

2005 ANNUAL RESULTS

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Lord Levene
Chairman

Luke Savage
Acting Chief Executive Officer
Director, Finance & Risk Management

Agenda

- Overview
- Financial Results
- Outlook
- Conclusions

Outstanding performance in a challenging year

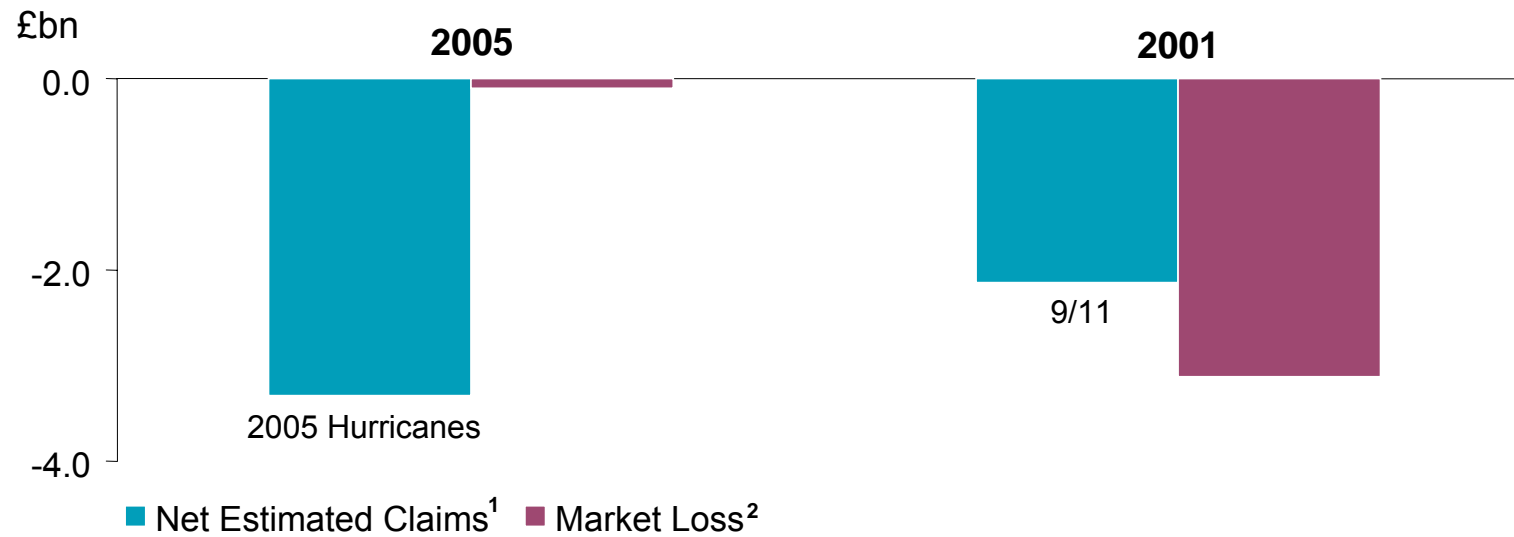
- Small loss of £103m¹ despite £3,309m of hurricane claims
- Combined ratio of 111.8%¹
- Central resources for solvency increased to £1,838m^{2,3}
- Continued improvement in solvency ratio to 379%³
- “A” ratings affirmed

1) Lloyd's pro forma financial statements.

3) Lloyd's unaudited 2005 FSA return.

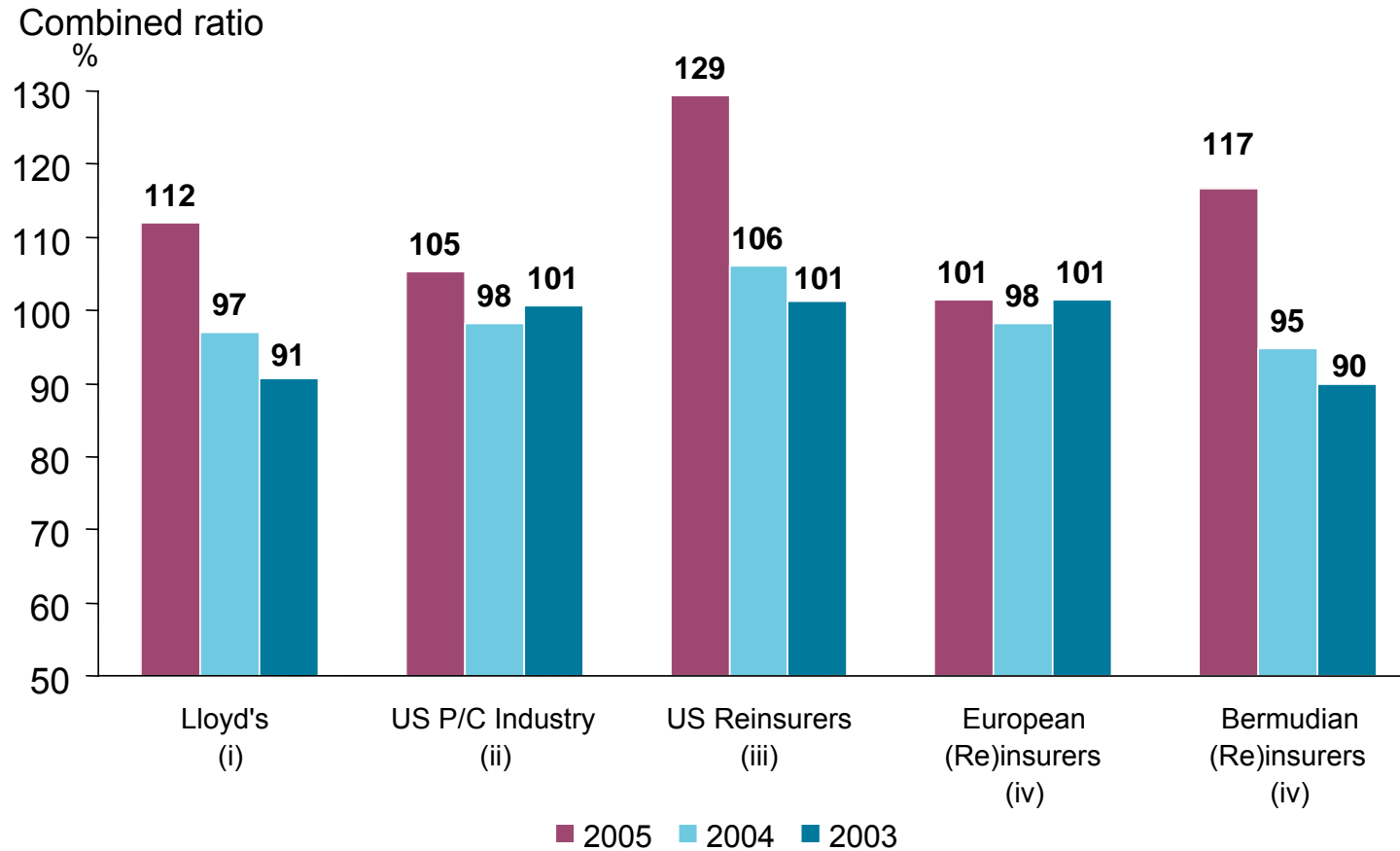
2) IFRS basis, including adjustments for solvency.

Comparison to 2001



1) Unaudited Quarterly Market Returns data. 2) Lloyd's pro forma financial statements.

Comparative performance



Sources: i) Lloyd's pro forma financial statements. ii) Insurance Information Institute estimate, iii) Reinsurance Association of America, iv) Company data (8 European companies: 16 Bermudian companies)

Success in key areas

- Capital providers have responded in a disciplined way to market opportunities, putting £1.2bn of “new money” into Lloyd’s and increasing capacity by £2bn compared to their pre-hurricane plans
- Granted reinsurance licence to operate in China
- Taking a leading role in pressing US regulators to eliminate discrimination against foreign reinsurers
- Successful implementation of new FSA Individual Capital Adequacy Standards regime throughout market
- London market achieved 65% “contract certainty” in December 2005 vs. 30% target

FINANCIAL RESULTS

Strong performance in a challenging year

£ millions	2005	2004
Gross written premiums	14,982	14,614
Net written premiums	11,770	11,734
Net earned premiums	11,785	11,797
Net incurred claims	9,505	7,646
Net operating expenses ¹	3,668	3,755
Underwriting result	(1,388)	396
Other income/(expenses) ²	(22)	(48)
Investment return ³	1,307	1,019
Pre-tax result on ordinary activities	(103)	1,367
Combined ratio	111.8%	96.6%

Source: Lloyd's results on pro forma basis - throughout this presentation 2004 figures have been restated under UK GAAP

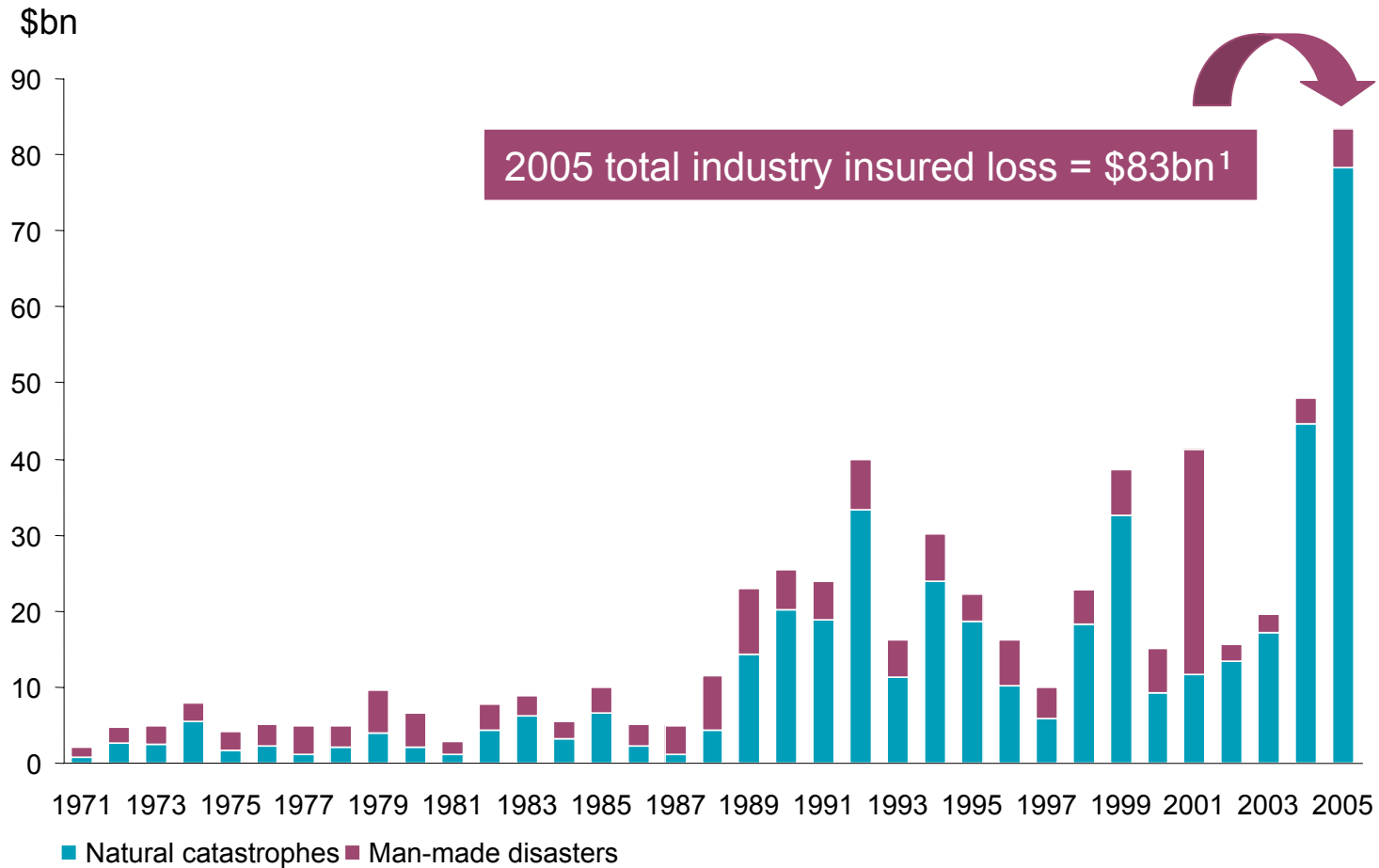
1) Technical account 2) Non-technical account 3) Return on syndicate assets and members' funds at Lloyd's.

2005 hurricane claims estimates

£ millions	April 2006	Nov 2005
Gross Loss	8,767	-
Reinsurance recoveries	5,458	-
Final Net Loss:		
Katrina	2,209	1,932
Rita	602	535
Wilma	<u>498</u>	<u>483</u>
Total	3,309	2,950

Source: unaudited Quarterly Market Returns data.
 Note: exchange rate £1 = USD 1.77

2005 catastrophe losses were unprecedented for the industry

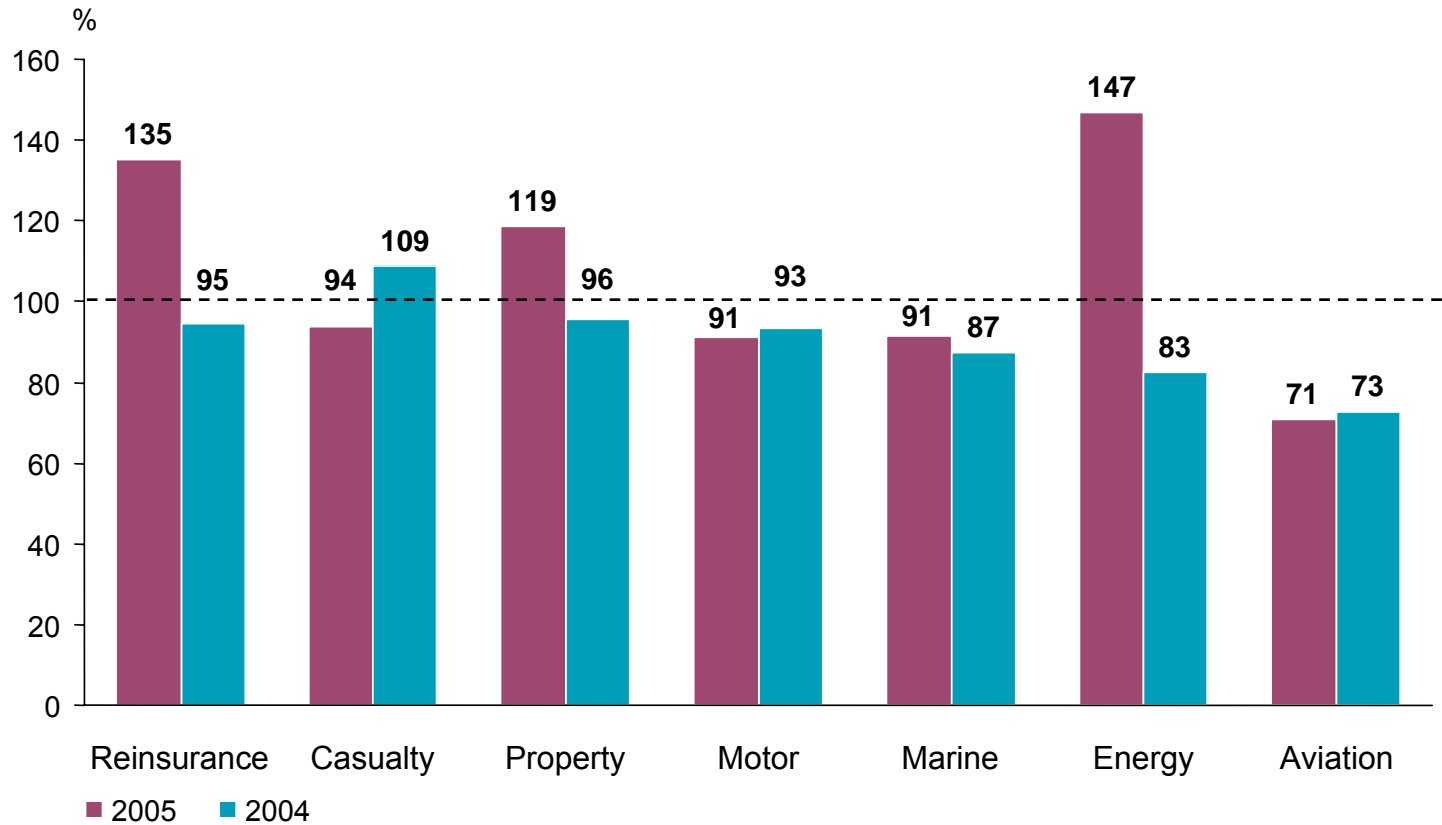


1) £47bn at exchange rate £1 = USD 1.77.

Source: Swiss Re, Sigma No 2/2006

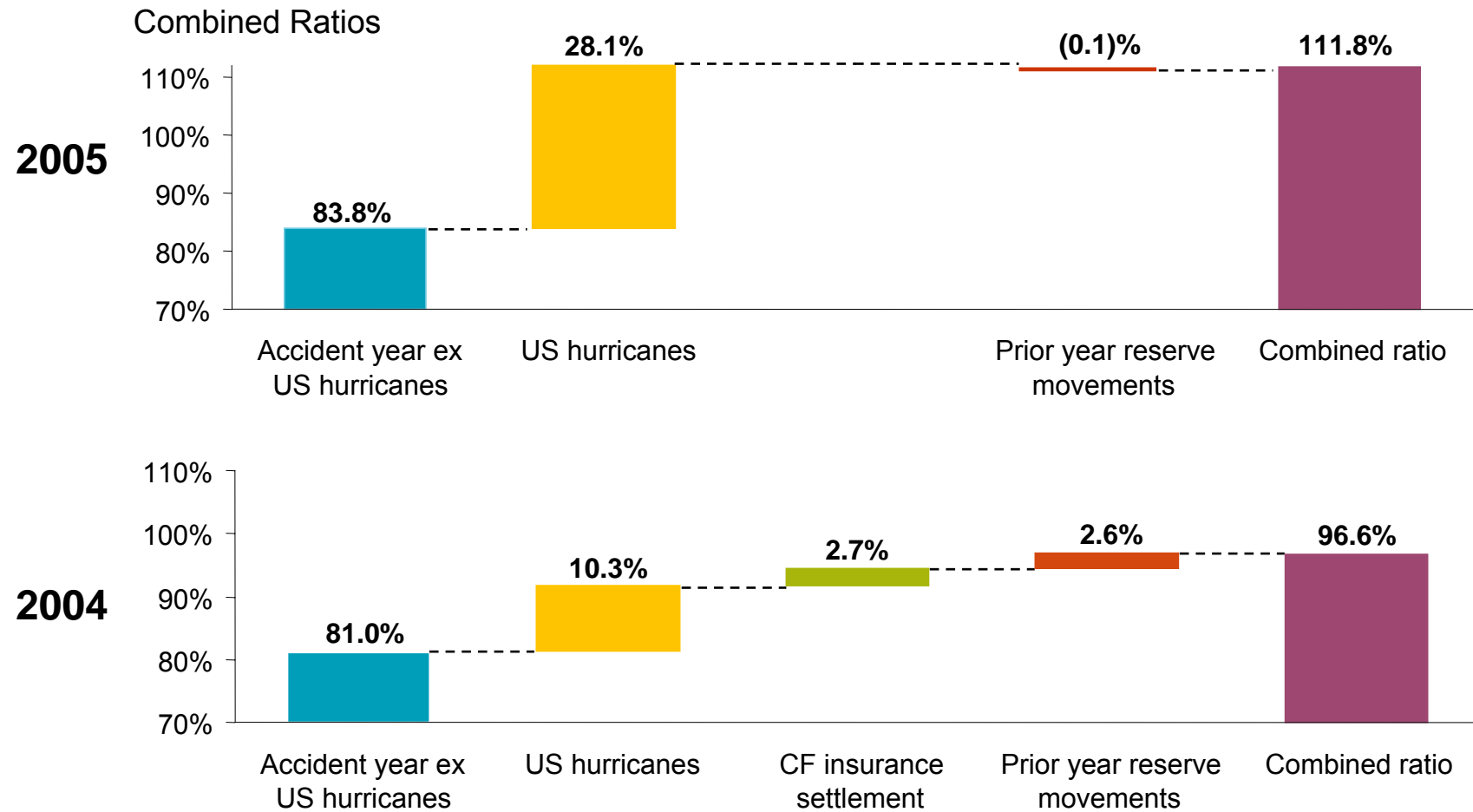
All non-catastrophe affected lines remained profitable

Calendar year
combined ratio



Source: Lloyd's pro forma financial statements at syndicate level

Underlying profitability demonstrated



Source: Lloyd's pro forma financial statements

Investment mix and returns: provide a positive contribution to performance

%	Premium Trust Funds		Funds at Lloyd's		Central Fund & other Central Assets	
	2005	2004	2005	2004	2005	2004
Bonds	88	71	22	25	54	57
Equities	2	2	8	8	13	19
Cash and other	10	27	70	67	33	24
	100	100	100	100	100	100
Total (£m)	23,256 ¹	20,455	10,206	9,622	1,570 ²	1,335
Return (£m)	705	532	602	487	129	46
Yield (%)	3.2	2.8	6.1	5.1	9.3	4.5

Source: Lloyd's pro forma financial statements.

1) Net of syndicate loans and assets of Additional Securities Limited, which have been included in central assets.

2) Central assets stated on IFRS basis.

Good market liquidity

£ millions	2005	2004
Cash and investments	35,012	31,412
Reinsurers' share of technical provisions	15,146	10,550
Other assets	9,895	<u>9,203</u>
Total assets	60,053	51,165
Total liabilities	(49,061)	<u>(38,996)</u>
Net resources	10,992	<u>12,169</u>
<i>Represented by:</i>		
Balance due to/(from) members	(408)	1,426
Funds at Lloyd's	10,206	9,622
Central Assets ¹	693	615
Subordinated loan notes	501	<u>506</u>
	10,992	<u>12,169</u>

Source: Lloyd's pro forma financial statements

1) Stated on UK GAAP basis

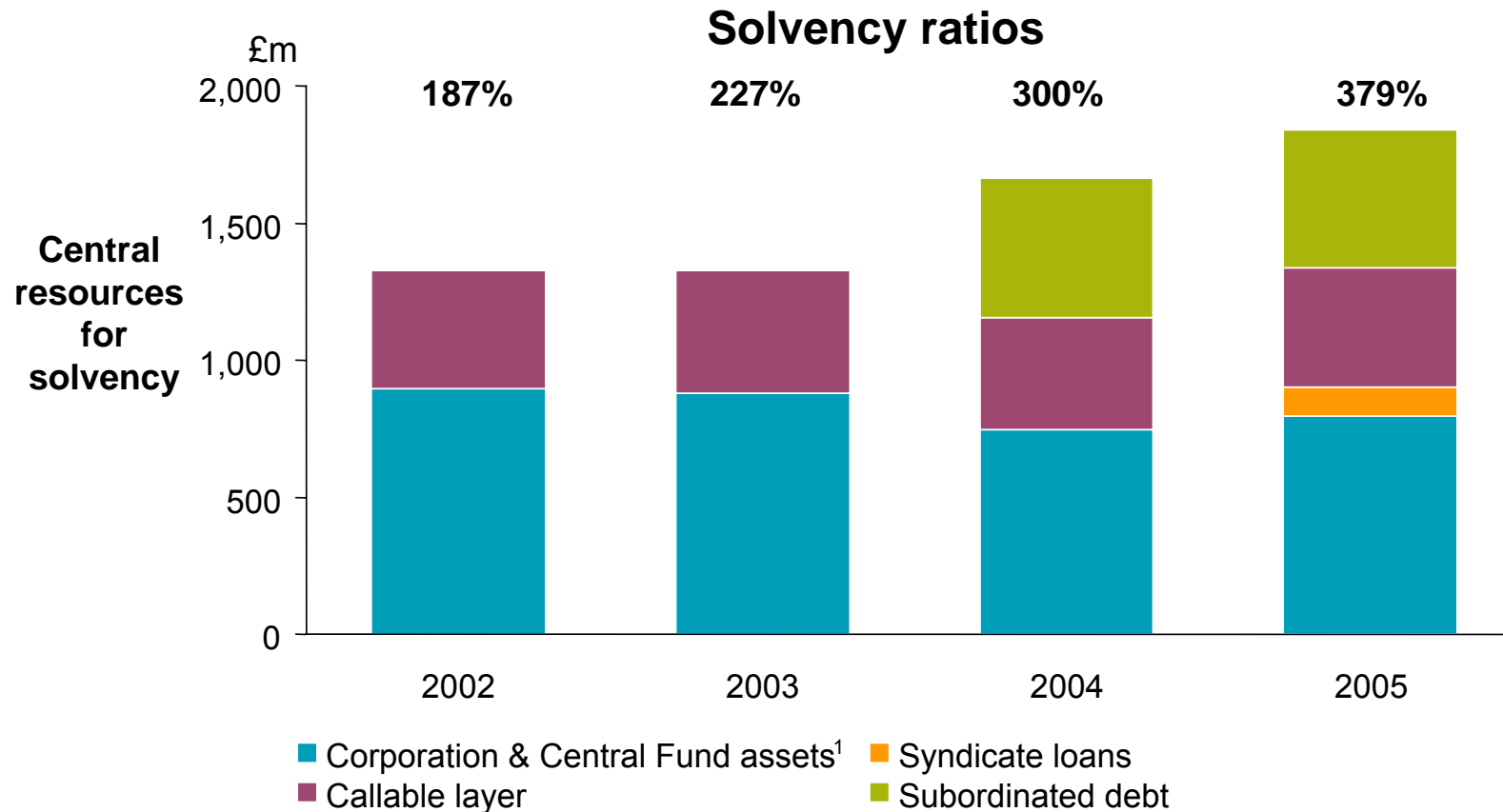
Central assets were not impacted by 2005 hurricanes

£ millions	2005	2004
Net Central Fund assets (under IFRS) as at 1 January	607	528
Contributions from members	70	191
Receipt of syndicate loans	104	-
Claims & provisions	(224)	(126)
Net investment income	87	33
Income tax credit / (charge)	22	(28)
Other	4	9
Net Central Fund assets as at 31 December	670	607
Corporation of Lloyd's + subsidiaries	95	83
Subordinated debt	501	506
Central assets under IFRS	1,266	1,196
Callable Layer ¹	439	411
Other adjustments for solvency	133	56
Central resources for solvency	1,838	1,663

Source: Society of Lloyd's financial statements (under IFRS)

1) Callable layer calculated at 3% of initial 2006 capacity of £14.8bn.

Market solvency improved during 2005



Note: Ratio of central resources for solvency to members' solvency deficits.

Source: Lloyd's FSA return as at year end: 2005 unaudited.

1) On IFRS basis, as adjusted for solvency.

OUTLOOK

The Challenge : to maintain a disciplined response to underwriting conditions

- January 1st renewals saw improved terms and conditions for loss impacted classes/regions
- Reinsurance cost, availability and concentration remain key issues
- Upcoming renewals expected to continue to reflect the hard market for energy, property and reinsurance classes in hurricane-impacted areas
- 2006 RDS will reflect 2005 experience with demand/storm surge and expected model upgrades

CONCLUSIONS

Further improving the Lloyd's platform

- Performance management framework that supports the achievement of superior returns
- Capital advantages
- Secure highly rated market
- Outstanding market access
- Efficient, competitive business processes

Lloyd's is optimistic about the future

- Strong underlying performance in challenging year
- Undiminished financial strength
- Security ratings affirmed
- Continued focus on underwriting discipline and responsible approach to exposure management
- Demonstrated support of capital providers
- Continued improvement in our position in key markets
- Tackling business process improvement priorities
- New CEO appointment will reinforce the drive to deliver the “Optimal Platform”

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