

2007 ANNUAL RESULTS

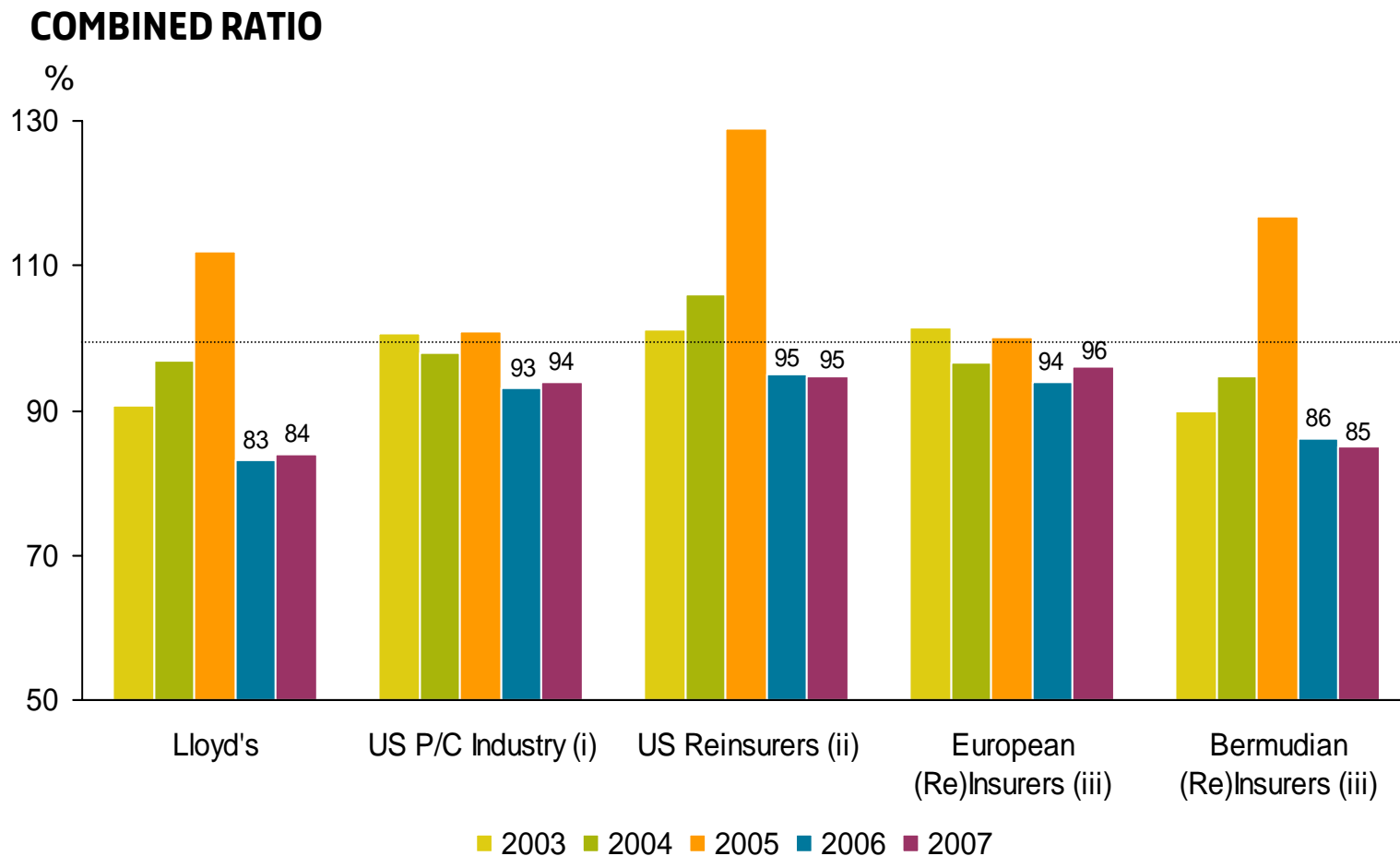
03 April 2008

Lloyd's market reports record performance in 2007

£m	2006	2007
Gross written premiums	16,414	16,366
Profit before tax	3,662	3,846
Combined ratio	83.1%	84.0%
Return on capital	31.4%	29.3%

Source: Lloyd's pro forma financial statements

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



Sources i) Insurance Information Institute estimate, ii) Reinsurance Association of America, iii) Company data (8 European companies: 15 Bermudian companies)

2007 was another successful year for Lloyd's

- Significant progress on key business reform initiatives
- Ratings upgrades
- Performance framework now completed and is operational
- Global distribution expanded
- Subordinated debt issue

These changes are having an impact:

- Improved customer satisfaction
- Brand strength
- New entrants to the market

FINANCIAL RESULTS

Good results underpinned by strong balance sheet and current underwriting conditions

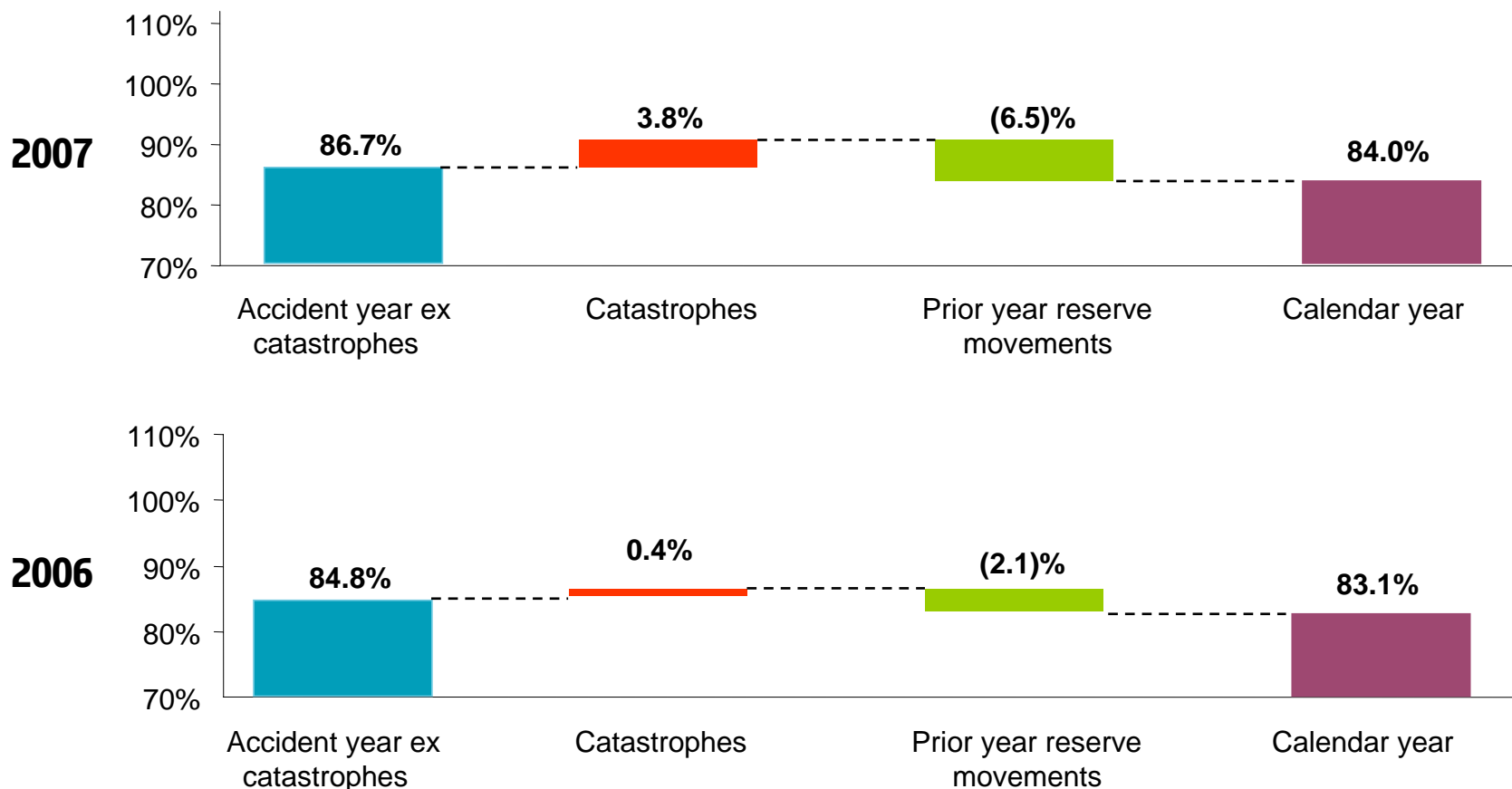
£m	2006	2007	%
Gross written premiums	16,414	16,366	(0.3)
Net earned premiums	12,688	13,097	3.2
Net incurred claims	(6,219)	(6,547)	5.3
Net operating expenses ¹	(4,327)	(4,451)	2.9
Underwriting result	2,142	2,099	(2.0)
Investment return	1,661	2,007	20.8
Other income less expenses ²	(141)	(260)	84.4
Profit before tax	3,662	3,846	5.0
Combined ratio	83.1%	84.0%	

Source: Lloyd's pro forma financial statements
 1) Technical account 2) Non-technical account

UNDERWRITING PERFORMANCE

2007 performance enhanced by prior year releases

COMBINED RATIOS

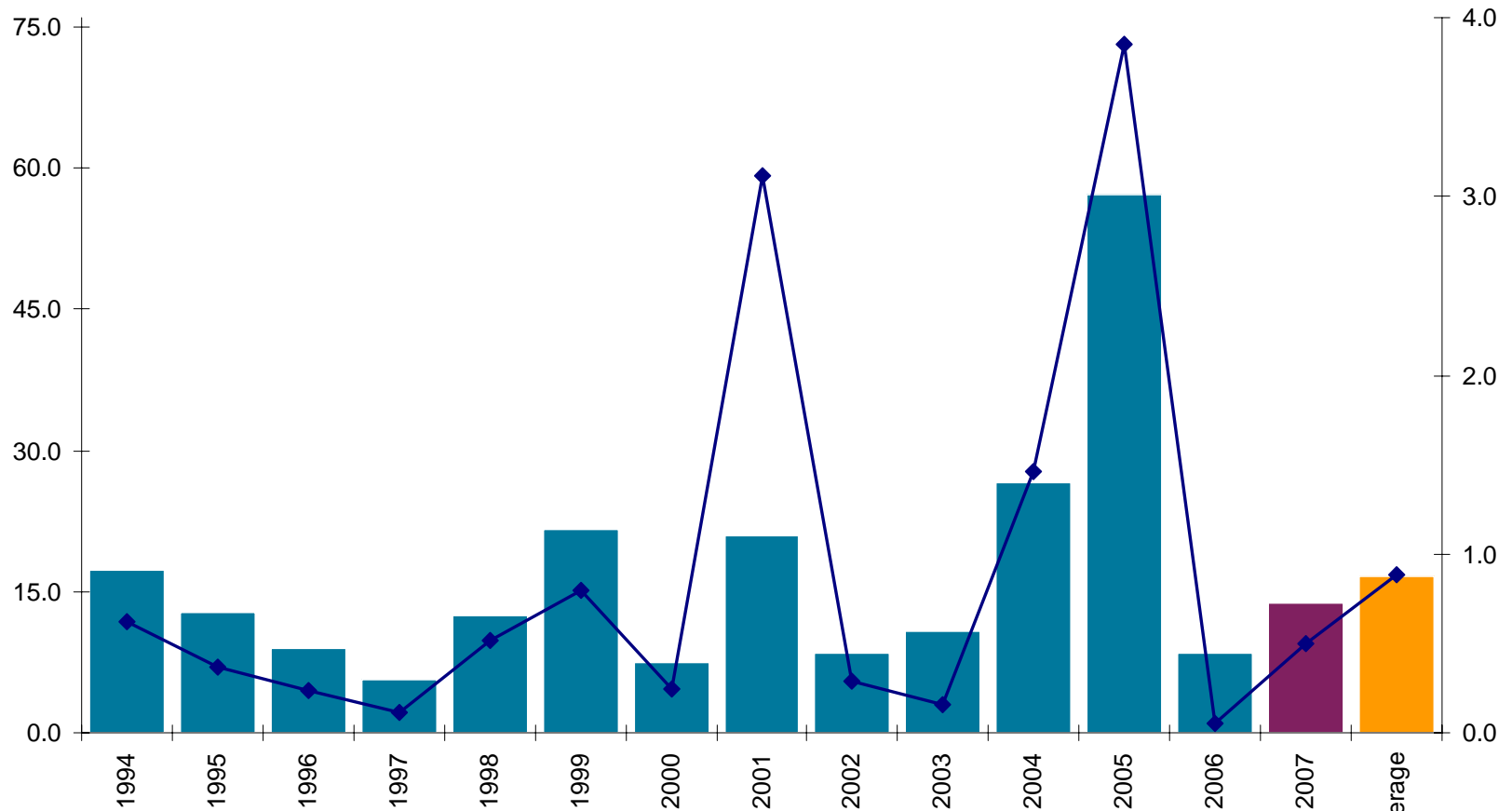


Source: Lloyd's pro forma financial statements

Industry losses in 2007 were more normalised, although still below average

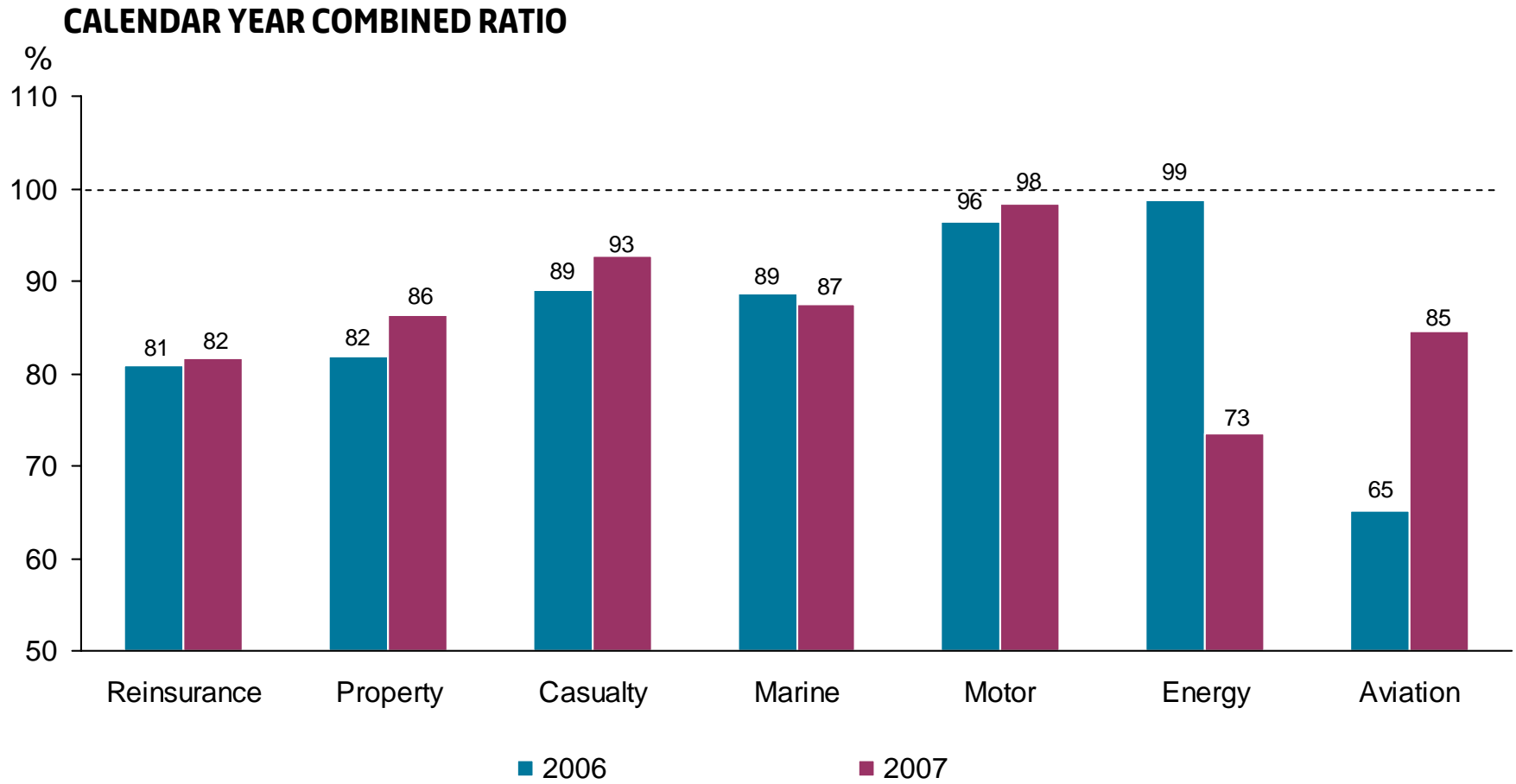
INDUSTRY CAT LOSSES
£BN INDEXED TO 2007

LLOYD'S CAT LOSSES
£BN INDEXED TO 2007



Source: Industry - Swiss Re, Sigma No 1/2008 (converted at average FX rate of 1.99) ; Lloyd's – Net ultimate claims for catastrophes per syndicate QMRs, Lloyd's pro forma financial statements

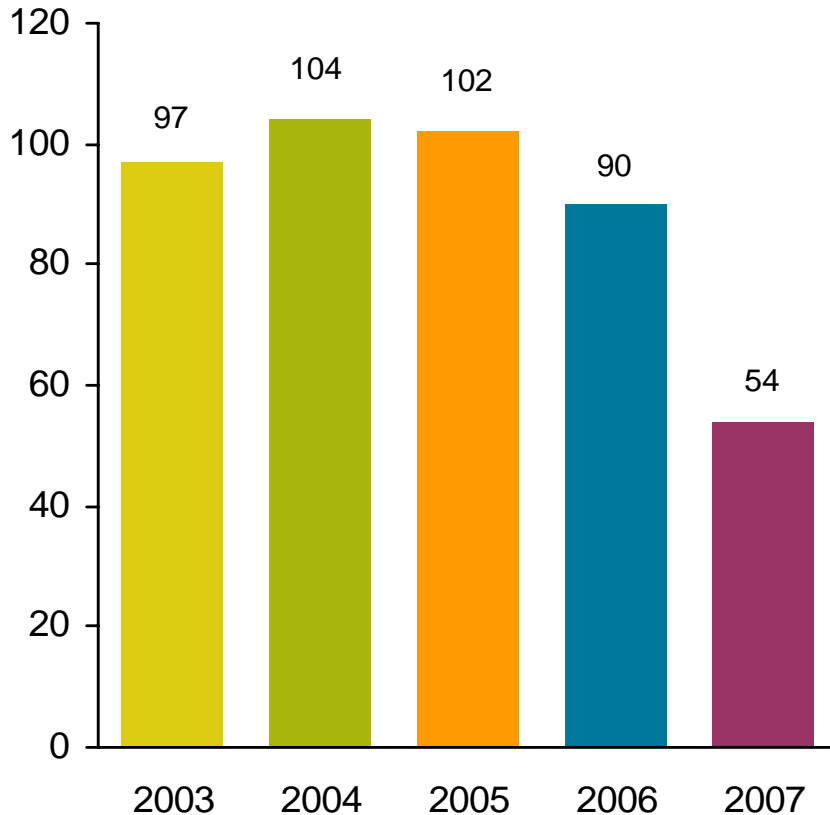
Reserve releases came from all lines of business



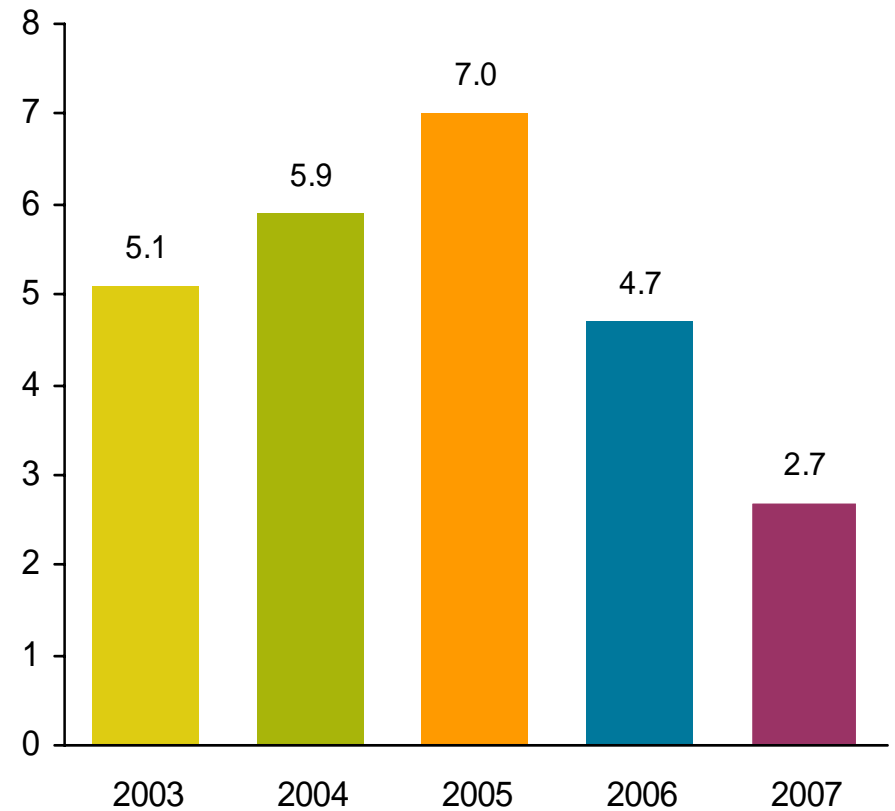
Source: Lloyd's pro forma basis at syndicate level

In addition to strong reserve releases from prior years, the open years position continues to improve

YEARS



LEVEL OF GROSS RESERVES (£BN)



Source: Lloyd's pro forma financial statements

Sub-prime underwriting exposure expected to be manageable

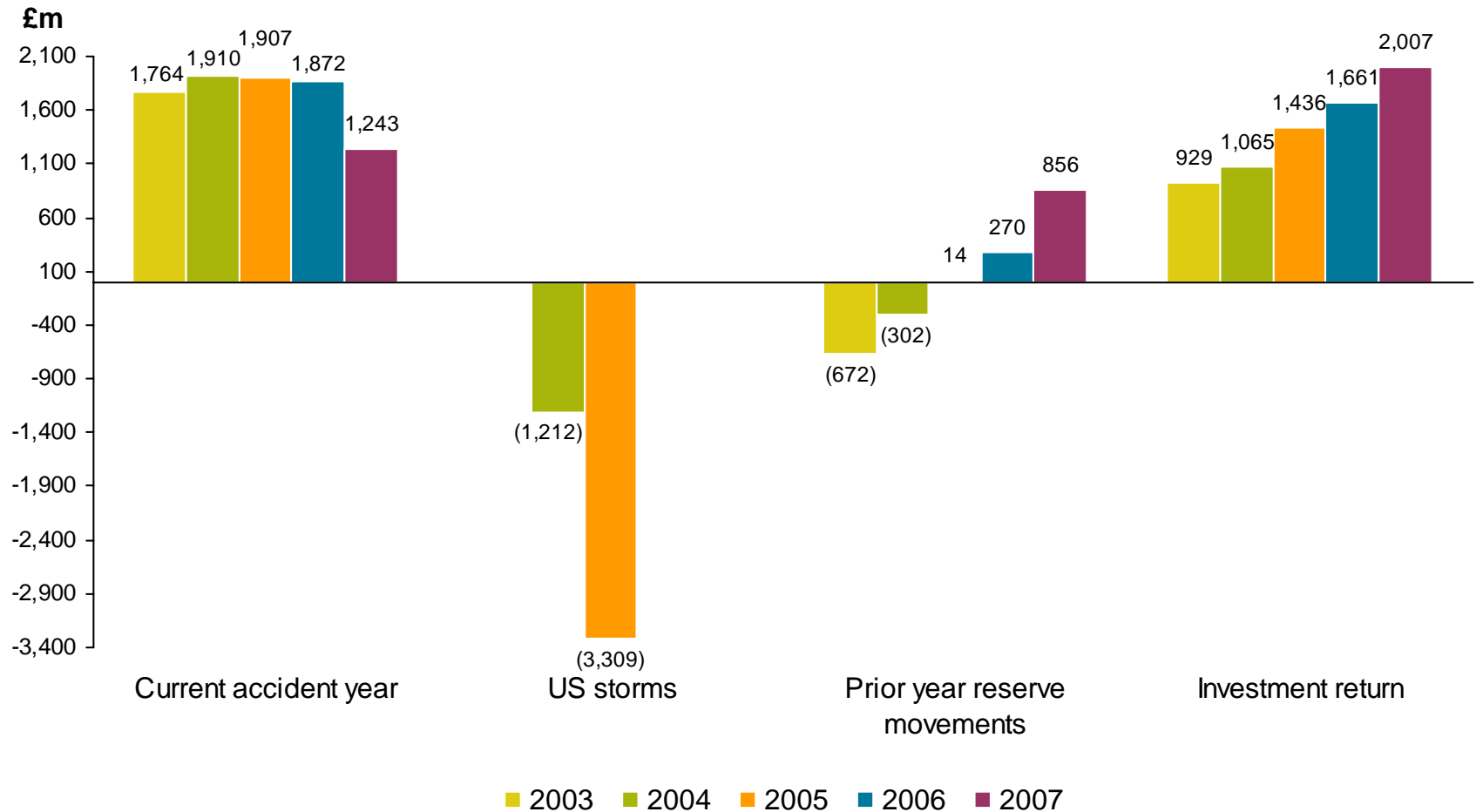
- Policies affected generally on a claims-made basis
- Lines which could be impacted: D&O, E&O, PI and Crime - principally of US financial institutions and related professions
- Lloyd's writes less of this type of business now than historically

Operating expenses remain under control

£m	2006	2007	%
Net earned premiums	12,688	13,097	3.2
Acquisition costs	3,191	3,449	8.1
Admin expenses	910	1,117	22.7
Sub total	4,101	4,566	11.3
(Gains) / losses on exchange	226	(115)	-
Net operating expenses	4,327	4,451	2.9

Source: Lloyd's pro forma financial statements

Current underwriting buoyed by balance sheet strength



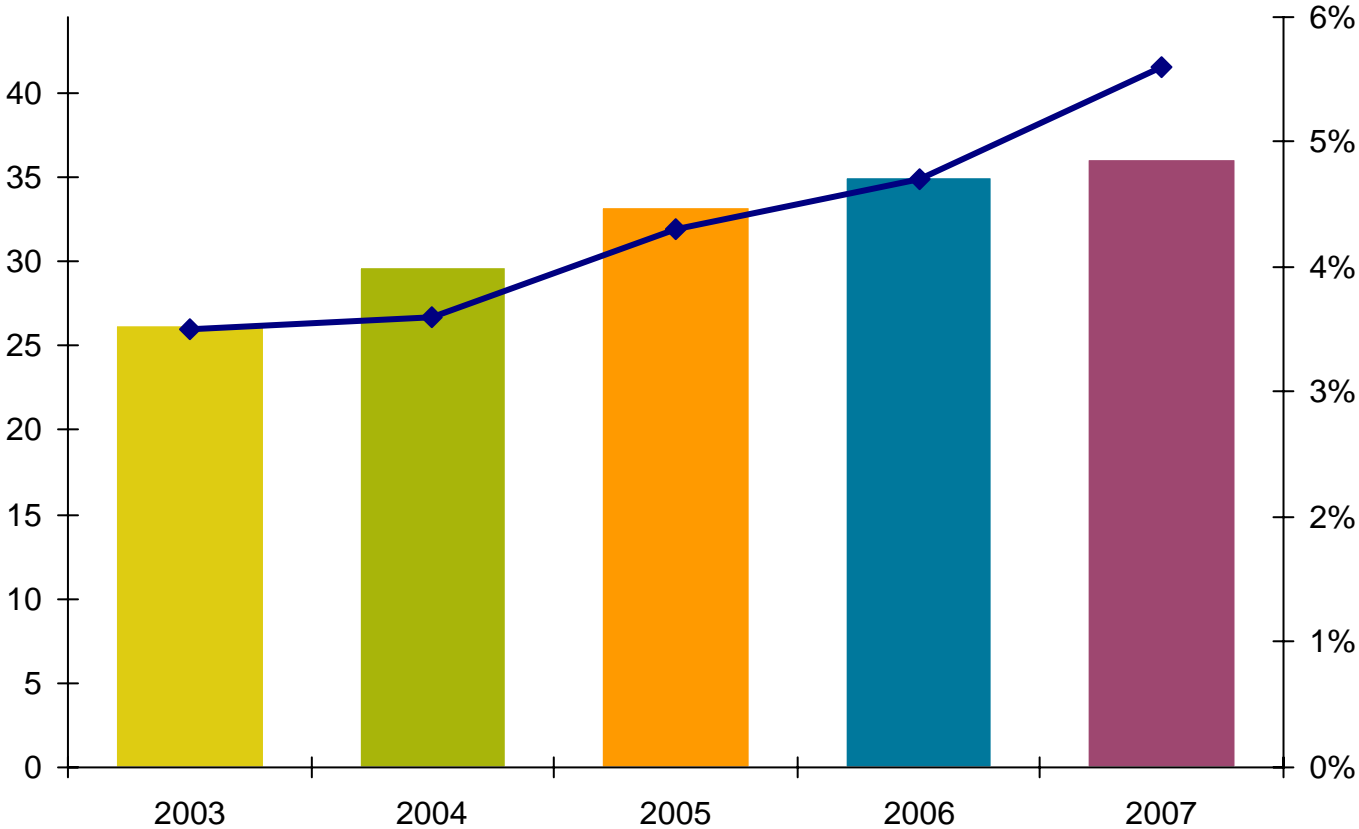
Source: Lloyd's pro forma financial statements

INVESTMENT PERFORMANCE

Strong investment returns also contributed to record result

AVERAGE INVESTMENTS (£BN)

RETURN (%)



Source: Lloyd's pro forma financial statements

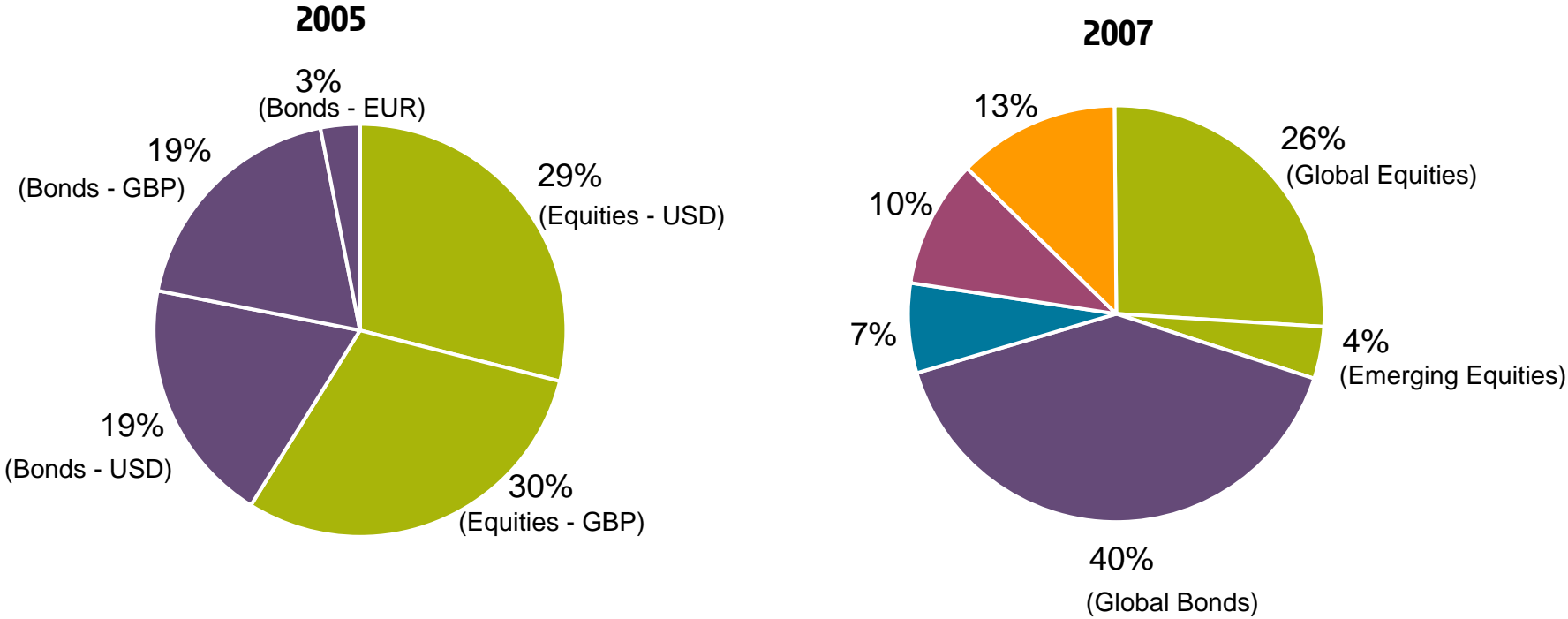
Improved investment performance in the year

	Syndicate level assets		Funds at Lloyd's		Central Assets		Total (weighted)	
%	2006	2007	2006	2007	2006	2007	2006	2007
Bonds	81	80	20	20	58	64	60	63
Equities	3	4	9	10	17	13	6	6
Cash and other	16	16	71	70	25	23	34	31
	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Total assets (£m)	22,099 ¹	24,960¹	11,282	9,858	1,710	2,163	35,091	36,981
Return (£m)	957	1,226	651	653	53	128	1,661	2,007
Return	4.2%	5.2%	6.1%	6.2%	3.2%	6.6%	4.7%	5.6%

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

Asset mix and high investment quality limits exposure to sub-prime

NET CENTRAL FUND ASSETS



■ Equities ■ Bonds ■ Emerging Debt & High Yield ■ Property ■ Hedge Fund

Note: Excludes assets matching central fund liabilities

Source: Society financial statements

BALANCE SHEET

Financial position strengthens alongside distribution of profits

£m	2006	2007	%
Cash and investments	35,091	36,981	5.4
Reinsurers' share of technical provisions	10,030	8,290	(17.3)
Other assets	8,994	8,682	(3.5)
Total assets	54,115	53,953	(0.3)
Unearned premiums	(7,024)	(7,282)	3.7
Other liabilities	(33,758)	(32,210)	(4.6)
Net resources ¹	<u>13,333</u>	<u>14,461</u>	8.5
<i>Represented by:</i>			
Members' assets ²	11,879	12,510	5.3
Central assets ³	1,454	1,951	34.2
	<u>13,333</u>	<u>14,461</u>	8.5

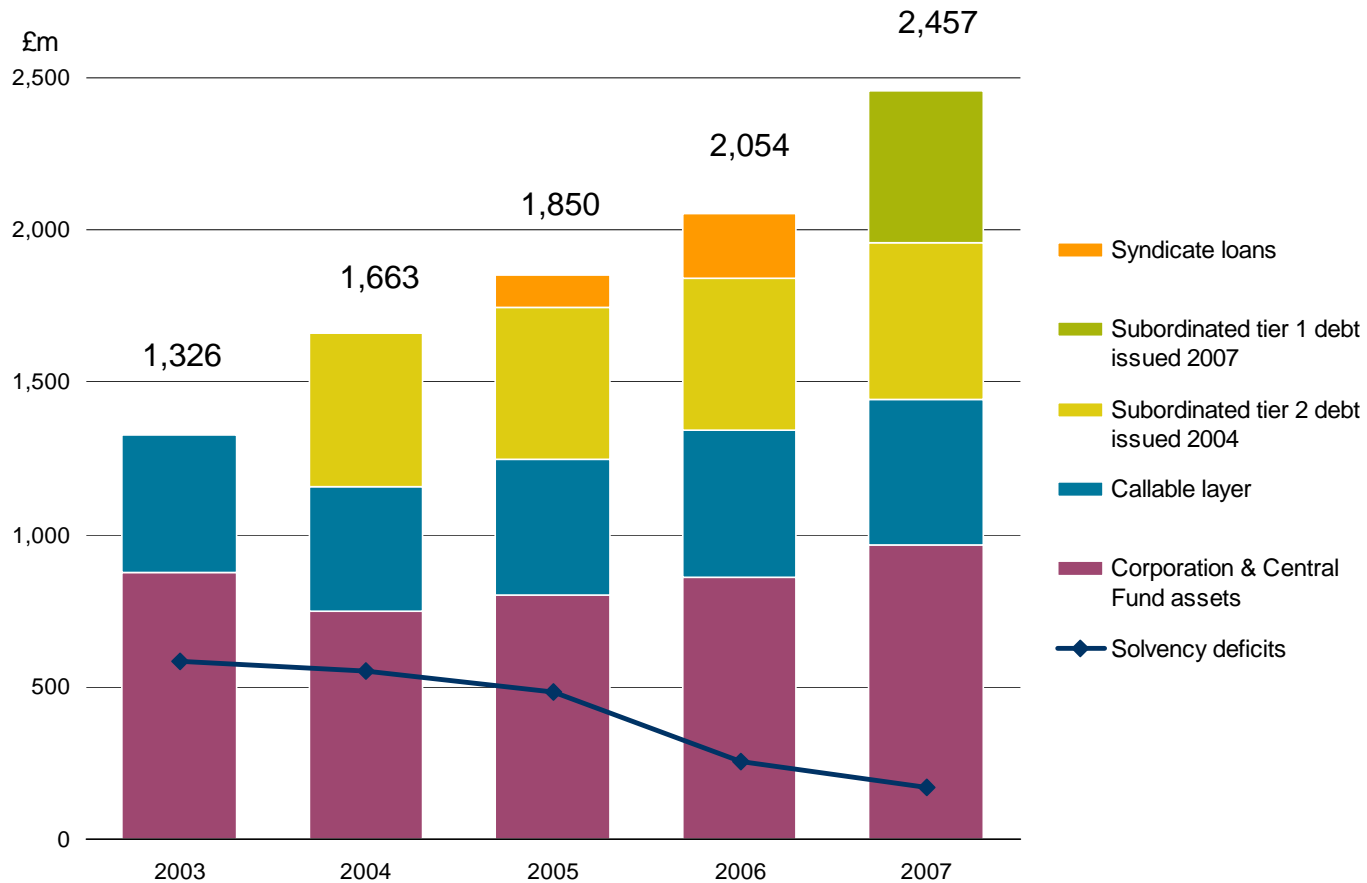
Source: Lloyd's pro forma financial statements

1. Capital, reserves & subordinated loan notes and securities

2. Includes syndicate balances and Funds at Lloyd's

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

Good market performance and innovative financing have built central assets to record levels



Source: Society of Lloyd's financial statements

1) Callable layer calculated at 3% of market capacity

2) Solvency deficits are the aggregate shortfall in members assets against liabilities

New debt issue and few claims build central resources

£m	2006	2007
Net Central Fund assets at 1 January	670	843
Contributions from members	152	168
Receipt/(repayment) of syndicate loans	113	(211)
Contribution to Equitas – Berkshire Hathaway	-	(90)
Claims and provisions (charge)/credit	(116)	18
Net finance income	17	46
Other	7	(7)
Net Central Fund assets at 31 Dec	843	767
Corporation of Lloyd's + subsidiaries	114	172
Tier II subordinated debt	497	516
Tier I subordinated debt	-	496
Central assets	1,454	1,951
Callable layer ¹	484	478
Other adjustments for solvency	116	28
Central resources for solvency	2,054	2,457

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

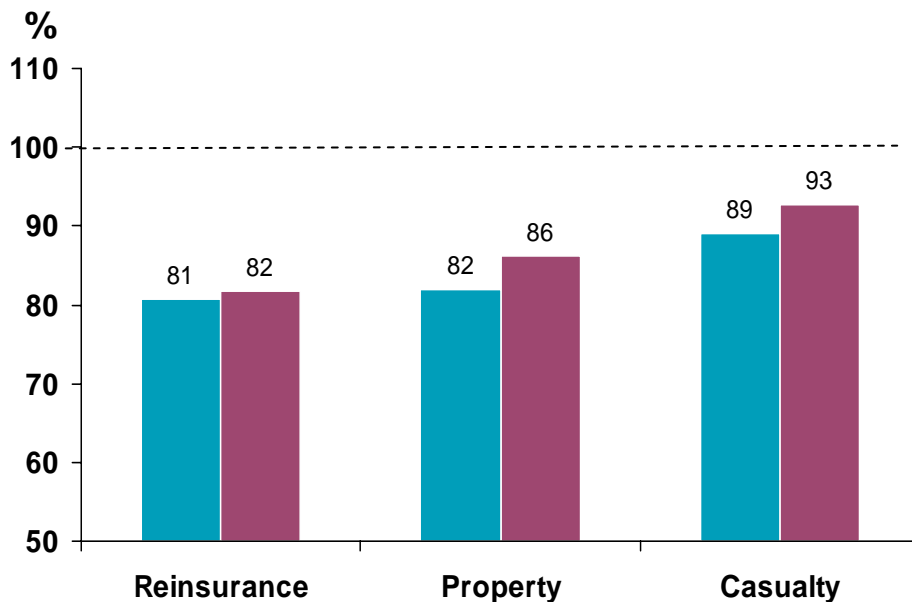
1) Callable layer calculated at 3% of market capacity

CONCLUSIONS

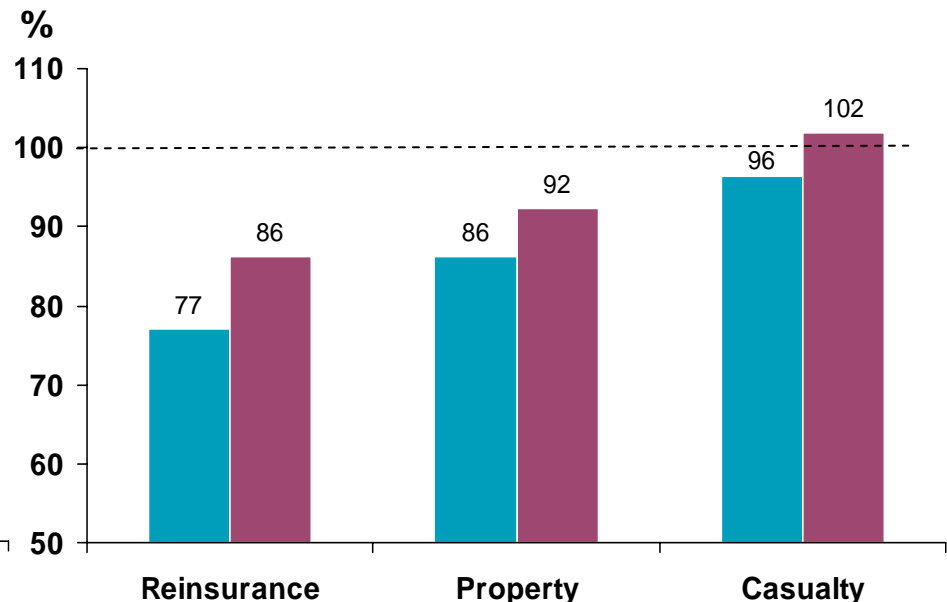
Market conditions are getting tougher, with softening in key classes ...

Softening in most lines of business - absence of major catastrophe events and industry profitability levels continue to put pressure on rates

CALENDAR YEAR COMBINED RATIO



ACCIDENT YEAR COMBINED RATIO



■ 2006 ■ 2007

Source: Lloyd's pro forma basis at syndicate level

Sustainability of performance depends on building on our underlying strengths and on cycle management

We are well positioned :

- Lloyd's performance management framework will ensure focus on disciplined underwriting
- Capital framework & robust financial strength
- Ratings outlook stable following 2007 upgrades
- Conservative asset mix
- In parallel, we will continue to deliver the Three-Year Plan

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