

INTERIM RESULTS TO JUNE 2005

6 October 2005

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Agenda

- Introduction: Nick Prettejohn, CEO
- Financial Results: Luke Savage, Director, Finance & Risk Management
- Outlook & Conclusions: Nick Prettejohn

Introduction

- The Lloyd's market continues to demonstrate strong underlying profitability in first half of 2005 and to perform well vs. peer group
- A strong balance sheet positions Lloyd's well for the remainder of 2005, including an active hurricane season

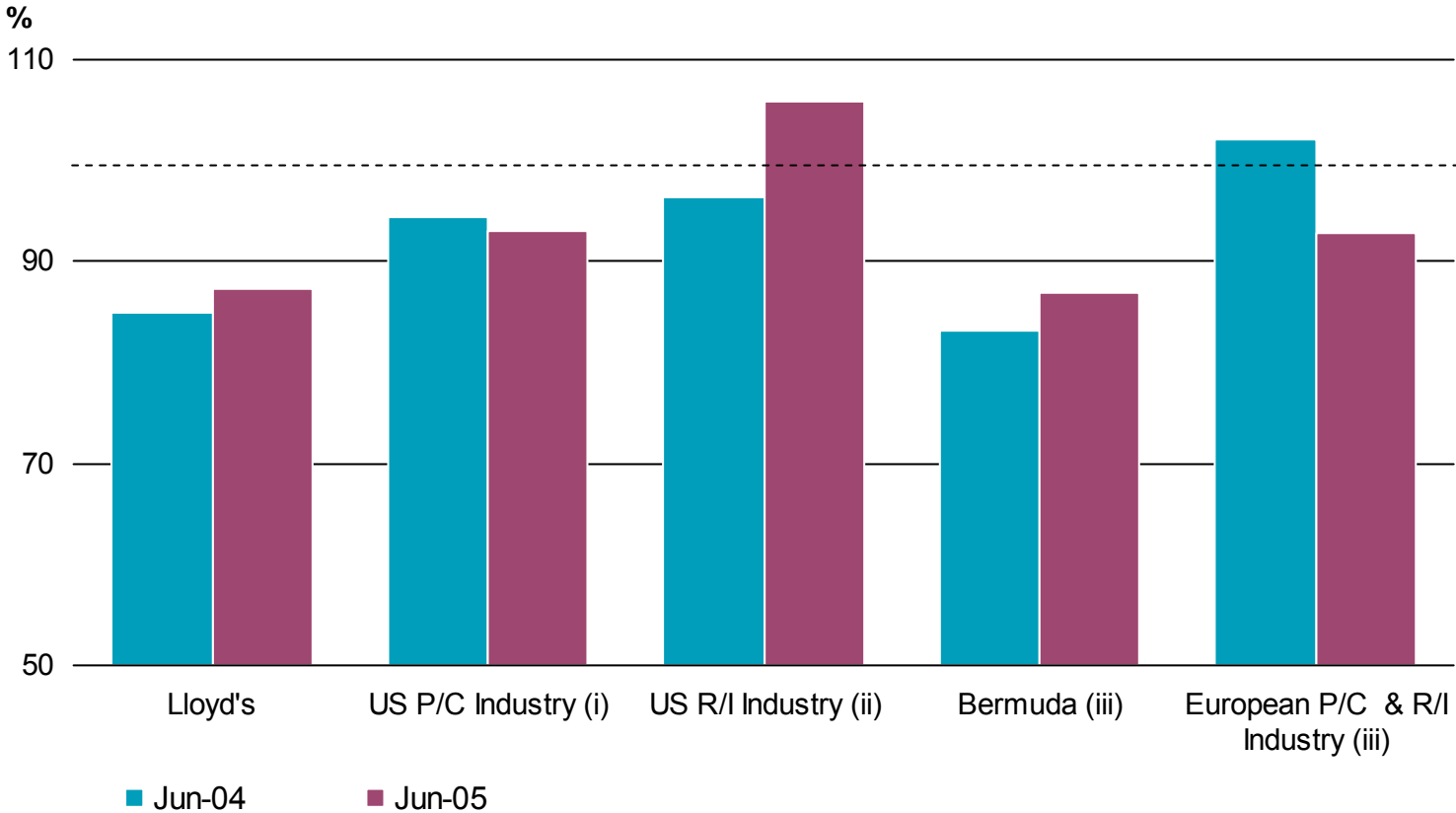
Interim results: highlights

	6 months to June 2005	%	6 months to June 2004	Full Year Dec 2004
Profit	£1,377m	21	£1,142m	£1,357m
Combined ratio	87.3%		85.0%	96.9%
Net resources ¹	£11,976m	5	£11,418m	£12,129m

Source: Lloyd's results on a pro forma basis

1) Net resources includes members' funds at Lloyd's, syndicate profits/(losses) due to/(from) members, central assets (on UK GAAP basis) and subordinated loan notes.

Lloyd's continues to perform well vs. peers



Source: i) Insurance Information Institute estimate, ii) Reinsurance Association of America, iii) Company data as per group accounts and 10Q filings less US operations (8 European companies; 16 Bermudian companies)

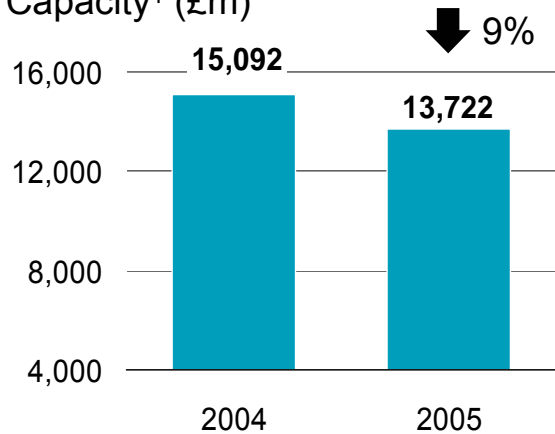
Strong performance in a softening rate environment

£m	6 months to June 2005	6 months to June 2004	Full Year Dec 2004
Gross written premiums	8,395	9,836	14,713
Net earned premiums	5,576	5,756	11,789
Net claims and operating expenses ¹	(4,868)	(4,891)	(11,419)
Underwriting profit	708	865	370
Other income / (expenses) ²	12	(16)	(36)
Investment return	657	293	1,023
Profit	1,377	1,142	1,357
Combined ratio	87.3%	85.0%	96.9%

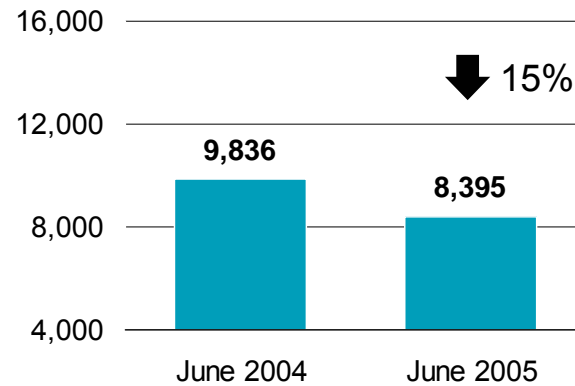
Source: Lloyd's results on a pro forma basis 1) Technical account 2) Non-technical account

Decline in written premium shows market discipline in softening conditions

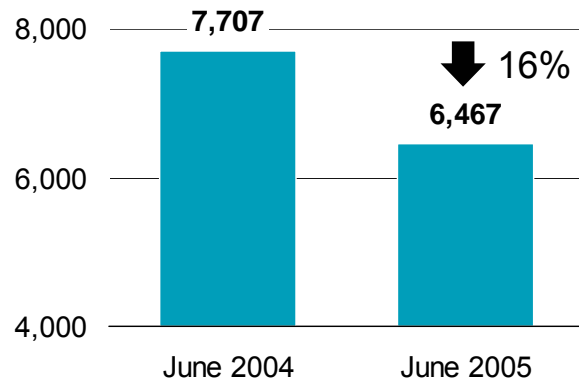
Capacity¹ (£m)



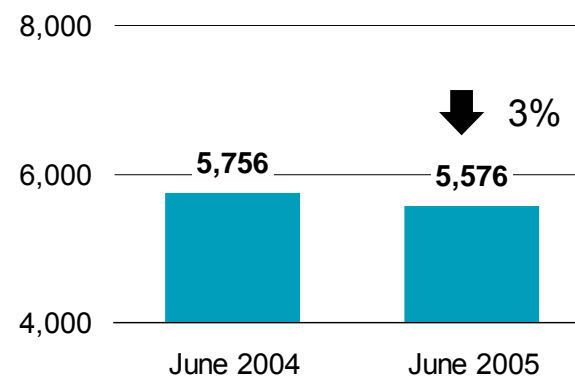
Gross written premium (£m)



Net written premium (£m)



Net earned premium (£m)



Source: Lloyd's results on a pro forma basis

1) Capacity = maximum amount of premium (gross of reinsurance, net of brokerage) that may be written.

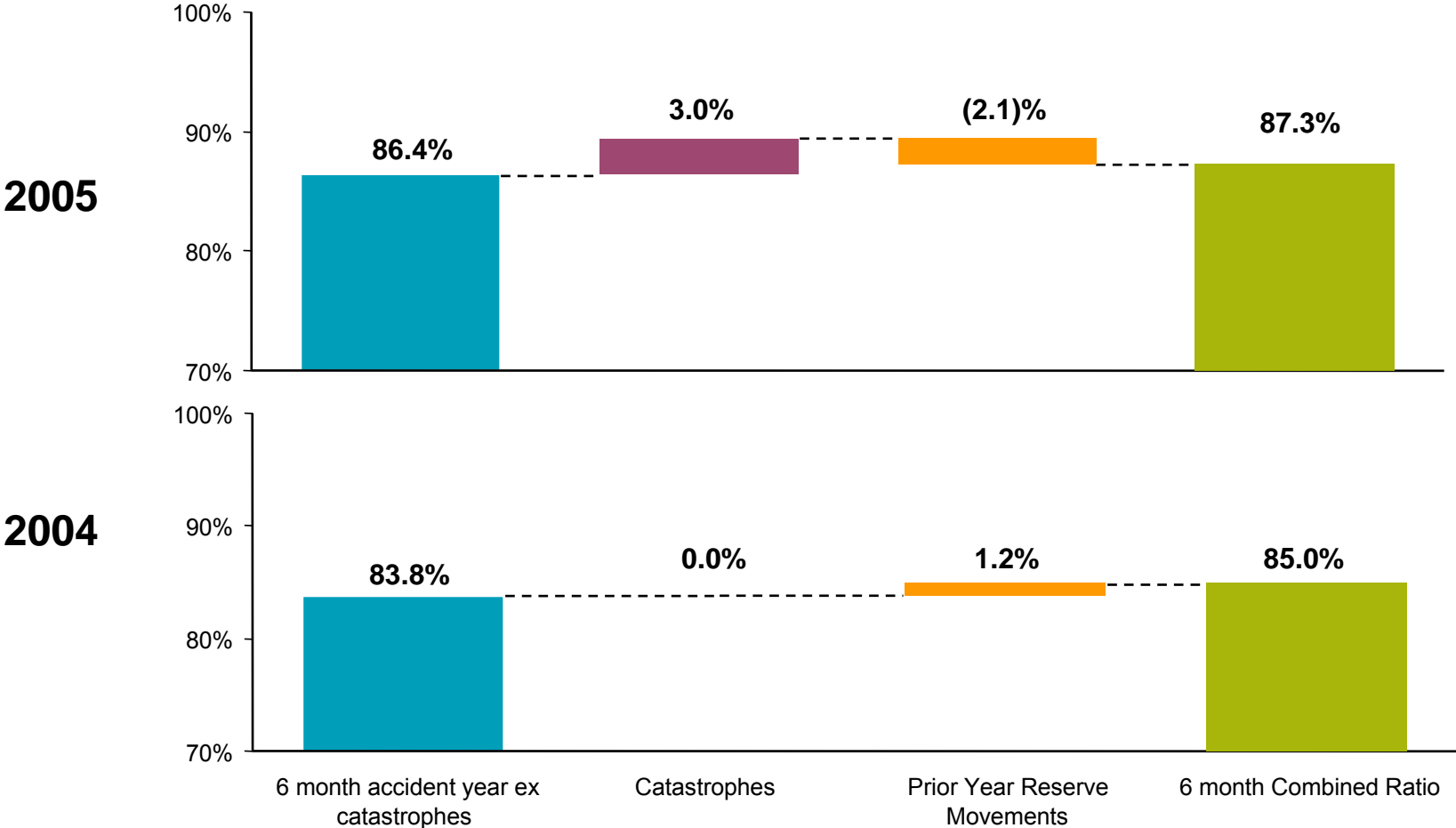
Overall claims experience and expenses were stable in the first half

£m	6 months to June 2005	6 months to June 2004	Full year Dec 2004
Net incurred claims	3,161	3,051	7,667
Acquisition costs	1,386	1,365	2,801
Administrative expenses	417	426	900
(Profit)/loss on exchange	(96)	49	51
Net claims and operating expenses	4,868	4,891	11,419

Source: Lloyd's results on a pro forma basis

The first half was impacted by moderate catastrophe activity and reserve releases

Combined ratios



Source: Lloyd's results on a pro forma basis

Good investment conditions made a substantial contribution to performance

£m	6 months to June 2005	6 months to June 2004	Full Year Dec 2004
Average investment funds	30,057	28,177	28,369
Yield	2.1%	1.0%	3.6%
Return	657	293	1,023

Source: Lloyd's results on a pro forma basis

Stable net resources after returning £1.4bn of profits to capital providers

£m	June 2005	June 2004	Dec 2004
Cash and investments	32,443	29,671	31,413
Reinsurers' share of technical provisions	10,789	11,492	10,419
Other assets	10,562	11,859	8,999
Total assets	53,794	53,022	50,831
Total liabilities	(41,818)	(41,604)	(38,702)
Net resources	11,976	11,418	12,129
<i>Represented by:</i>			
Balance due to/(from) members	1,045	1,060	1,363
Funds at Lloyd's	9,749	9,482	9,622
Central Assets ¹	685	876	638
Subordinated loan notes	497	-	506
	11,976	11,418	12,129

Source: Lloyd's results on pro forma basis

1) Stated on UK GAAP basis

Central assets under IFRS have increased

£m	6 months to June 2005	Full year Dec 2004 (Restated)
Net Central Fund assets at January 1	607	528
Contributions from members	70	191
Receipt of syndicate loans	103	-
Claims & provisions	(212)	(126)
Net investment income	54	33
Income tax credit/(charge)	32	(28)
Other	(4)	9
Net Central Fund assets at 30 June/31 December	<u>650</u>	<u>607</u>
Corporation of Lloyd's + subsidiaries	<u>90</u>	<u>83</u>
	<u>740</u>	<u>690</u>
Callable layer	411	411
Subordinated loan notes	<u>497</u>	<u>506</u>
Central assets under IFRS	<u><u>1,648</u></u>	<u><u>1,607</u></u>

Source: Society of Lloyd's Consolidated Interim Financial Statements (under IFRS)

The position of subordinated debt holders has improved

£m	June 2005	Dec 2004 (Restated)
Central assets under UK GAAP	685	638
Adjustments to IFRS basis	55	52
Central Fund, Corporation assets + subsidiaries under IFRS	740	690
Callable Layer ¹	411	411
Subordinated loan notes	497	506
“Central assets” ²	1,648	1,607
“Capital and Reserves” ² including members’ assets	12,031	12,181
Annualised net premiums written	10,565	11,805
“Solvency Condition”³ ratio for interest deferral	114%	103%

1. Callable Layer calculated at 3% of initial 2005 capacity of £13.7bn.

2. As defined in Offering Circular, November 2004.

3. “Solvency Condition” is defined as ratio of “Capital and Reserves” to Net Premiums Written.

Increasing the Central Fund contribution rate to 1% from 2006 shows flexibility of capital raising

- £1.7bn central assets target approved by Franchise Board/Council:
 - Determined from stochastic modelling of Central Fund exposures
 - Targets top end “A” rating
 - Benchmarked against default probability of subordinated debt
- Assumes:
 - No further recovery on Central Fund arbitration
 - Anticipated future Central Fund drawdowns

Lloyd's responds positively to recent hurricanes

- Initial net loss to market from Hurricane Katrina estimated at £1.4bn
- Hurricane Rita impact expected to be more in line with individual windstorm experience of 2004
- Based upon initial estimates, all syndicates are in a position to withstand these losses and meet liquidity requirements
- Business plans and capital requirements are being reviewed in response to changing market conditions

A profit can still be expected for 2005

- There have been substantial windstorm losses in both 2005 & 2004
- Forecasting second half is difficult due to uncertainty of:
 - Further development of known catastrophe losses
 - Possible further catastrophe losses including a still active hurricane season
 - Comprehensive year end review of reserving positions
 - Investment environment
 - Immediate impact on rating environment

Strong central assets position provides security for investors and policyholders

- Increase in members' Central Fund contribution rate to 1% demonstrates flexibility available to maintain robust central assets position
- Plan to maintain central assets at £1.7bn

Conclusion

- Lloyd's market continued to perform strongly vs. peer group in first 6 months, demonstrating disciplined approach to changing market conditions
- Central asset and solvency position provides stable security for investors and policyholders
- Continued ability of Lloyd's businesses to respond quickly to changing market conditions and opportunities

