

2006 ANNUAL RESULTS

29th March 2007

Lloyd's market reports excellent performance in 2006

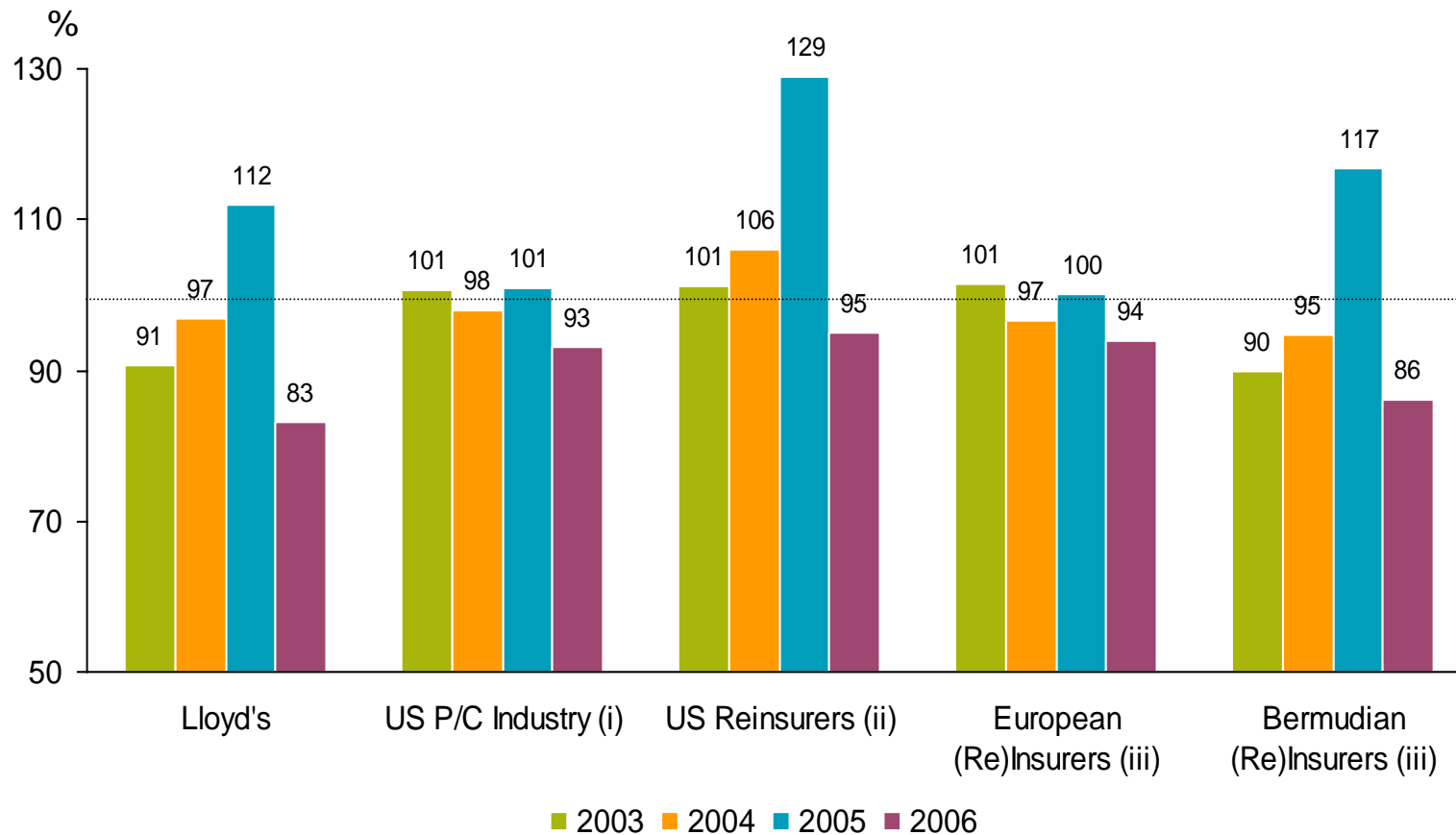
	2004	2005	2006
Gross written premiums ¹	£14,614m	£14,982m	£16,414m
Combined ratio ¹	96.6%	111.8%	83.1%
Result before tax ¹	£1,367m	£(103)m	£3,662m
Central assets ²	£1,196m	£1,266m	£1,454m

1) Lloyd's pro forma financial statements

2) Net assets per Society of Lloyd's consolidated financial statements (under IFRS) excluding the callable layer and the liability in respect of the subordinated debt.

Lloyd's performance compares well to peers

COMBINED RATIO



Sources i) Insurance Information Institute estimate, ii) Reinsurance Association of America, iii) Company data (8 European companies: 16 Bermudian companies)

2006 a successful year for Lloyd's

- Global licence network strengthened
- Progress on key business reform initiatives
- Increased capital flexibility
- Performance framework
- Positive ratings outlook

These changes are having an impact:

- Good quality new entrants to the market
- Improved customer satisfaction

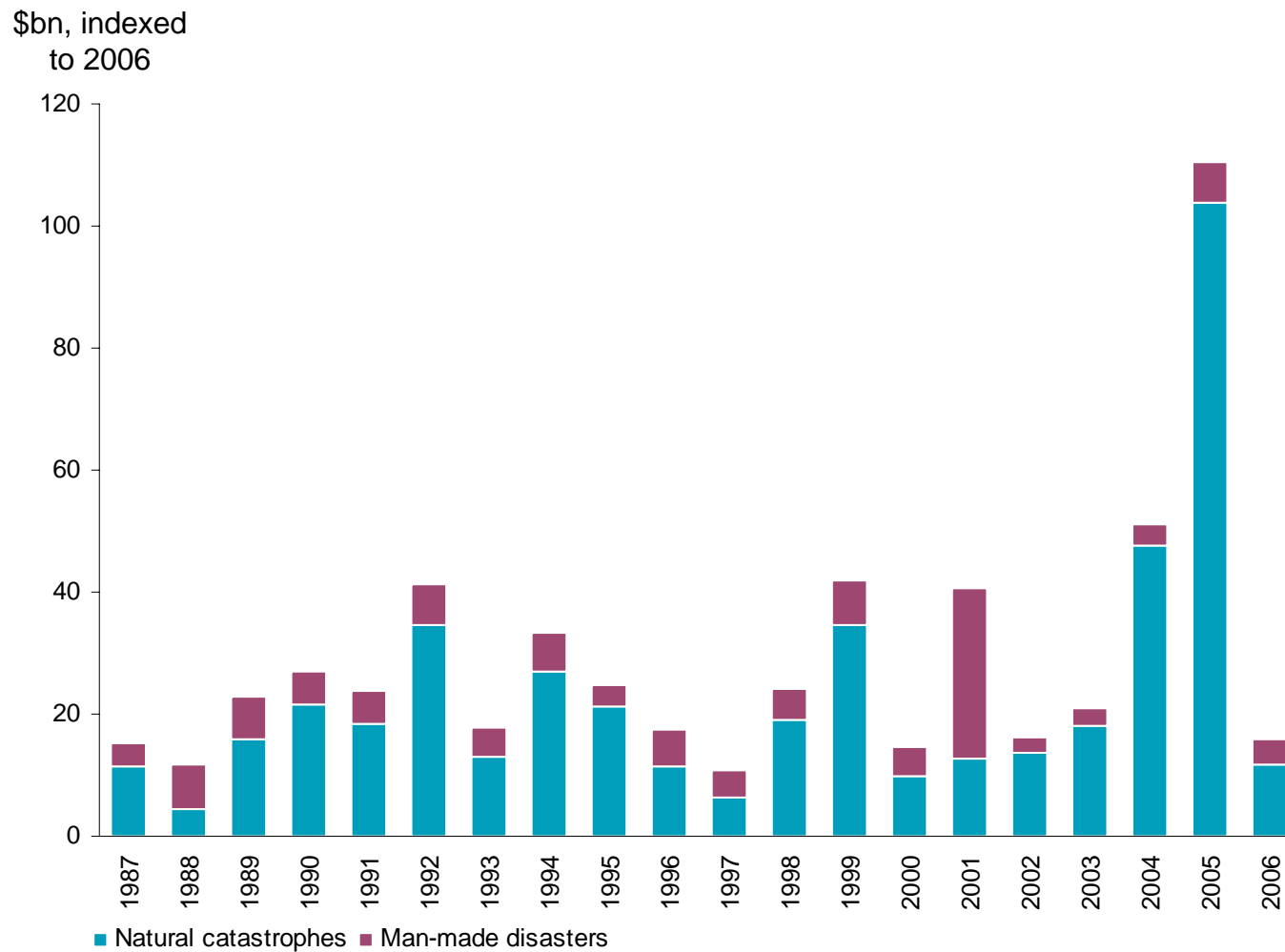
FINANCIAL RESULTS

Favourable claims experience drives record results

£ millions	2004	2005	2006	%
Gross written premiums	14,614	14,982	16,414	9.6
Net written premiums	11,734	11,770	13,201	12.1
Net earned premiums	11,797	11,785	12,688	7.7
Net incurred claims	(7,646)	(9,505)	(6,219)	(34.6)
Net operating expenses ¹	<u>(3,755)</u>	<u>(3,668)</u>	<u>(4,327)</u>	18.0
Underwriting result	396	(1,388)	2,142	-
Investment return ²	1,019	1,307	1,608	23.0
Other income less expenses ³	<u>(48)</u>	<u>(22)</u>	<u>(88)</u>	-
Result before tax	<u><u>1,367</u></u>	<u><u>(103)</u></u>	<u><u>3,662</u></u>	-

Source: Lloyd's pro forma financial statements 1) Technical account 2) Return on members' and syndicates' assets (excluding central assets) 3) Non-technical account

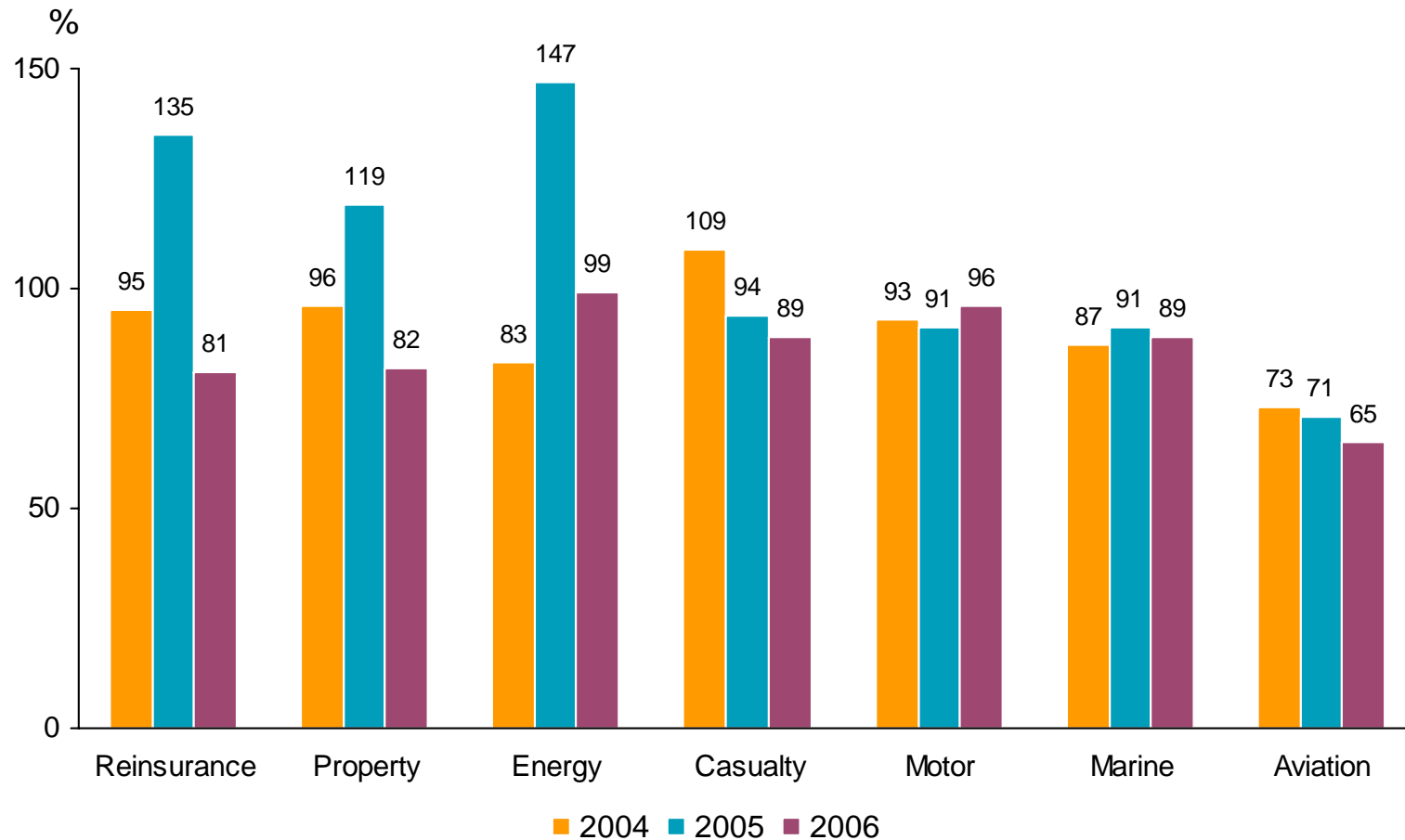
Industry insured catastrophe losses were unusually low in 2006



Source: Swiss Re, Sigma No 2/2007

Profitable performance in all lines of business

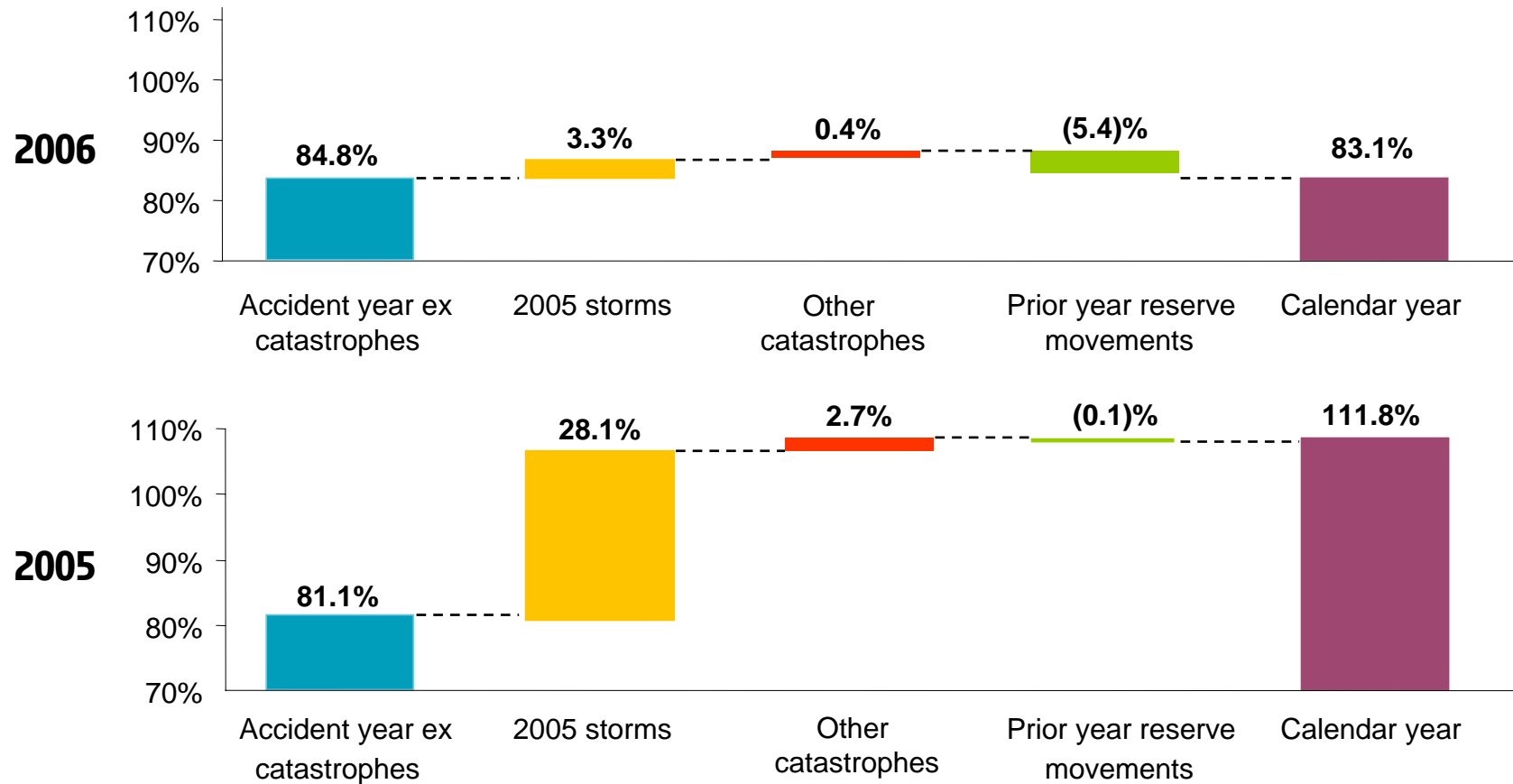
CALENDAR YEAR COMBINED RATIO



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

Strong performance enhanced by overall prior year releases

COMBINED RATIOS



Source: Lloyd's pro forma financial statements

Increase in operating expenses in line with premium growth

£ millions	2004	2005	2006	%
Gross written premiums	14,614	14,982	16,414	9.6
Acquisition costs	2,805	2,913	3,191	9.5
Admin expenses	880	872	910	4.4
Sub total	3,685	3,785	4,101	8.3
(Gains) / losses on exchange	70	(117)	226	
Net operating expenses	3,755	3,668	4,327	18.0

Source: Lloyd's pro forma financial statements

Investment mix and returns provide a positive contribution to performance

%	Syndicate level assets		Funds at Lloyd's		Central Fund & other central assets	
	2005	2006	2005	2006	2005	2006
Bonds	82	81	22	20	54	58
Equities	2	3	8	9	13	17
Cash and other	16	16	70	71	33	25
	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Total (£m)	23,256 ¹	22,099	10,206	11,282	1,570 ²	1,710²
Return (£m)	705	957	602	651	129	53
Yield (%)	3.2	4.2	6.1	6.1	9.3	3.2

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) Gross invested central assets, stated on IFRS basis.

Reduction in outstanding claims liabilities strengthens balance sheet

£ millions	2004	2005	2006	%
Cash and investments	31,412	35,012	35,091	0.2
Reinsurers' share of technical provisions	10,550	15,146	10,030	(33.8)
Other assets	<u>9,203</u>	<u>9,895</u>	<u>8,994</u>	(9.1)
Total assets	51,165	60,053	54,115	(9.9)
Unearned premiums	(6,780)	(6,829)	(7,024)	2.9
Other liabilities	<u>(32,216)</u>	<u>(42,232)</u>	<u>(33,758)</u>	(20.0)
Net resources ¹	<u>12,169</u>	<u>10,992</u>	<u>13,333</u>	21.3
<i>Represented by:</i>				
Members' assets ²	11,048	9,798	11,879	21.2
Central assets ³	<u>1,121</u>	<u>1,194</u>	<u>1,454</u>	21.8
	<u>12,169</u>	<u>10,992</u>	<u>13,333</u>	21.3

Source: Lloyd's pro forma financial statements

1. Capital, reserves & subordinated loan notes

2. Includes syndicate balances and funds at Lloyd's

3. Stated on a UK GAAP basis; excludes subordinated debt liability

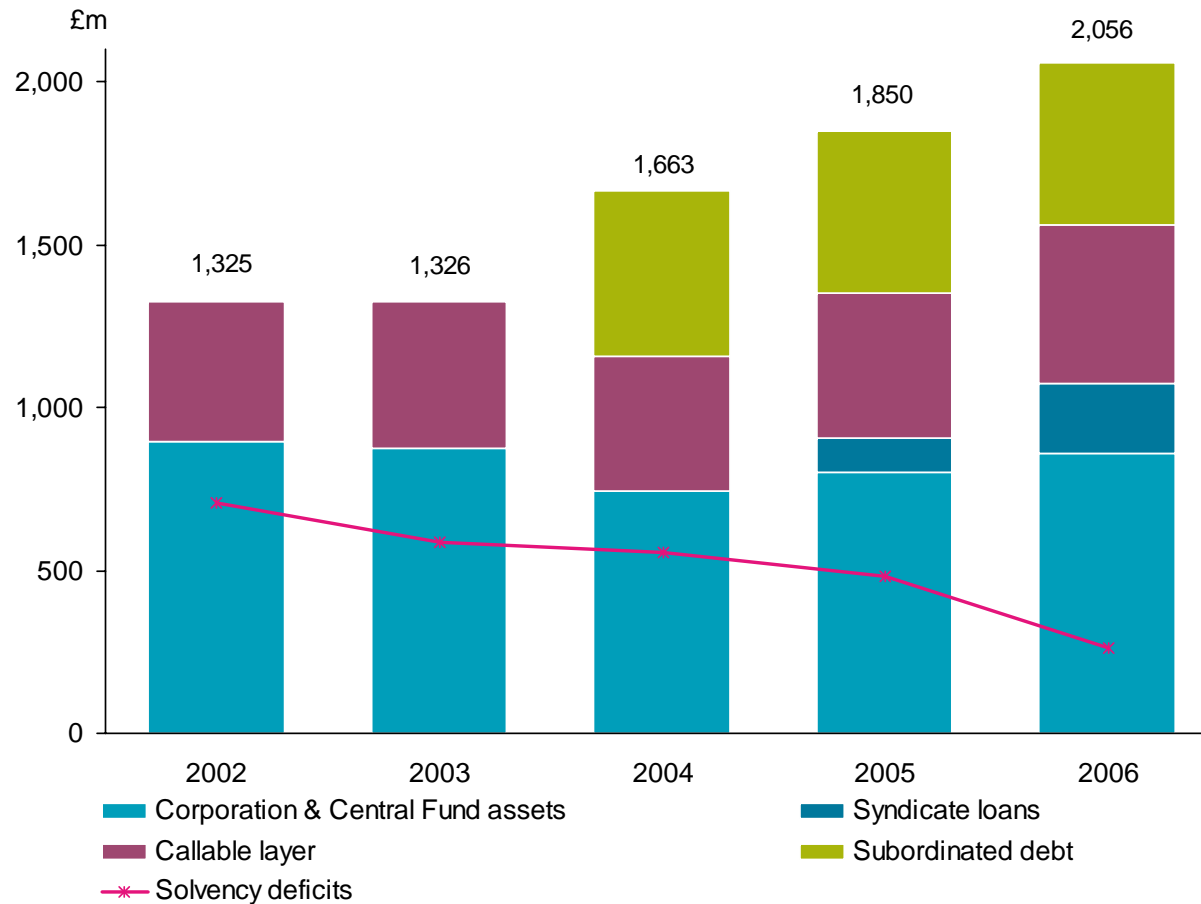
Central resources continue to grow

£ millions	2004	2005	2006
Net Central Fund assets at 1 January	528	607	670
Contributions from members	191	70	152
Receipt of syndicate loans	-	104	113
Claims and provisions	(126)	(224)	(116)
Net finance income	33	87	17
Other	(19)	26	7
Net Central Fund assets at 31 Dec	607	670	843
Corporation of Lloyd's + subsidiaries	83	95	114
Subordinated debt	506	501	497
Central assets	1,196	1,266	1,454
Callable layer	411	443	484
Other adjustments for solvency	56	141	118
Central resources for solvency	1,663	1,850	2,056

Source: Society of Lloyd's financial statements under IFRS.

1) Callable layer calculated at 3% of initial 2007 capacity of £16.1bn.

Continued growth in central resources while solvency deficits decline



Source: Society of Lloyd's financial statements

1) Callable layer calculated at 3% of initial 2007 capacity of £16.1bn.

CONCLUSIONS

Exceptional year - disciplined response required

- Unrealistic to expect a similarly favourable claims experience
- Signs of softening in most lines of business and industry profitability will continue to put pressure on rates

Lloyd's is in a strong position:

- Lloyd's performance management framework will ensure disciplined underwriting
- Robust financial strength
- Completion of Equitas-NICO deal brings greater certainty
- Fitch upgrades Lloyd's financial strength rating to A+

OUR PRIORITY IS TO DELIVER THE THREE-YEAR PLAN

Key tasks:

- Cycle management to continue to deliver superior returns
- Further improvement in operations and processes to support cost-effective, efficient transaction of business, irrespective of location

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