

2011 ANNUAL RESULTS

28 March 2012

2011 HIGHLIGHTS

- The unprecedented level of natural catastrophes made 2011 the second costliest year on record for the insurance industry.
- Lloyd's incurred net claims of £13bn, we have reported a full year loss of £516 million.
- The full year results were helped by a profit in the second half despite the impact of the floods in Thailand.
- Capital strength is unchanged, Lloyd's is well capitalised.
- The rating environment remains challenging.
- Good progress in 2011 on Solvency II, international development, market modernisation and cost savings.

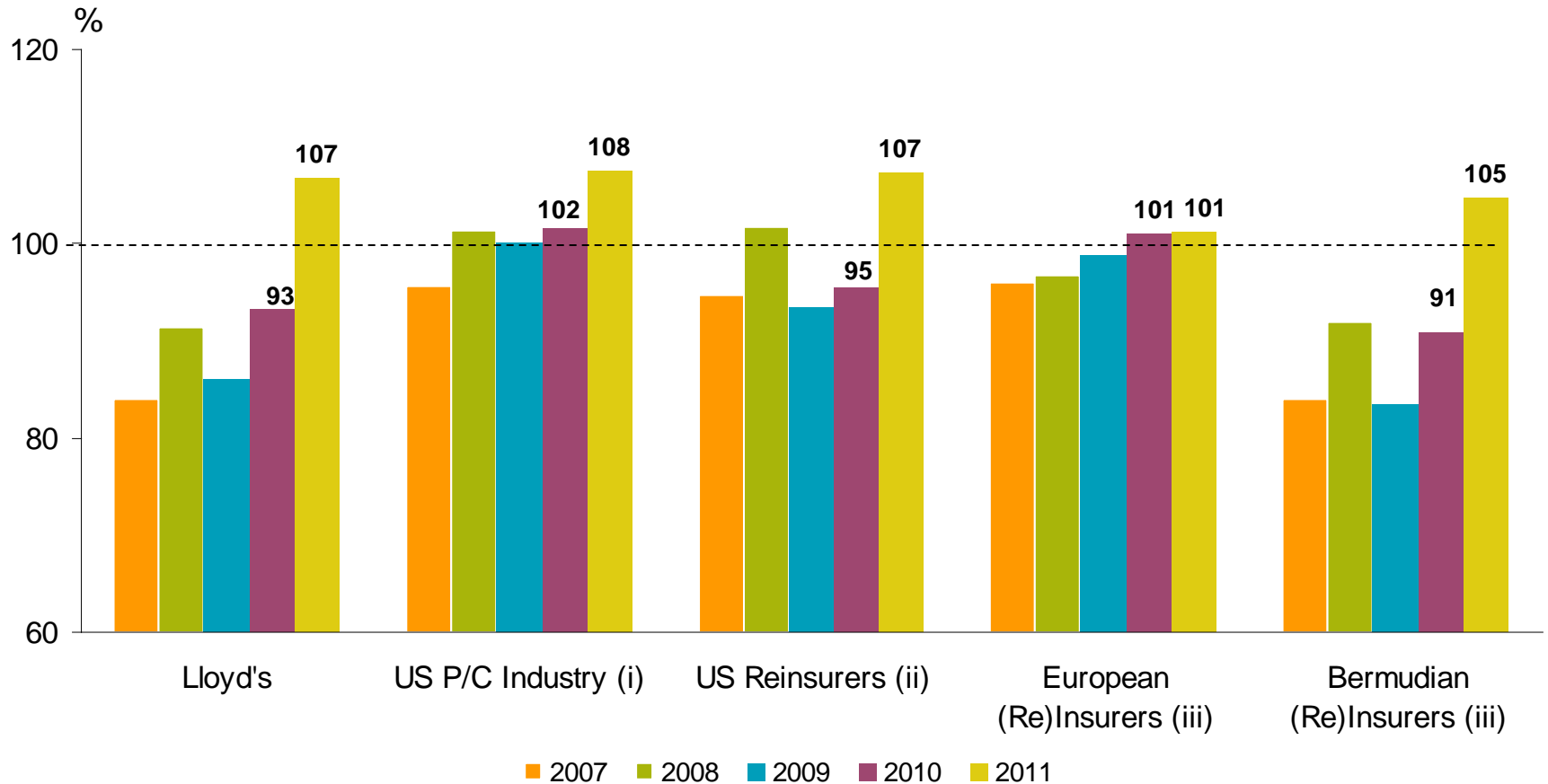
CHALLENGING CIRCUMSTANCES IMPACT RESULTS ...

£m	2010	2011
Gross written premiums	22,592	23,477
Combined ratio	93.3%	106.8%
Investment return	1,258	955
Result before tax	2,195	(516)
Return on capital (pre-tax) %	12.1	(2.8)

Source: Lloyd's pro forma financial statements, 31 Dec 2011

... OUR PERFORMANCE IS IN LINE WITH OUR PEERS

COMBINED RATIO



Sources i) Insurance Information Institute (estimate-2011), ii) Reinsurance Association of America, iii) Company data (8 European companies: 17 Bermudian companies)

RETURN ON CAPITAL OF 14% OVER FIVE YEARS

	2007	2008	2009	2010	2011
Pre-tax result £bn	3.8	1.9	3.9	2.2	(0.5)
Combined ratio (%)	84.0	91.3	86.1	93.3	106.8
Investment return (%)	5.6	2.5	3.9	2.6	1.9
Gross written premiums £bn	16.4	18.0	22.0	22.6	23.5
Net resources ¹ £bn	14.5	15.3	19.1	19.1	19.1
Pre-tax ROC (%)	29.3	13.7	23.9	12.1	(2.8)
Pre-tax ROC 5 year average (%)				21.3	14.3

Source: Lloyd's pro forma financial statements, 31 Dec 2011

1. Capital, reserves & subordinated loan notes and securities

FINANCIAL RESULTS

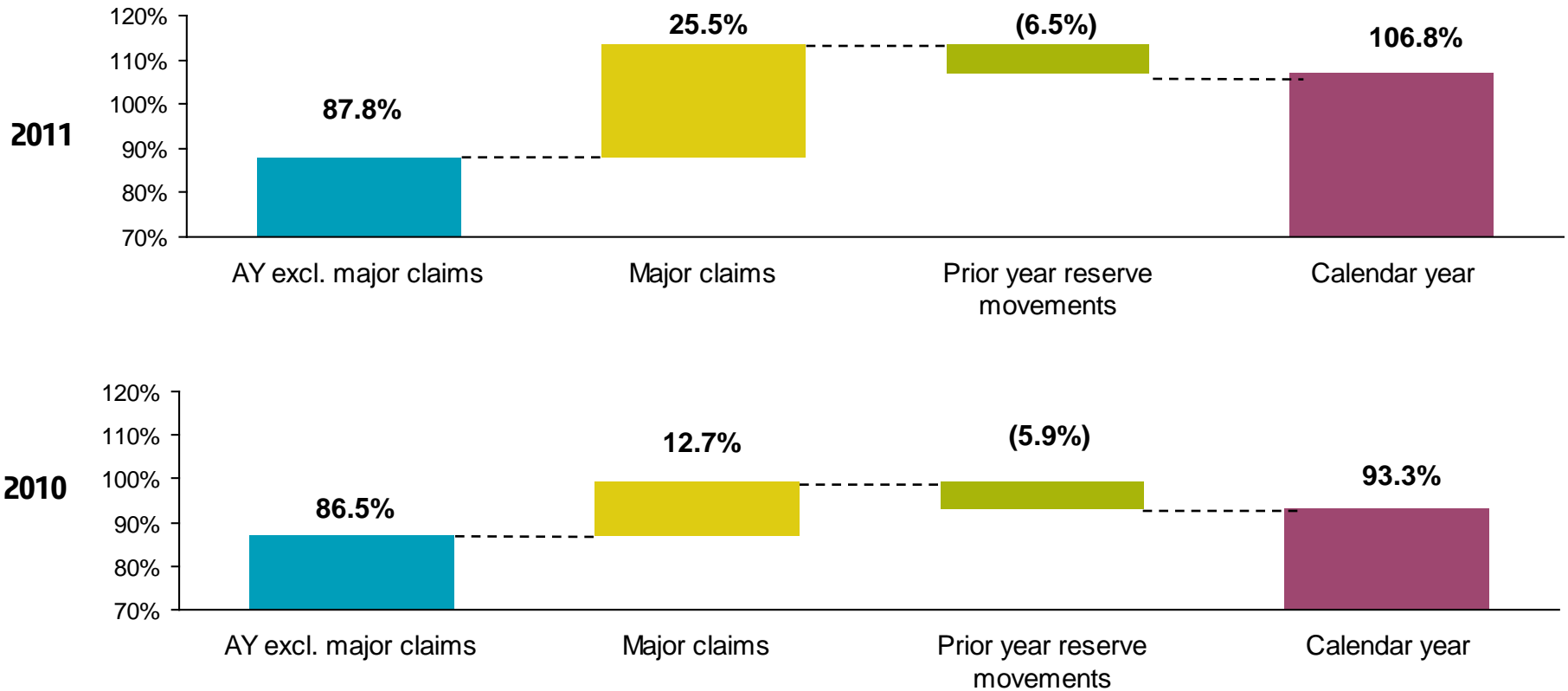
CATASTROPHES DRIVE LOSS FOR THE YEAR ...

£m	2010	2011	% change
Gross written premiums	22,592	23,477	3.9
Net earned premiums	17,111	18,100	5.8
Net incurred claims	(10,029)	(12,900)	28.6
Operating expenses ¹	(5,939)	(6,437)	8.4
Underwriting contribution	1,143	(1,237)	-
Investment return ²	1,258	955	(24.1)
Other income / expenses ³	(206)	(234)	13.6
Result before tax	2,195	(516)	-
Combined Ratio %	93.3	106.8	
Return on capital (pre-tax) %	12.1	(2.8)	

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

... ADDING 25.5% TO COMBINED RATIO

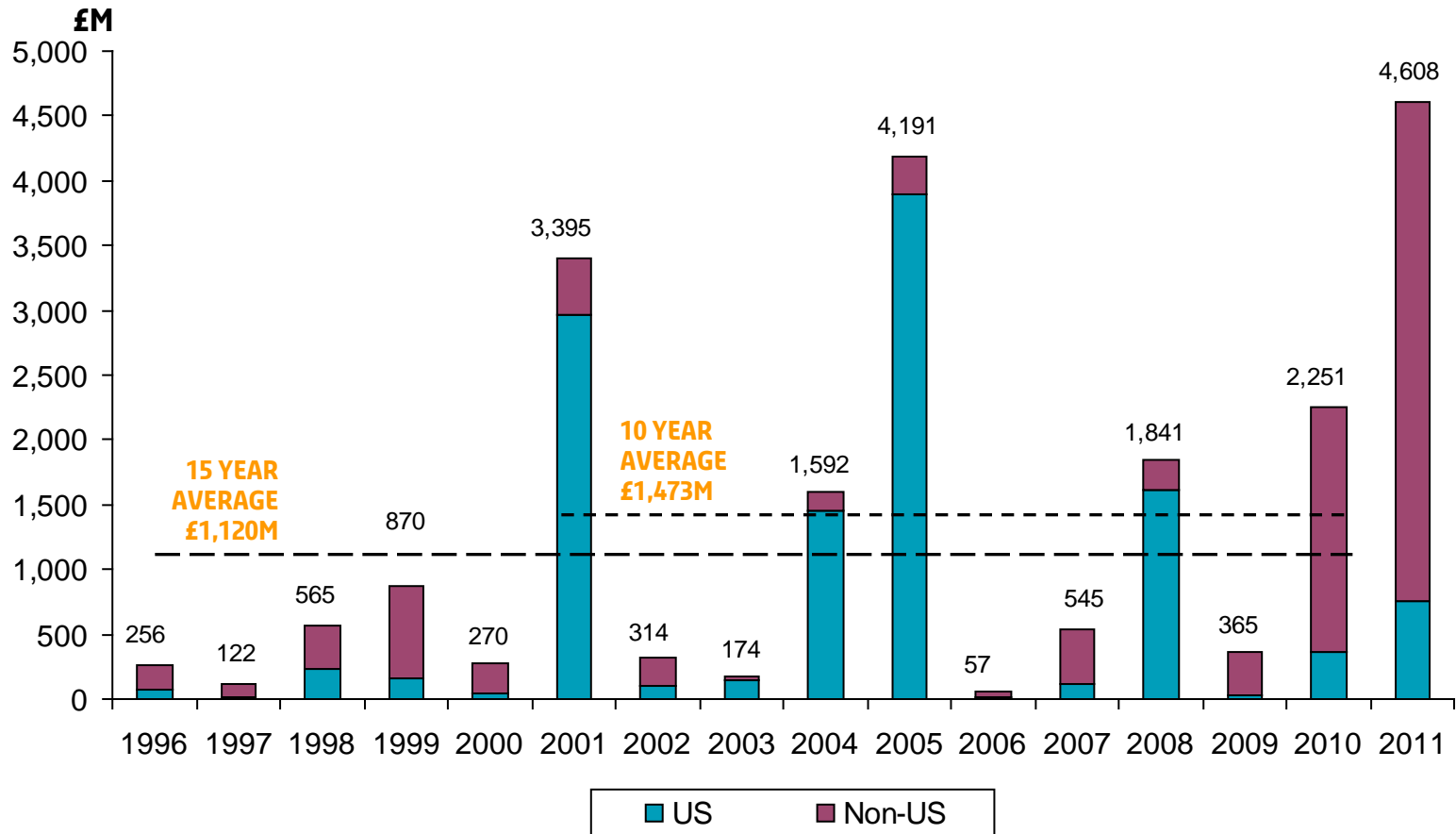
COMBINED RATIOS



Source: Lloyd's pro forma basis

...WITH NON-US EVENTS MORE PROMINENT...

LLOYD'S MAJOR CLAIMS: NET ULTIMATE CLAIMS

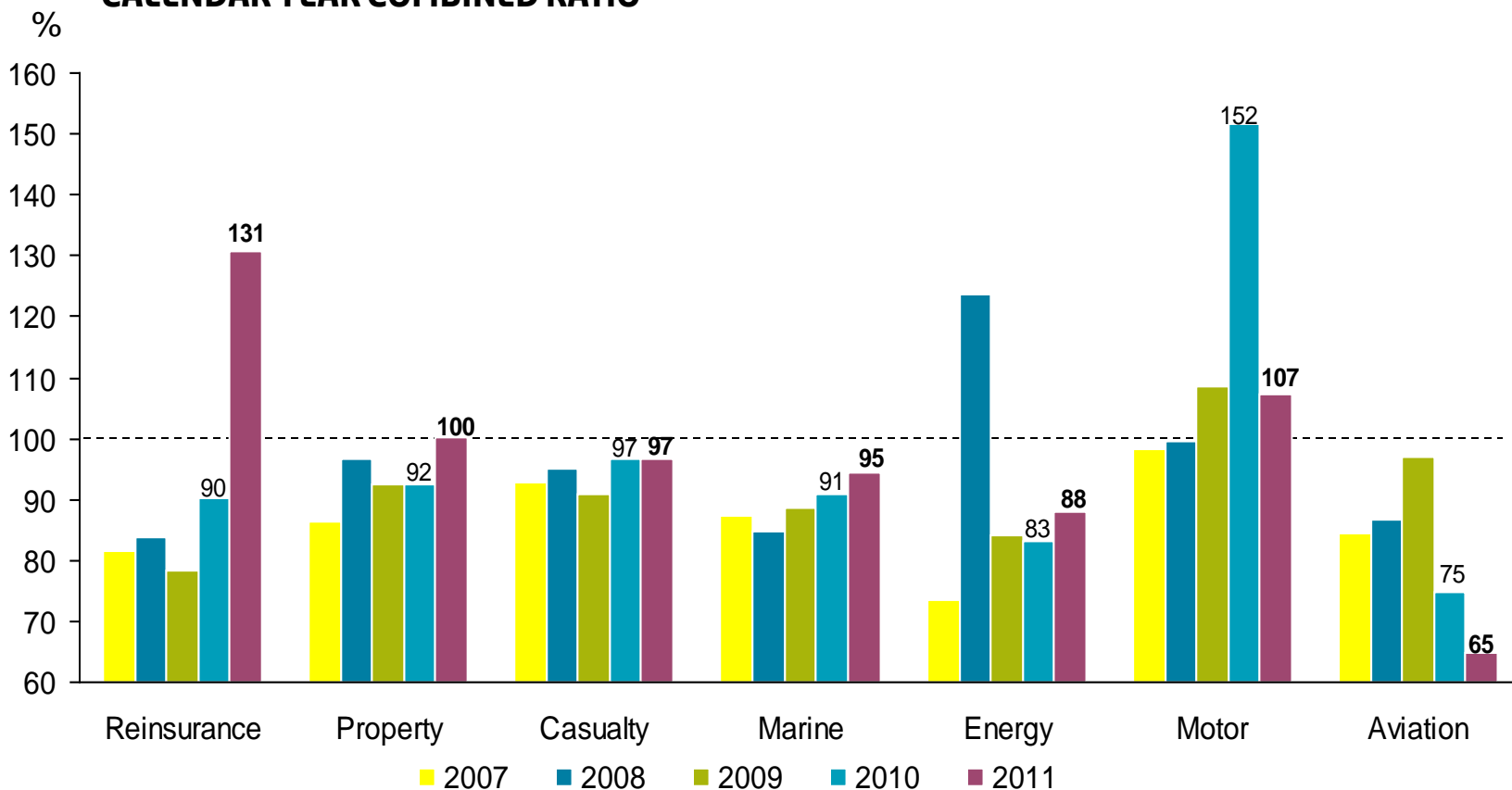


Source: Lloyd's pro forma basis

Indexed to December 2011

... THE WEAK RATING ENVIRONMENT LEAVES LIMITED MARGIN TO ABSORB CATASTROPHE LOSSES

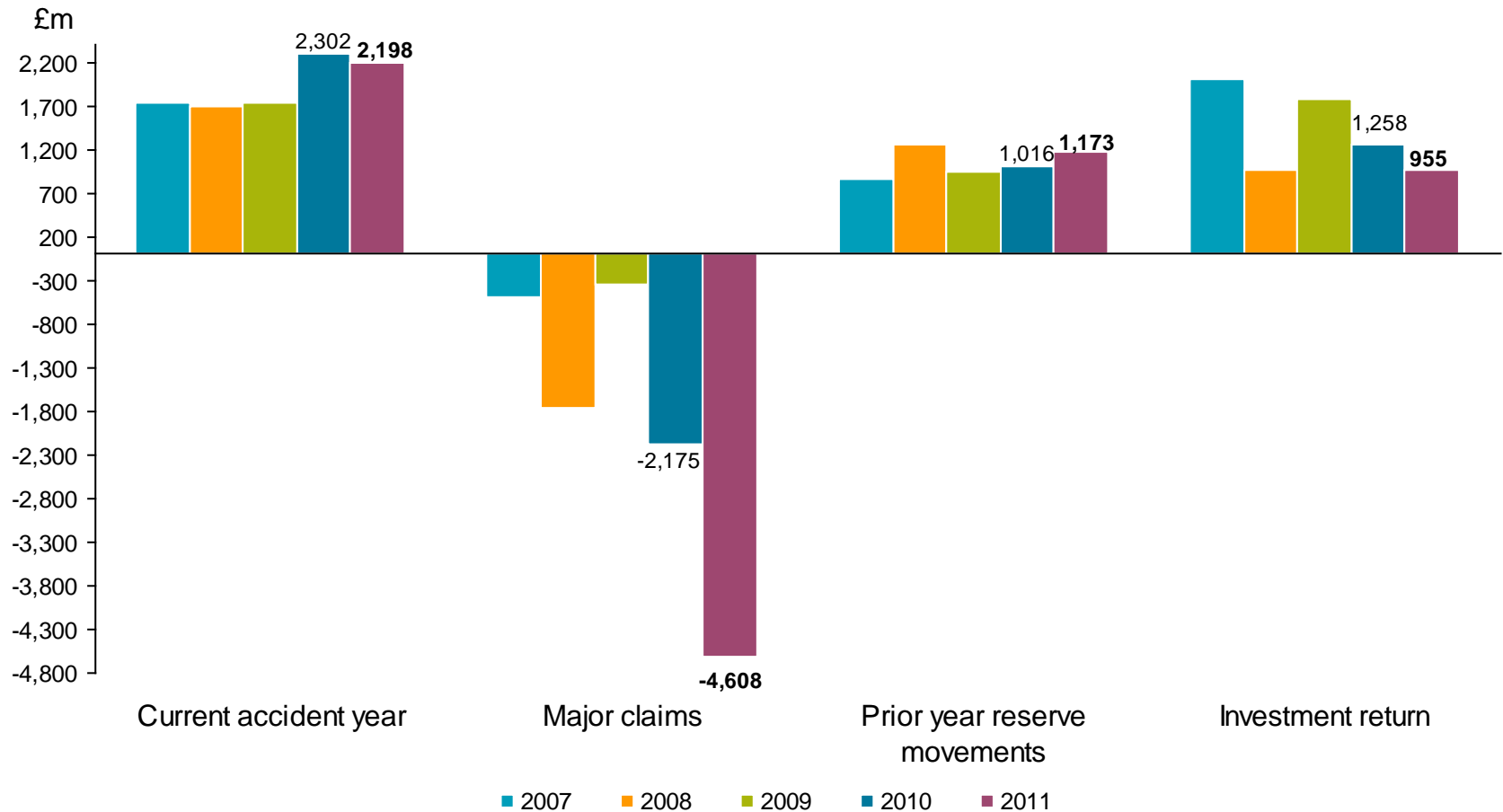
CALENDAR YEAR COMBINED RATIO



NEP: £6.4 bn	£3.8 bn	£3.5 bn	£1.6 bn	£1.1bn	£1.1bn	£0.6 bn
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Source: Lloyd's pro forma financial statements, 31 Dec 2011; NEP: Net Earned Premium

CONSISTENT CURRENT YEAR PROFITS AND LOW INVESTMENT RETURN



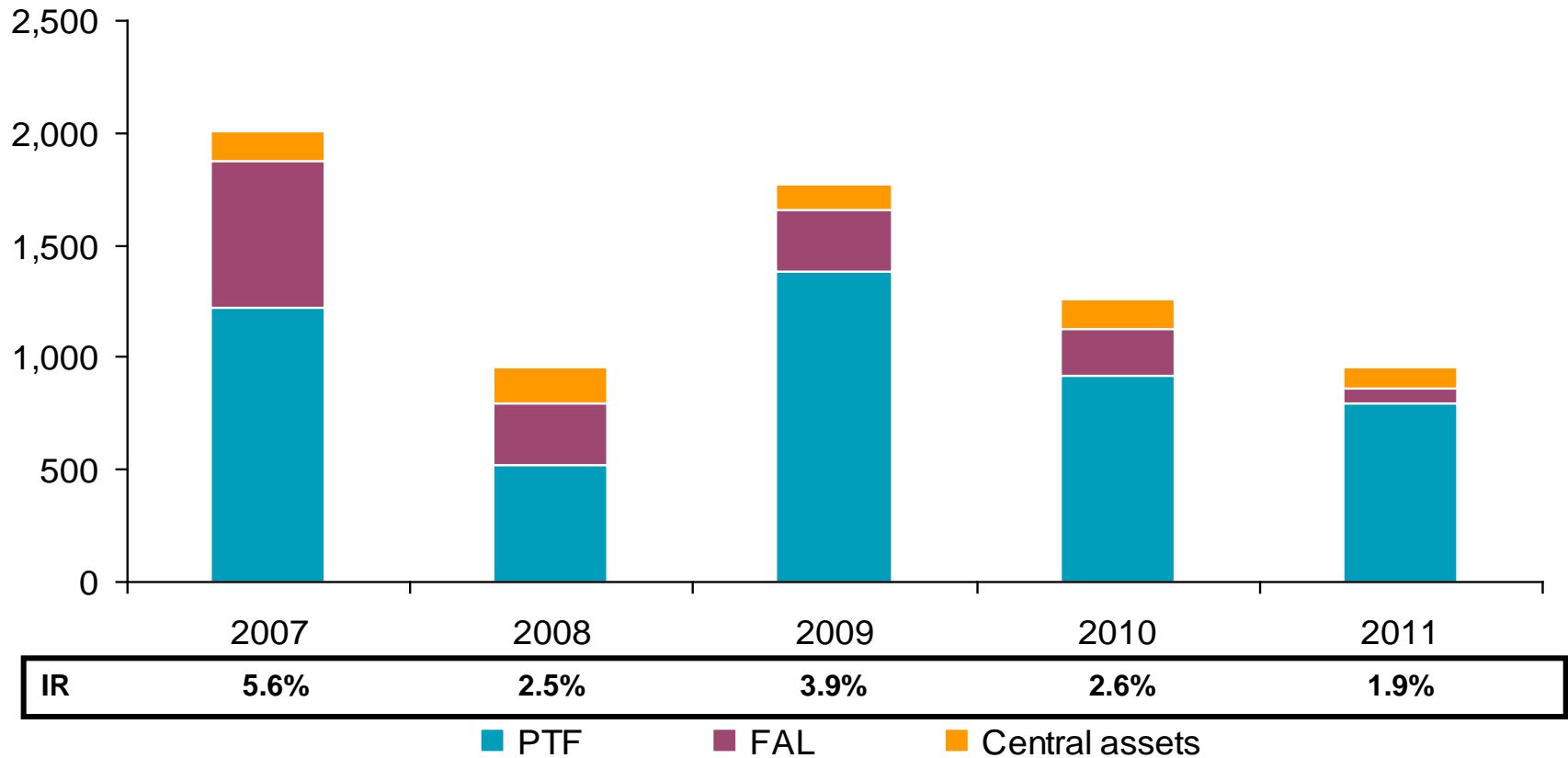
Source: Lloyd's pro forma financial statements, 31 Dec 2011

INVESTMENT PERFORMANCE

LOW YIELDS CONTINUE TO DRIVE RETURNS LOWER

INVESTMENT RETURN

£m

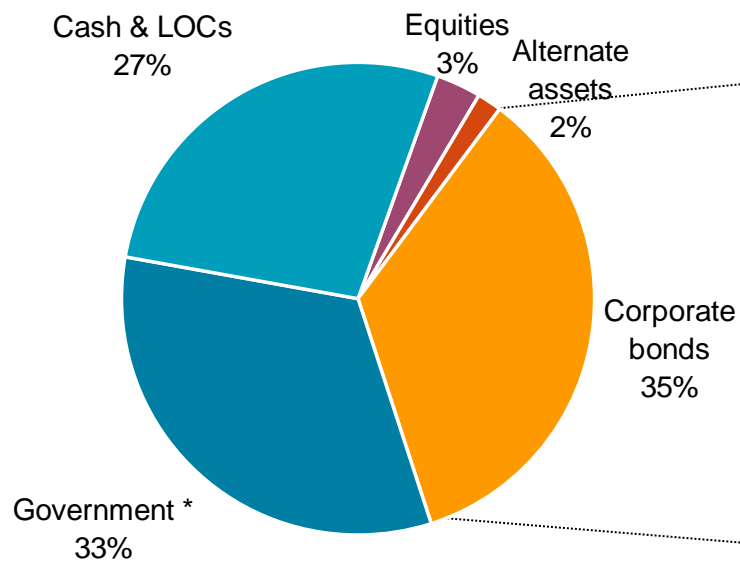


Note: FAL - Members' Funds at Lloyd's; PTF – Syndicate Premium Trust Funds

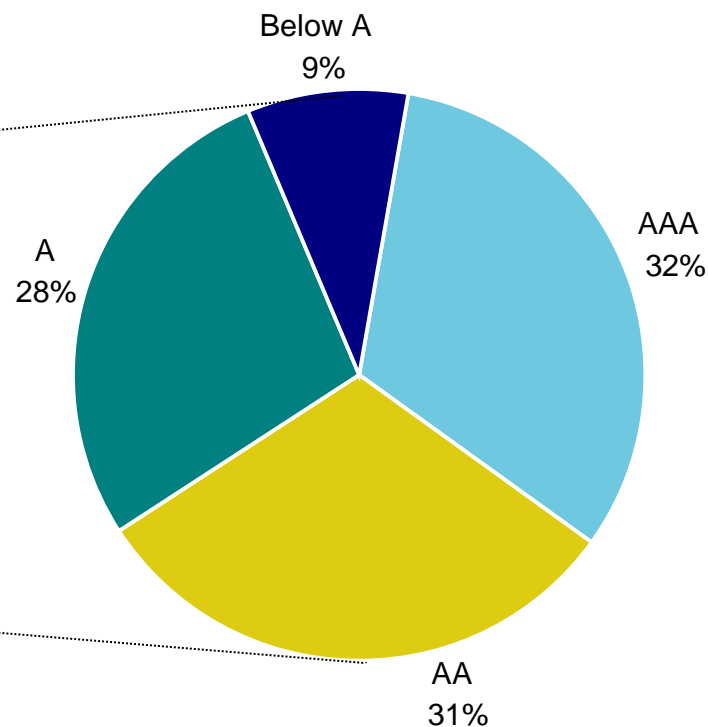
Source: Lloyd's pro forma financial statements, 31 Dec 2011

OVER 90% OF INVESTMENTS REMAIN IN CASH AND HIGH QUALITY BONDS...

LLOYD'S MARKET INVESTED ASSETS



CORPORATE BONDS



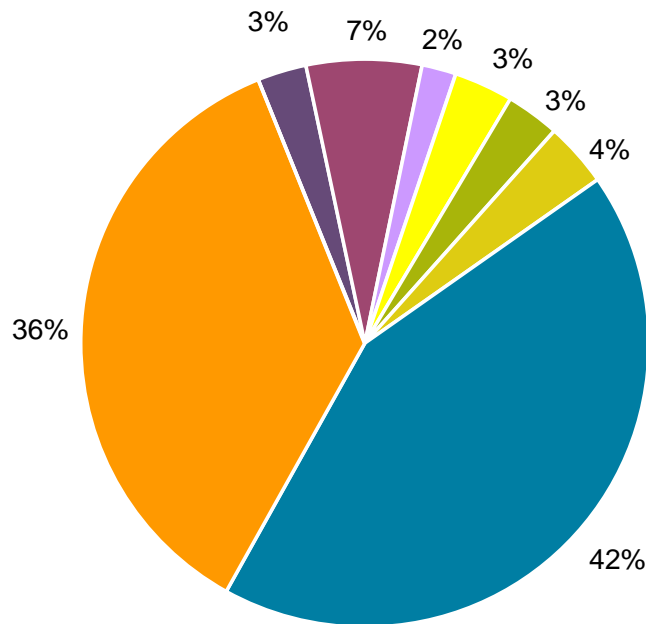
Note: * Includes supranationals and government agencies
Source: Lloyd's pro forma financial statements, 31 Dec 2011

CENTRAL FUND INVESTMENT STRATEGY IS LITTLE CHANGED...

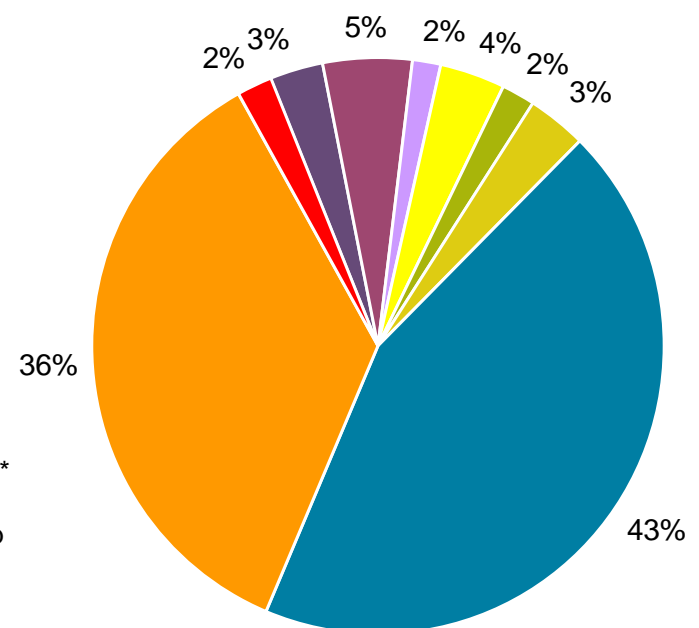
CENTRAL FUND DISPOSITION

Bond portfolios c80% of CF

Dec 2010



Dec 2011



- 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, 31 Dec 2011

... now include commodities

BALANCE SHEET AND CAPITAL

BALANCE SHEET STRENGTH SUSTAINED ...

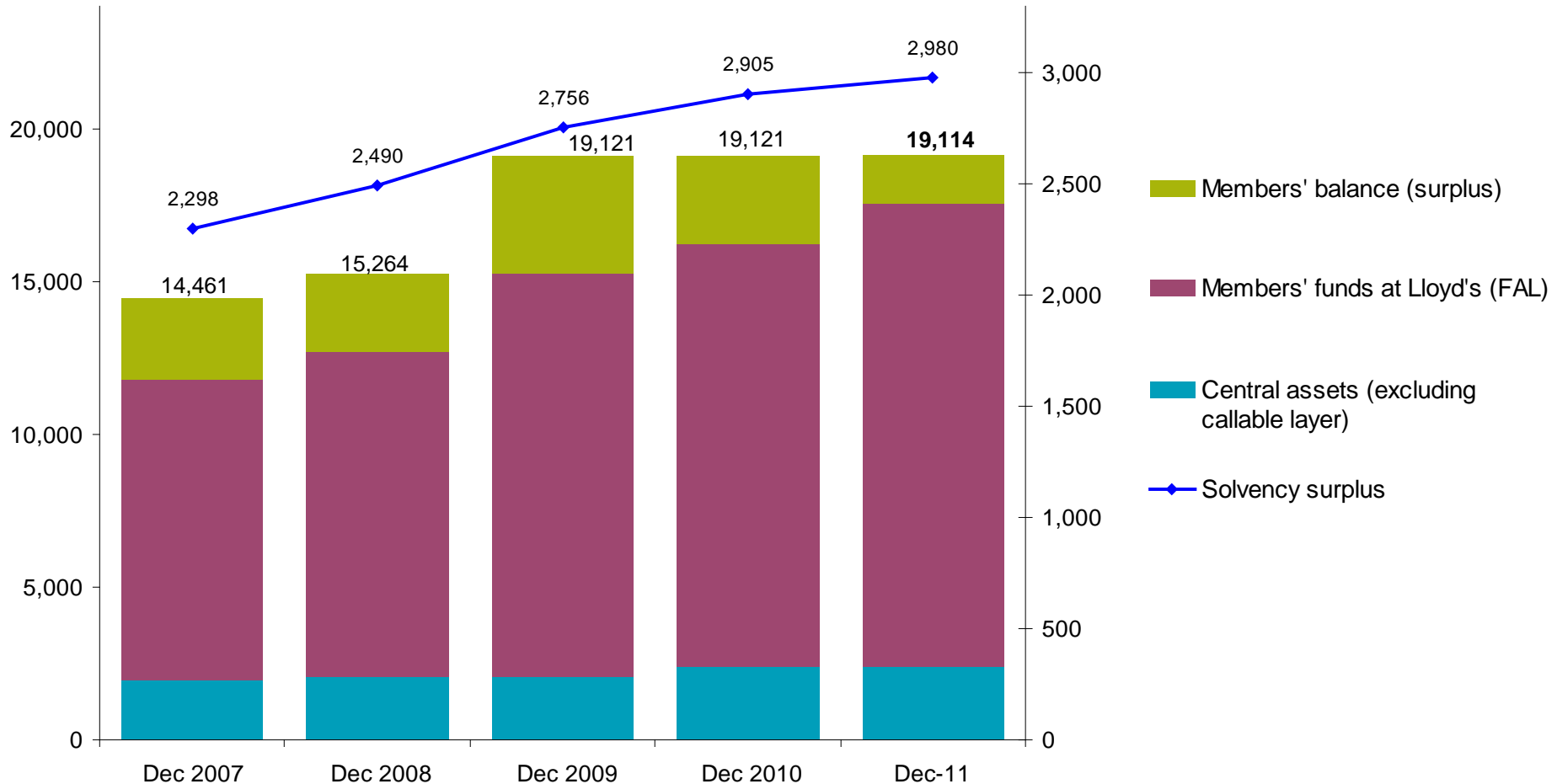
£m	Dec 2010	Dec 2011	%
Cash and investments	48,483	51,416	6.0
Reinsurers' share of unearned premiums	1,458	1,556	6.7
Reinsurers share of claims outstanding	8,779	10,597	20.7
Other assets	11,890	12,979	9.2
Total assets	70,610	76,548	8.4
Gross unearned premiums	(10,125)	(10,605)	4.7
Gross claims outstanding	(36,303)	(41,313)	13.8
Other liabilities	(5,061)	(5,516)	9.0
Net resources	19,121	19,114	(0.0)
<i>Represented by:</i>			
Members assets	16,744	16,726	(0.1)
Central assets	2,377	2,388	0.5
	19,121	19,114	(0.0)

Source: Lloyd's pro forma basis

... WITH SOLVENCY SURPLUS CONTINUING TO INCREASE

Balance Sheet (£m)

Solvency (£m)



Source: Society of Lloyd's financial statements

SUMMARY

LLOYD'S REMAINS WELL POSITIONED FOR THE CHALLENGES AHEAD

- Despite the events of 2011, financial strength remains strong.
- Ratings have been reaffirmed.
- The market has shown discipline.
- 2012 continues to be challenging.

