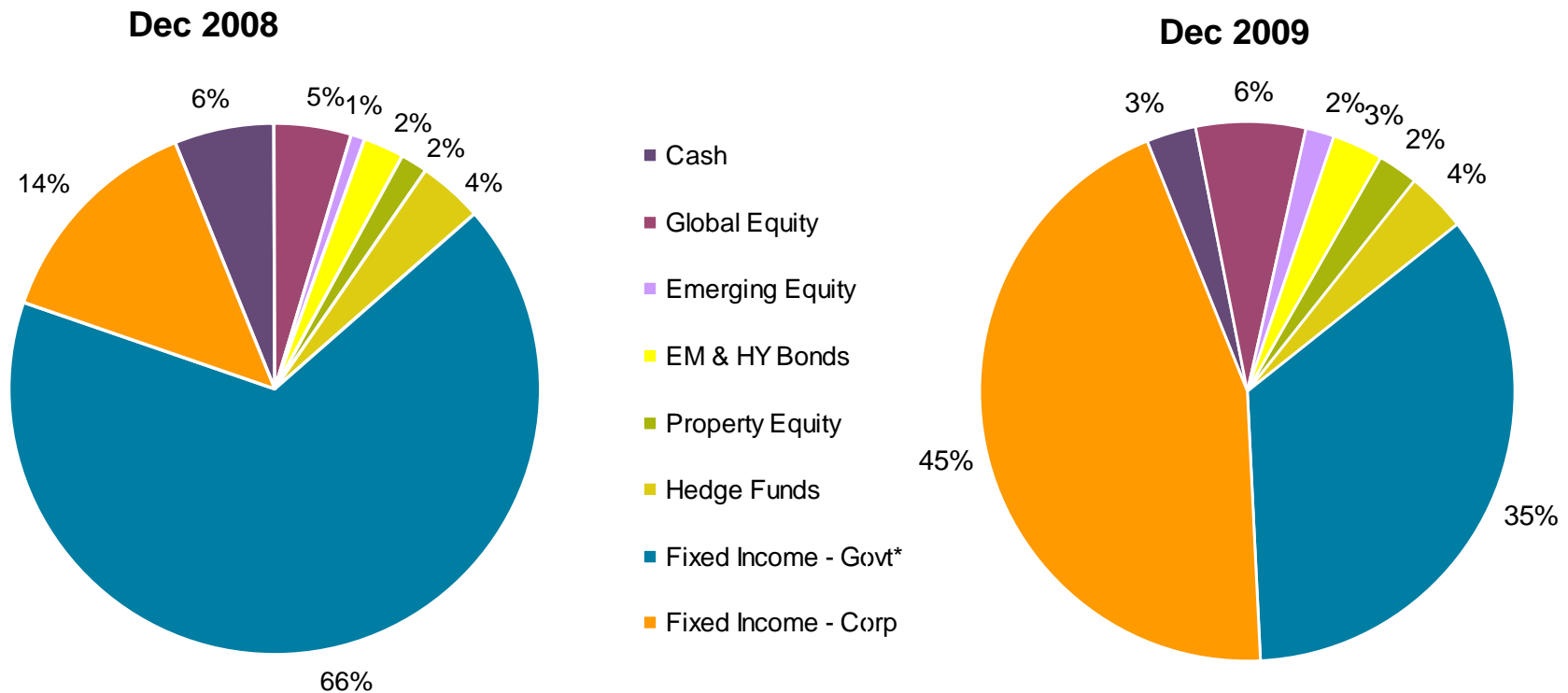


Note: * Includes supranationals and government agencies
Source: Lloyd's pro forma financial statements, 31 Dec 2009

...with increased exposure to corporate bonds helping Central Fund returns

CENTRAL FUND DISPOSITION

Bond portfolios
c80% of CF



Note: * Includes supranationals and government agencies
Source: Lloyd's pro forma financial statements, 31 Dec 2009

BALANCE SHEET

Balance Sheet remains strong...

£m	2008	2009	% change
Cash and investments	44,370	46,254	4
Reinsurers' share of technical provisions	11,671	9,931	(15)
Other assets	11,291	11,105	(2)
Total assets	67,332	67,290	-
Unearned premiums	(9,043)	(9,433)	4
Other liabilities	(43,025)	(38,736)	(10)
Net resources ¹	15,264	19,121	25
<i>Represented by:</i>			
Members' assets ²	13,192	17,037	29
Central assets ³	2,072	2,084	1
	15,264	19,121	25

Note:

1. Capital, reserves & subordinated loan notes and securities

2. Includes syndicate balances and Funds at Lloyd's

3. Stated on an UK GAAP basis; excludes subordinated debt liabilities

Source: Lloyd's pro forma financial statements, 31 Dec 2009

...with net resources and solvency coverage at record levels...

BALANCE SHEET

£m

20,000

15,000

10,000

5,000

2005

2006

2007

2008

2009

Capital, Reserves, Subordinated loan notes & securities

Solvency surplus*

10,992

13,333

14,461

15,264

19,121

1,368

1,801

2,297

2,475

2,752

SOLVENCY

£m

3,000

2,500

2,000

1,500

1,000

500

0

Note: * Solvency surplus net of solvency deficits

Source: Lloyd's pro forma financial statements, 31 Dec 2009

...and flexibility within our capital structure

£m	2008	2009
Net Central Fund assets at 1 January	772	852
Contributions from members	84	100
Claims and provisions credit	6	20
Net finance income	3	65
Other	(13)	(54)
Net Central Fund assets at 31 Dec	852	983
Corporation of Lloyd's + subsidiaries	138	143
Tier II subordinated debt	586	521
Tier I subordinated debt	496	437
Central assets	2,072	2,084
Callable layer	495	683
Other adjustments for solvency	41	44
Central resources for solvency	2,608	2,811

Source: Lloyd's pro forma financial statements, 31 Dec 2009

SUMMARY

Well positioned for the challenges ahead...

Our focus:

- Performance Management
- Solvency II
- The Exchange
- Claims Transformation
- Access to business

...‘To be the market of choice for insurance and reinsurance buyers and sellers...’

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