

# 2012 INTERIM RESULTS

26 September 2012

# Overview

- Lloyd's best half year result for five years
- Lloyd's net resources at new record high
- Rating outlook raised to positive by Standard & Poor's, reflecting Lloyd's improved competitive position and progress in implementing Solvency II
- Lloyd's Internal Model Application Pack submitted to the FSA; Solvency II work mostly complete
- Vision 2025 strategy sets out long-term growth plans for the Market

# Encouraging results to date...

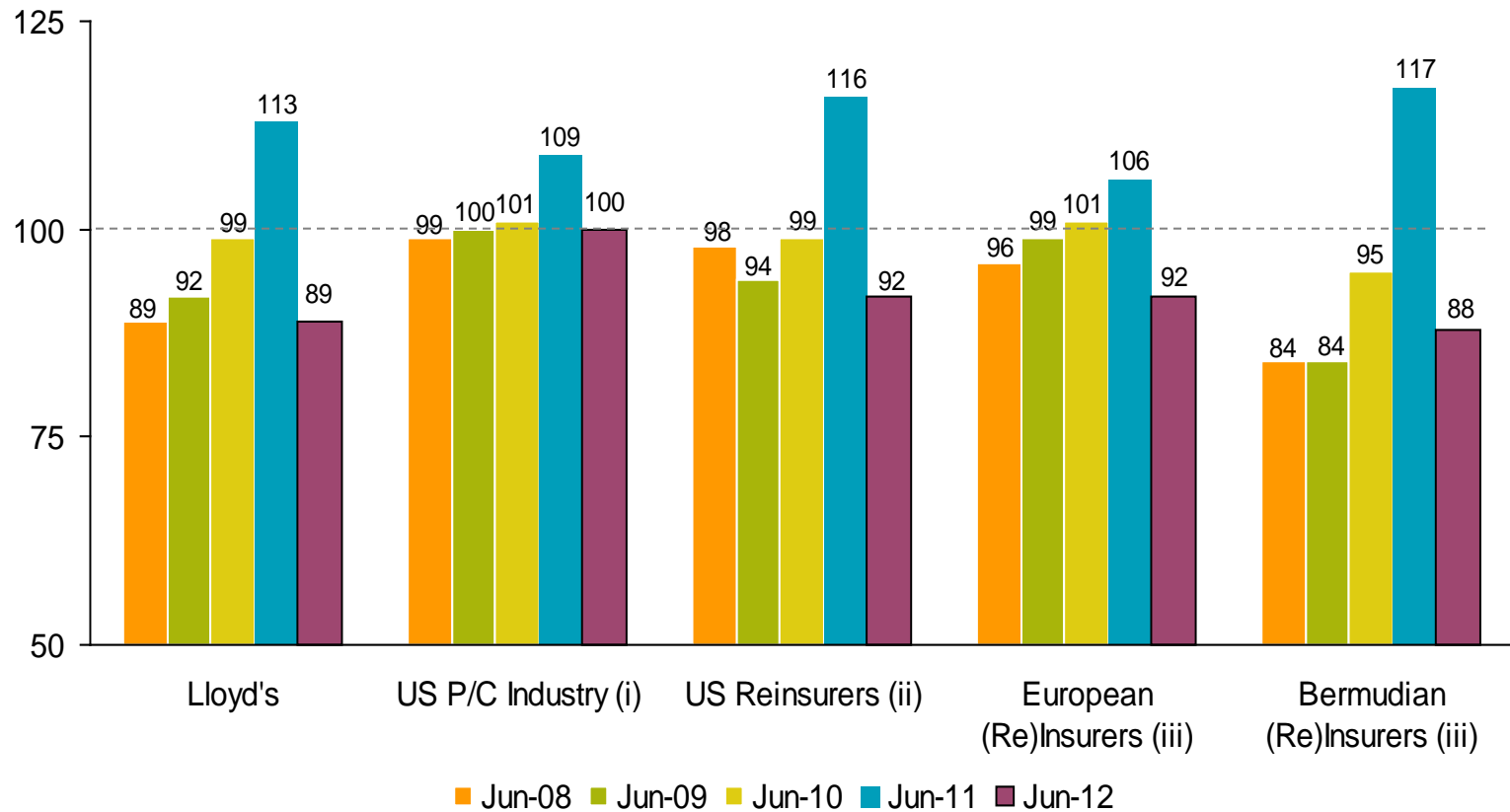
£m	June 2012	June 2011	Dec 2011
Gross written premiums	<b>14,768</b>	13,534	23,477
Combined ratio	<b>88.7%</b>	113.3%	106.8%
Investment return <sup>1</sup>	<b>619</b>	548	955
Result before tax	<b>1,530</b>	(697)	(516)
Return on capital (pre-tax)	<b>16.4%</b>	(8.1%)	(2.8%)

Source: Lloyd's pro forma basis, 1) Return on syndicates' assets, members' funds at Lloyd's and central assets

# ...and favourable performance compared to our peers

Combined ratio

%



Sources: i) Insurance Information Institute estimate, ii) Reinsurance Association of America, iii) Company data (8 European companies; 18 Bermudian companies)

# FINANCIAL RESULTS

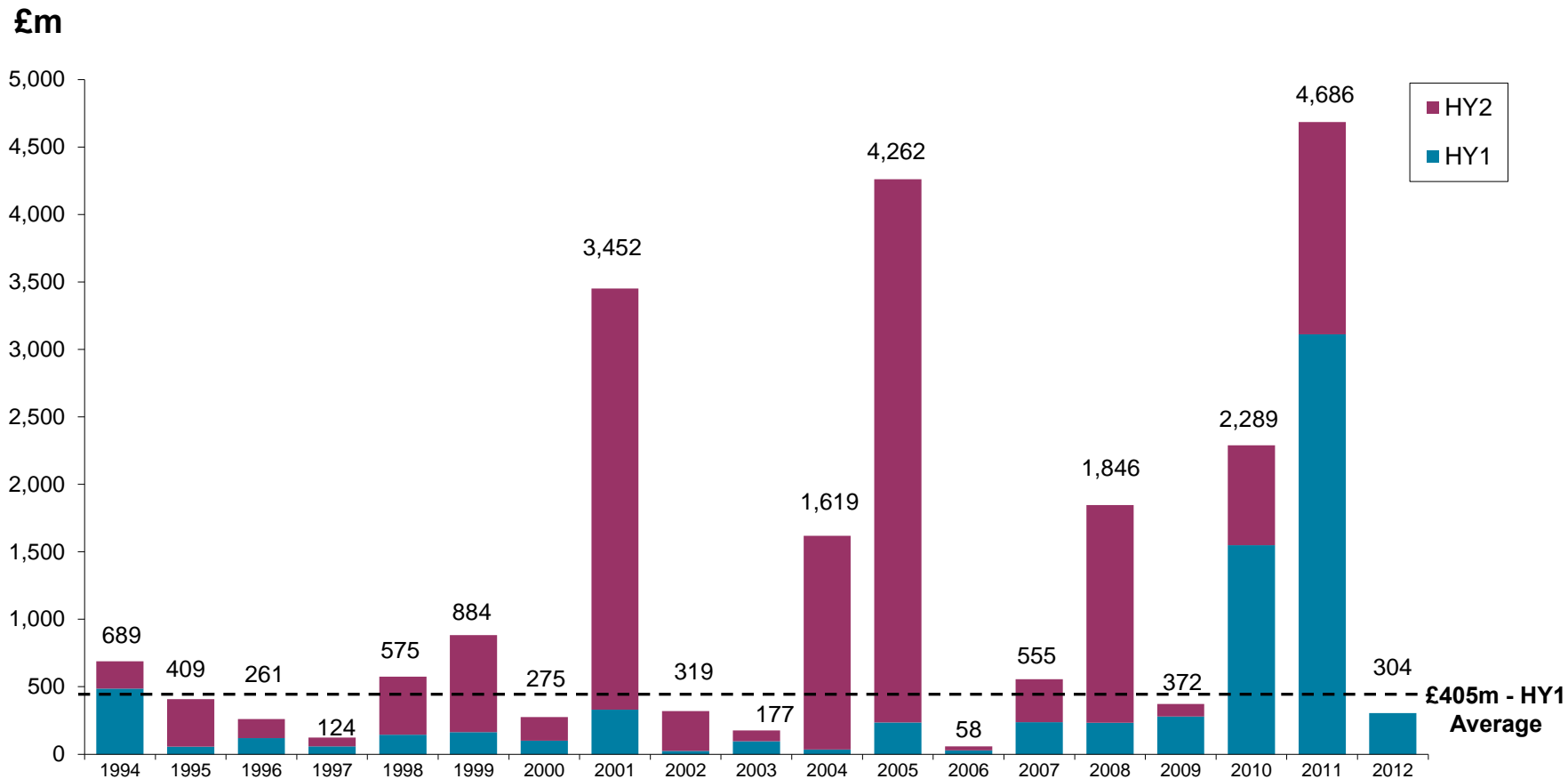
# Disciplined growth with modest rate improvements...

£m	June 2012	June 2011	% change	June 2010	Dec 2011
Gross written premiums	<b>14,768</b>	13,534	9	13,490	23,477
Net earned premiums	<b>8,902</b>	8,546	4	8,285	18,100
Net incurred claims	<b>(4,584)</b>	(6,697)	(32)	(5,403)	(12,900)
Net operating expenses <sup>1</sup>	<b>(3,314)</b>	(2,987)	11	(2,775)	(6,437)
Underwriting result	<b>1,004</b>	(1,138)	-	107	1,237
Investment return <sup>2</sup>	<b>619</b>	548	13	597	955
Other income / expenses <sup>3</sup>	<b>(93)</b>	(107)	(13)	(76)	(234)
Profit before tax	<b>1,530</b>	(697)	-	628	(516)
Combined ratio	<b>88.7%</b>	113.3%		98.7%	106.8%

Source: Lloyd's pro forma basis, 1) Technical account 2) Return on syndicates' assets, members' funds at Lloyd's and central assets 3) Non-technical account

# ... with reduced level of catastrophes ...

## Lloyd's Major Claims Net Ultimate Claims

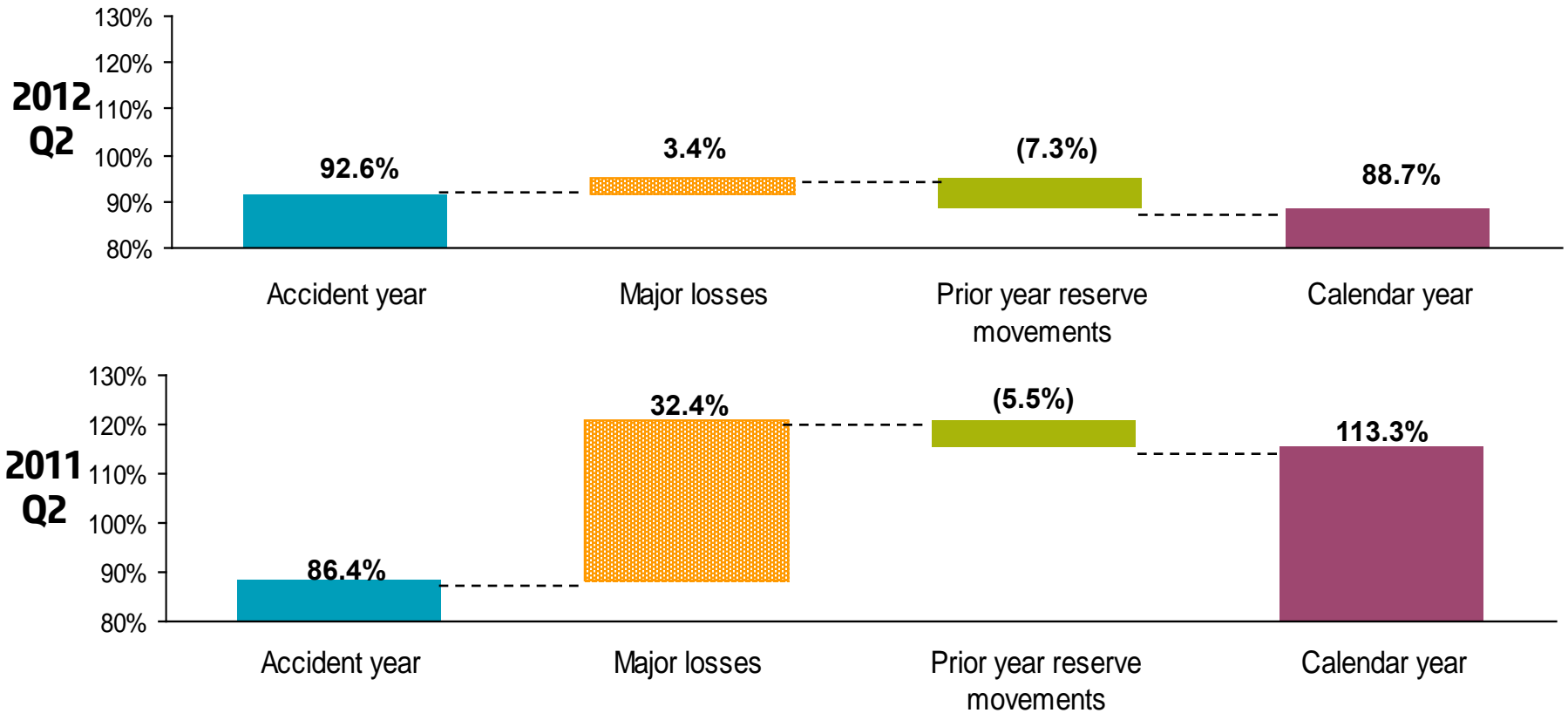


Source: Lloyd's pro forma financial statements

Indexed to June 2012

# ...and combined ratio reflecting 'normal' level of catastrophes in first six months

## COMBINED RATIOS

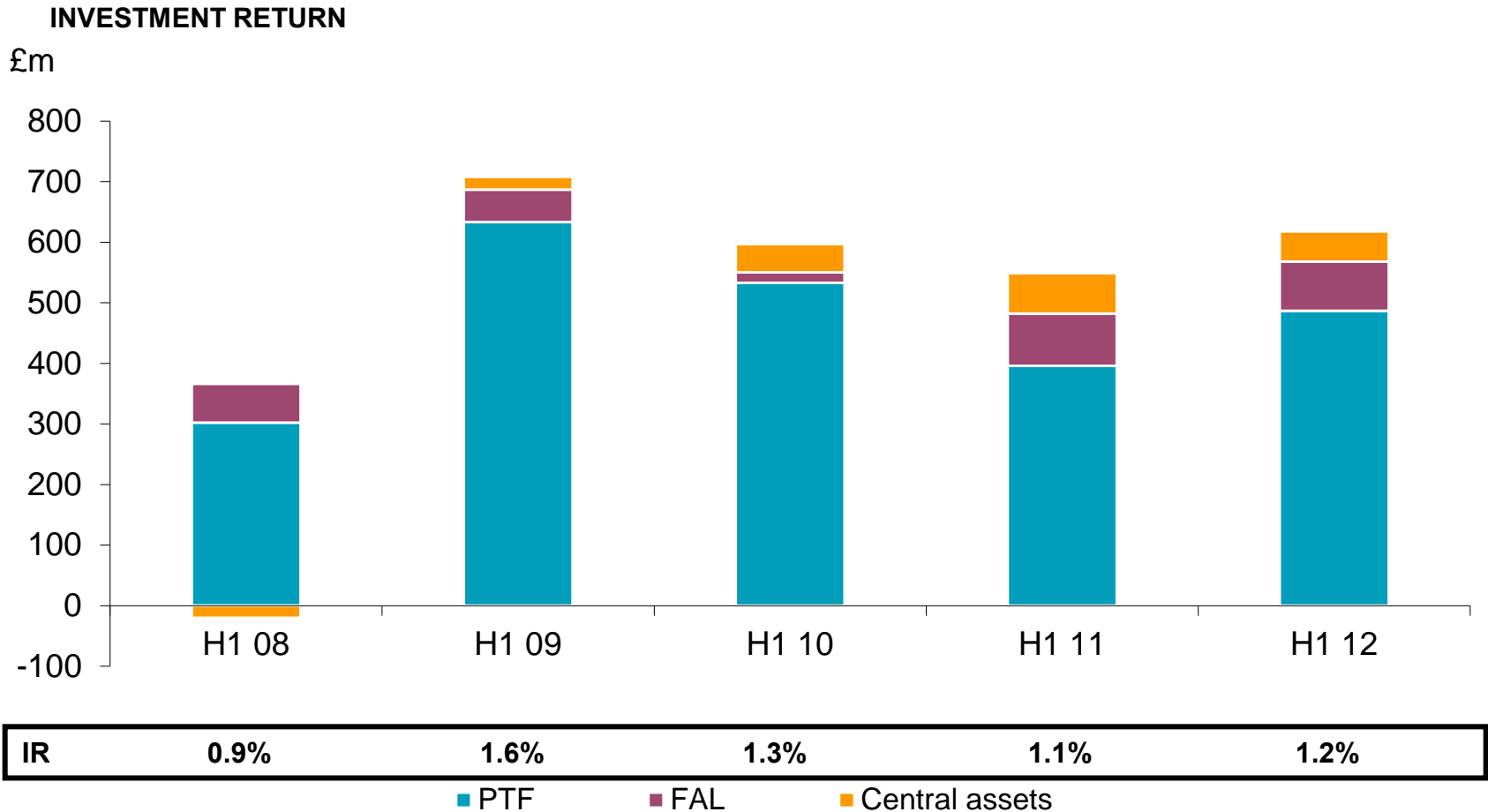


Source: Lloyd's pro forma basis



# **INVESTMENT PERFORMANCE**

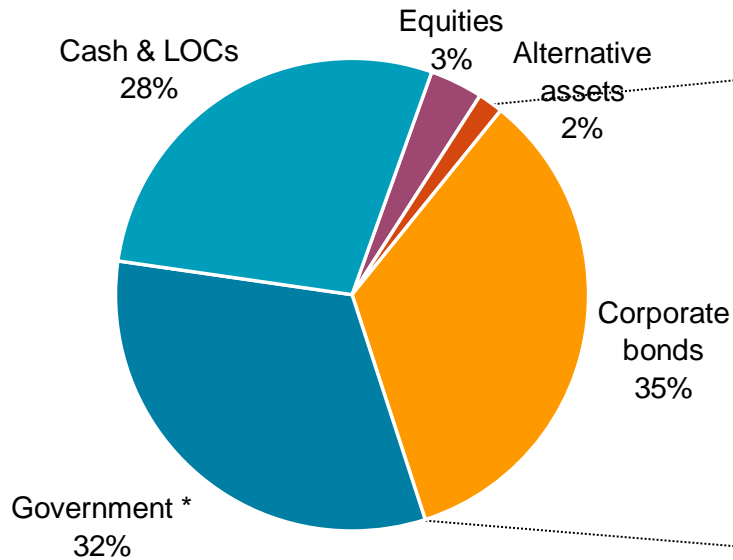
# Investment returns remain modest in the current, low yield, environment



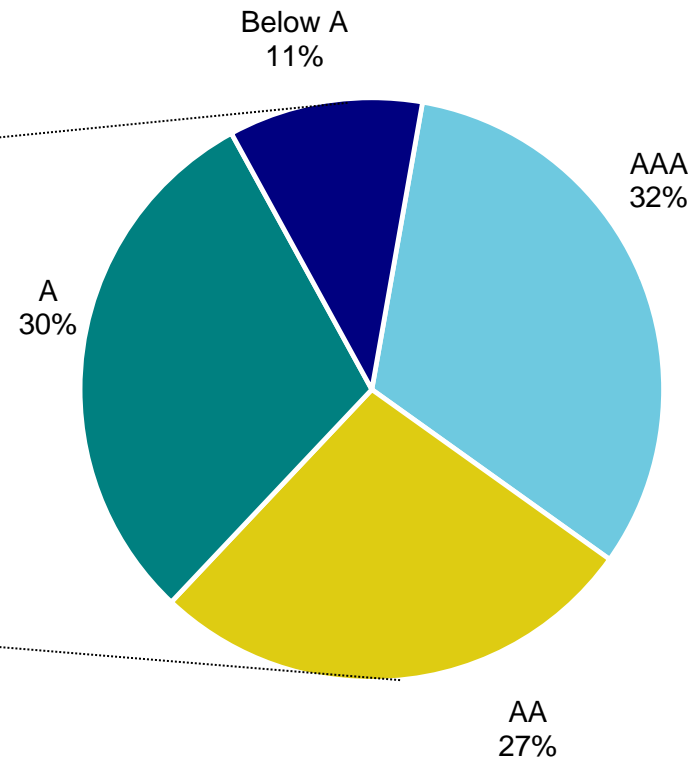
Note: FAL - Members' Funds at Lloyd's; PTF – Syndicate Premium Trust Funds  
 Source: Lloyd's pro forma financial statements, 30 Jun 2012

# Investment dispositions have changed little, with over 90% in cash and high quality bonds

## LLOYD'S MARKET INVESTED ASSETS



## CORPORATE BONDS

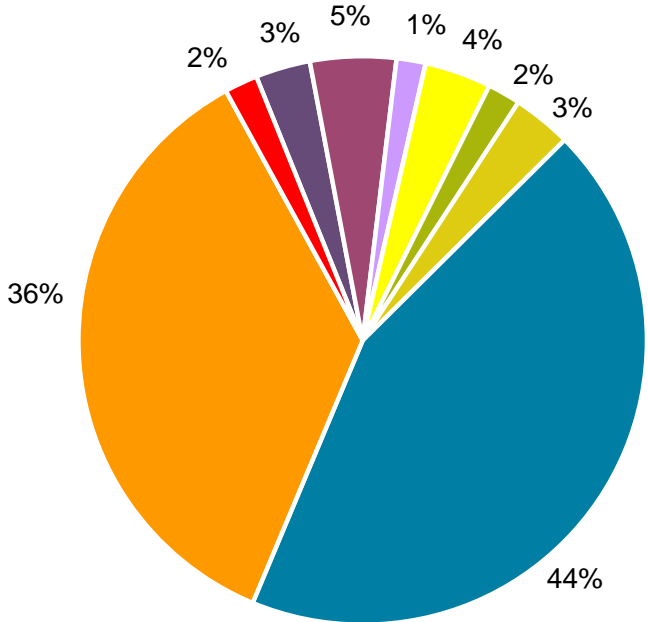


Note: \* Includes supranationals and government agencies  
Source: Lloyd's pro forma financial statements, 30 Jun 2012

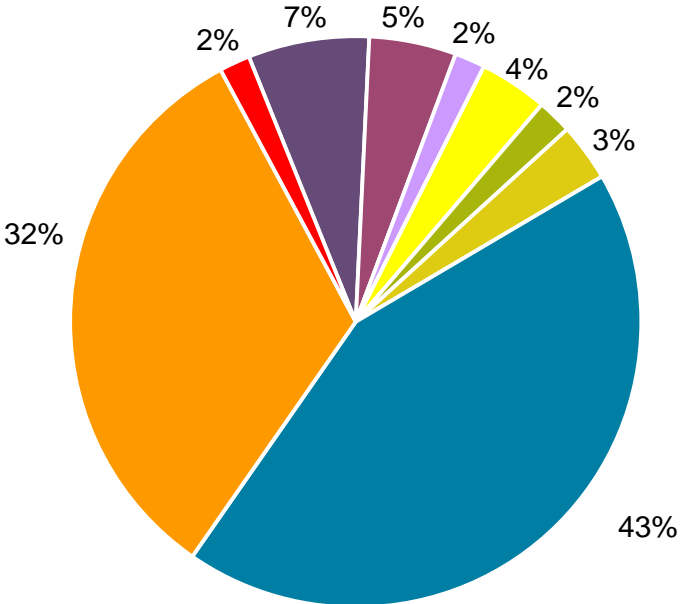
# Central Fund dispositions are also consistent, with over 80% in cash and bonds

## CENTRAL FUND DISPOSITION

Dec 2011



Jun 2012



- Cash
- Global Equity
- Emerging Equity
- EM & HY Bonds
- Property Equity
- Hedge Funds
- Fixed Income - Govt\*
- Fixed Income - Corp
- Commodities

Note: \* Includes supranationals and government agencies  
 Source: Lloyd's pro forma financial statements, 30 Jun 2012

# BALANCE SHEET

# Net resources at new high, greater than £20bn

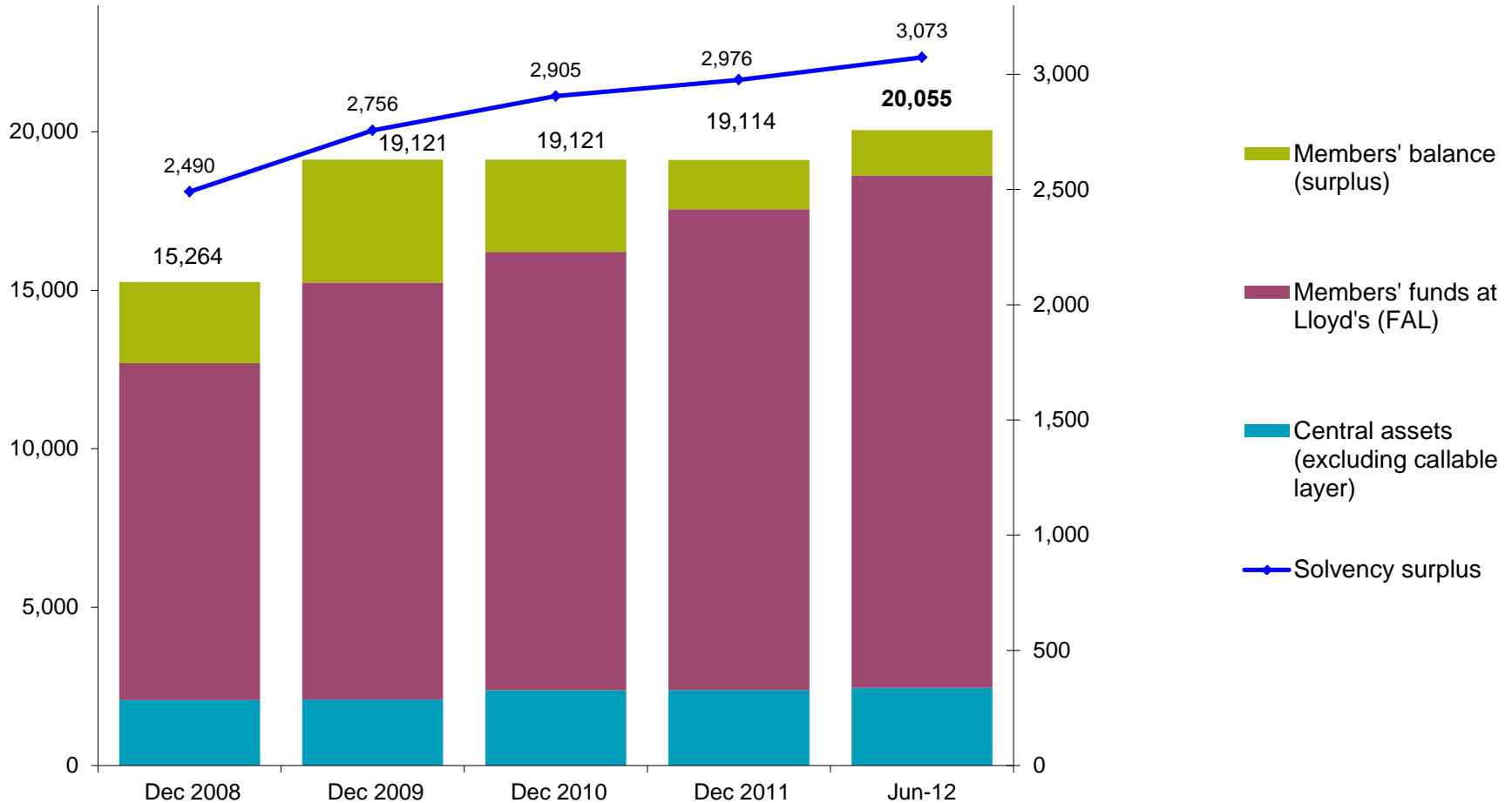
£m	June 2012	Dec 2011	%	June 2011
Cash and investments	<b>51,253</b>	51,416	0	48,475
Reinsurers' share of unearned premiums	<b>3,224</b>	1,556	107	2,702
Reinsurers share of claims outstanding	<b>10,376</b>	10,597	(2)	10,204
Other assets	<b>16,158</b>	12,979	24	14,886
<b>Total assets</b>	<b>81,011</b>	76,548	6	76,267
Gross unearned premiums	<b>(13,767)</b>	(10,605)	30	(12,677)
Gross claims outstanding	<b>(40,194)</b>	(41,313)	(3)	(39,899)
Other liabilities	<b>(6,995)</b>	(5,516)	27	(6,334)
<b>Net resources</b>	<b>20,055</b>	19,114	5	17,357
<i>Represented by:</i>				
Members assets	<b>17,596</b>	16,726	5	14,885
Central assets	<b>2,459</b>	2,388	3	2,472
	<b>20,055</b>	19,114	5	17,357

Source: Lloyd's pro forma basis

# ... with central surplus continuing to increase

Balance Sheet (£m)

Solvency (£m)



# SUMMARY



# Looking forward...

- Economic and industry environment remains difficult
- Lloyd's is well placed to meet these challenges
- Positive developments over the past half year demonstrate Lloyd's potential to take advantage of future opportunities

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