



Financial Results

Wednesday 2 April, 2003

Outline of Presentation

- Overview Nick Prettejohn
Chief Executive
- 2002 Results Andrew Moss
Director of Finance
- Outlook & Progress Nick Prettejohn
Chief Executive
- Questions

Overview

- Return to profit
- Strong performance vs peer group
- Significant strengthening of Market resources
- Increase in central assets
- Strong industry fundamentals
- Major progress on key issues

2002 Results - A Year of Profit

2002 Results - A Year of Profit

- Profit & Loss Account
- Balance Sheet
- Central Assets

2002 Results - Profit & Loss Account

Pro forma annually accounted basis

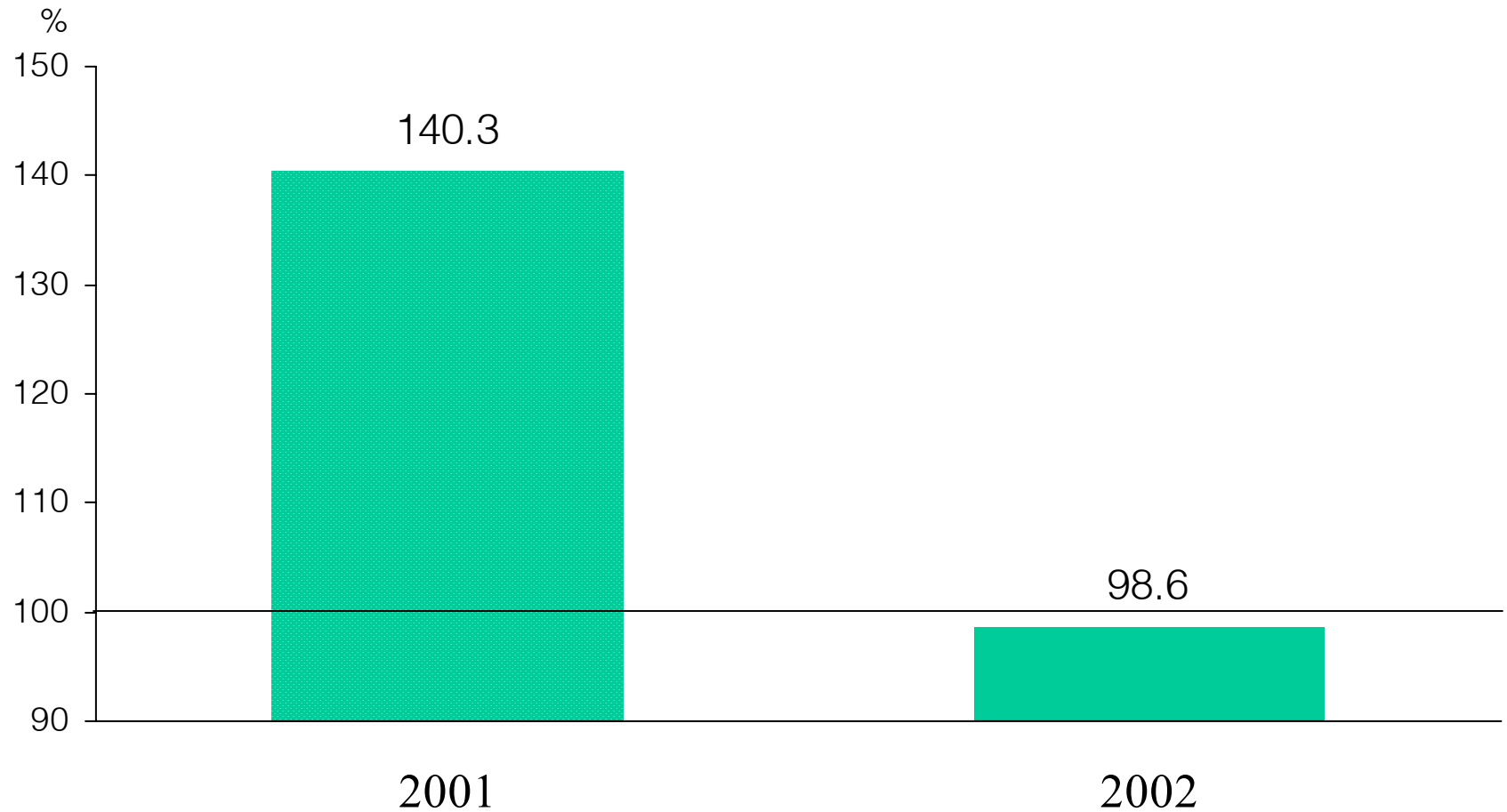
Profit £834m

(loss £3,110m in 2001)

Traditional 3 year accounting basis

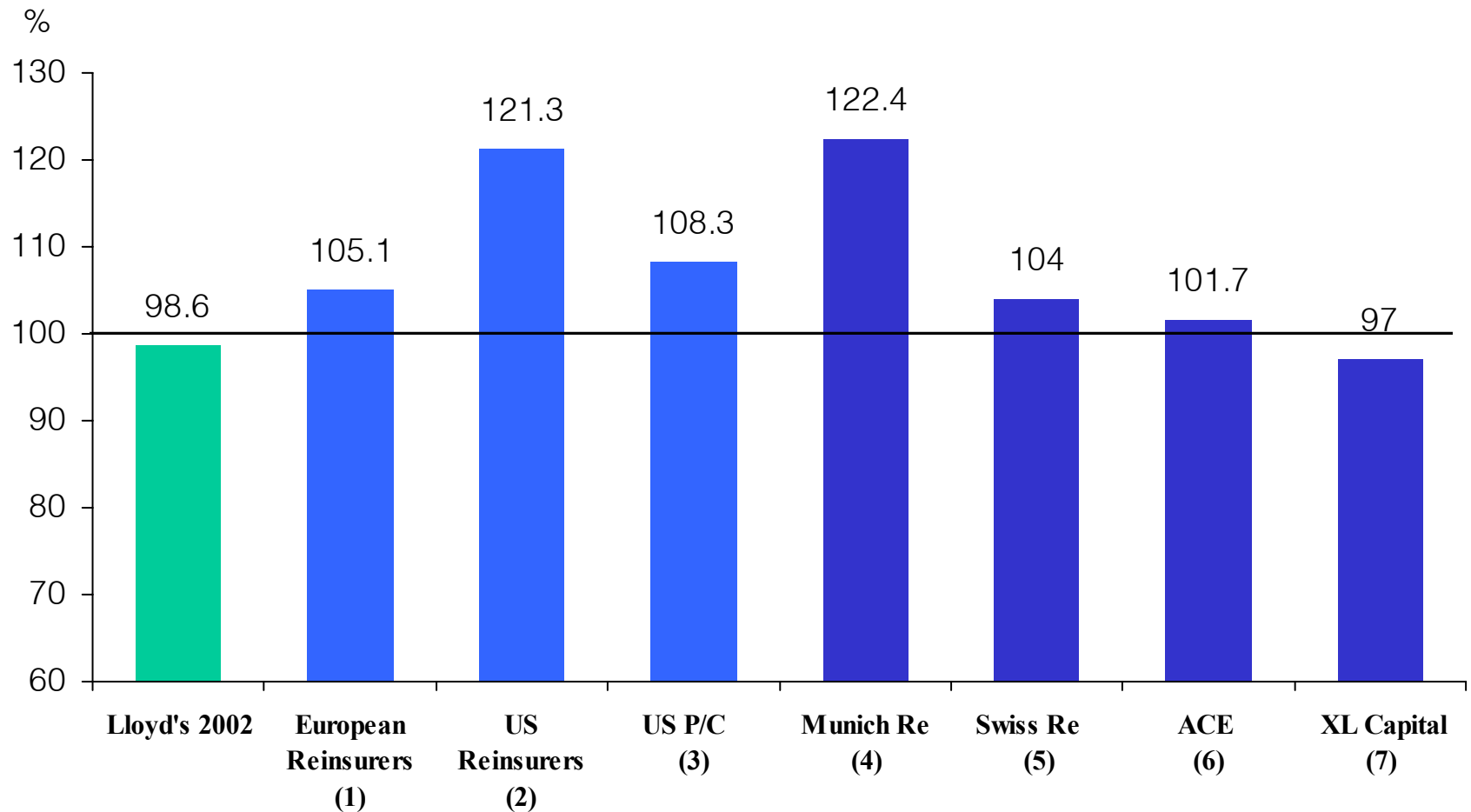
Initial profit projection £1,484m

Lloyd's 2001 vs 2002 Combined Ratio



Combined ratio = sum of net incurred claims and expenses divided by net earned premiums

Lloyd's vs Industry 2002 Combined Ratios



(1) Source: CSFB

(2) Source: RAA

(3) Source: Business Insurance

(4) Source: Dowling & Partners

(5) Source: Swiss Re

(6) Source: ACE

(7) Source: Dowling & Partners

Annual Account

£m's

	2002	2001	
Net earned premiums	10,669	9,888	+8%
Net incurred claims	(6,652)	(10,332)	-36%
Syndicate Investment return	644	638	+1%
Net operating expenses	(3,827)	(3,304)	+16%
Profit/(loss) on ordinary activities	834	(3,110)	

2002 Annual Account- Reserve Strengthening

£m's

Total	834
2002 Accident Year	1,459
Reserve Strengthening	(625)

Underwriting Year Result & Forecasts

2002 Account Forecast	£1,484m
2001 Account Forecast	(£1,653m)
2000 Account Result	(£2,397m)

2002 - Summary

Profit and Loss

- £834m annually accounted profit
- £1,484m 3-year accounted profit forecast
- Combined ratio of 98.6%
- Strong performance compared to peers

Balance sheet resources

Lloyd's Balance Sheet Resources

£m's

	<u>2002</u>	<u>2001</u>	
Cash and investments	24,512	20,296	+21%
Reinsurers' share of technical provisions	13,693	16,050	-15%
Other assets	11,091	10,067	+10%
Total assets	49,296	46,413	+6%
Total liabilities	(41,787)	(42,361)	-1%
Net resources	7,509	4,052	+85%

2002 - Summary

- £834m annually accounted profit
- £1,484m 3-year accounted profit forecast
- Combined ratio of 98.6%
- Strong performance compared to peers

- Balance sheet resources +85%

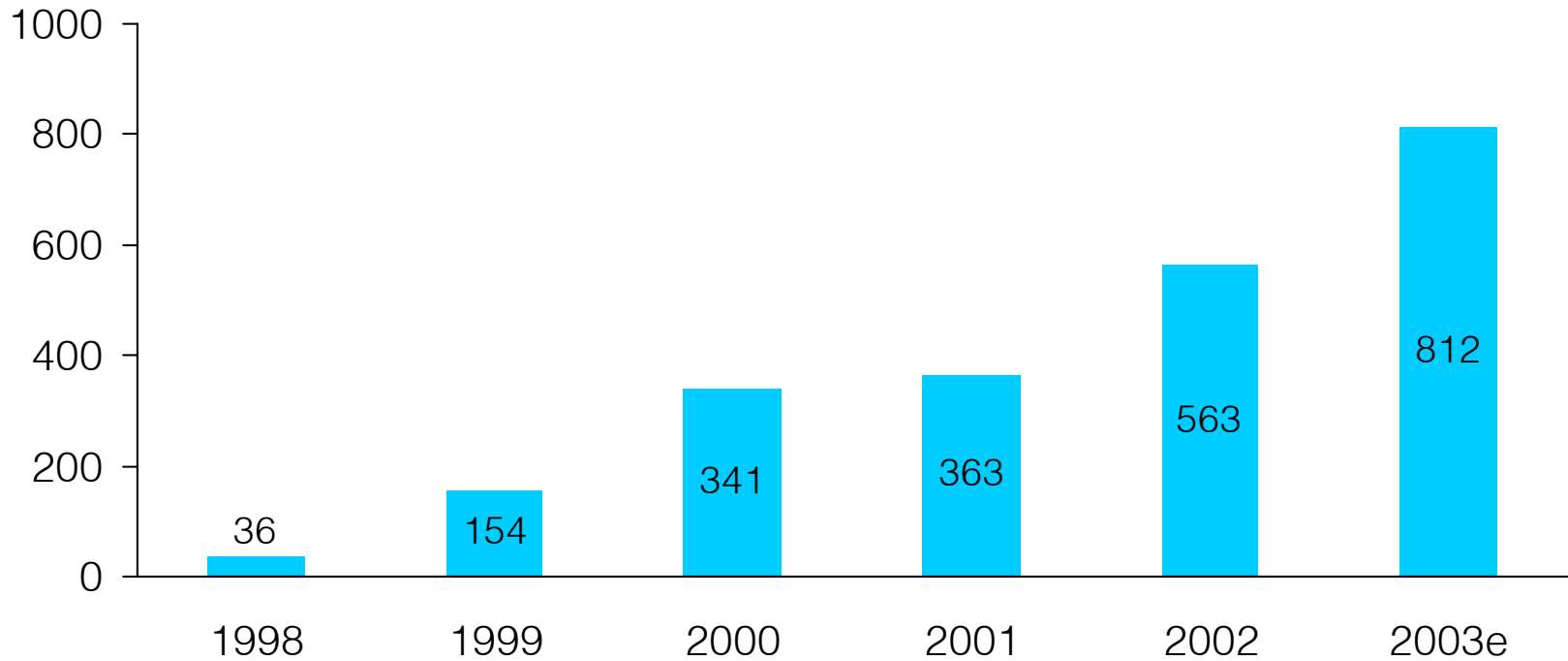
Lloyd's Central Assets

£m's

	<u>2002</u>	<u>2001</u>	
Central Fund	476	280	+70%
Lloyd's Corporation Net Assets	87	83	+5%
Total	563	363	+55%

Central Net Assets

£m's



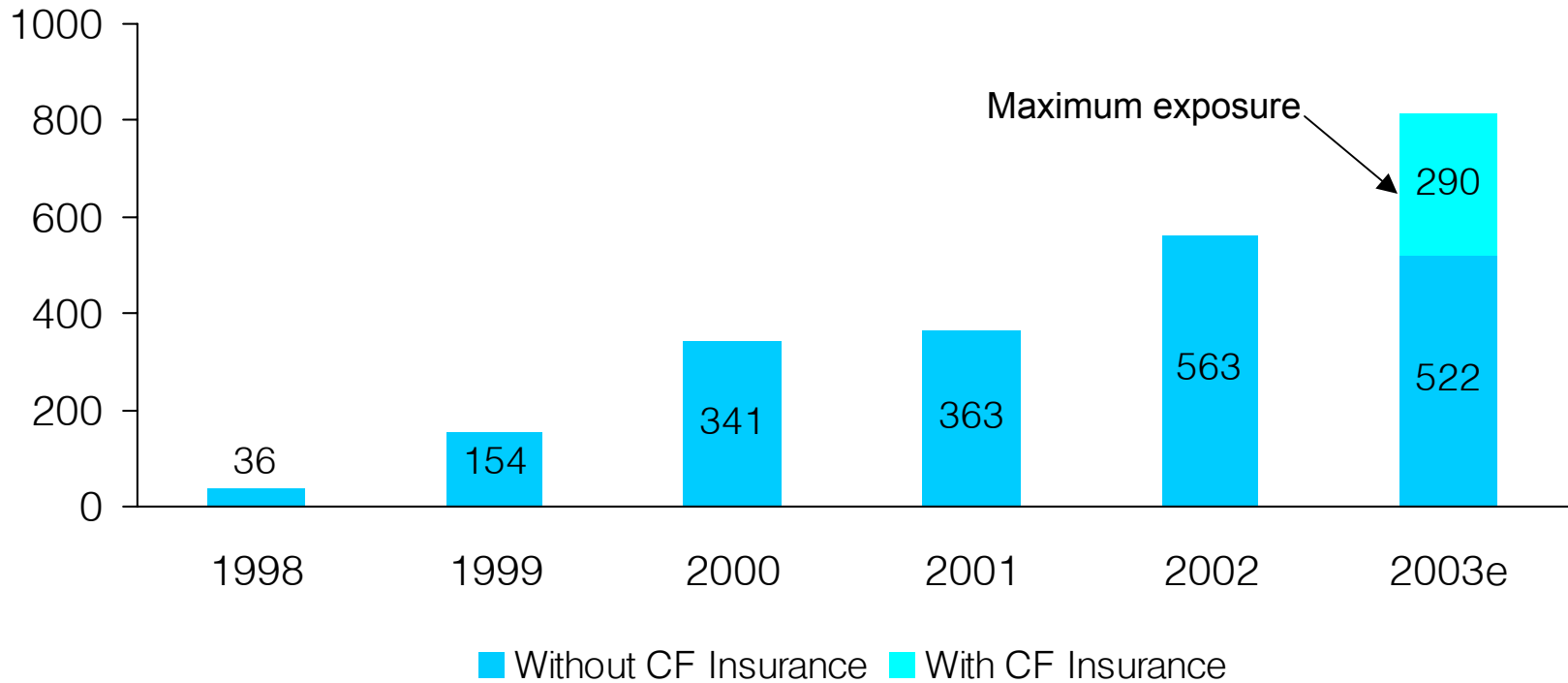
Source: Audited financial statements and Lloyd's estimates for 2003

Central Fund Insurance Arbitration

- Lloyd's has commenced arbitration against the Central Fund insurers to secure full payment under the policy
- Lloyd's is confident of its position for two reasons:
 - Very strong case
 - Central asset growth

Exposure to Central Fund Insurance

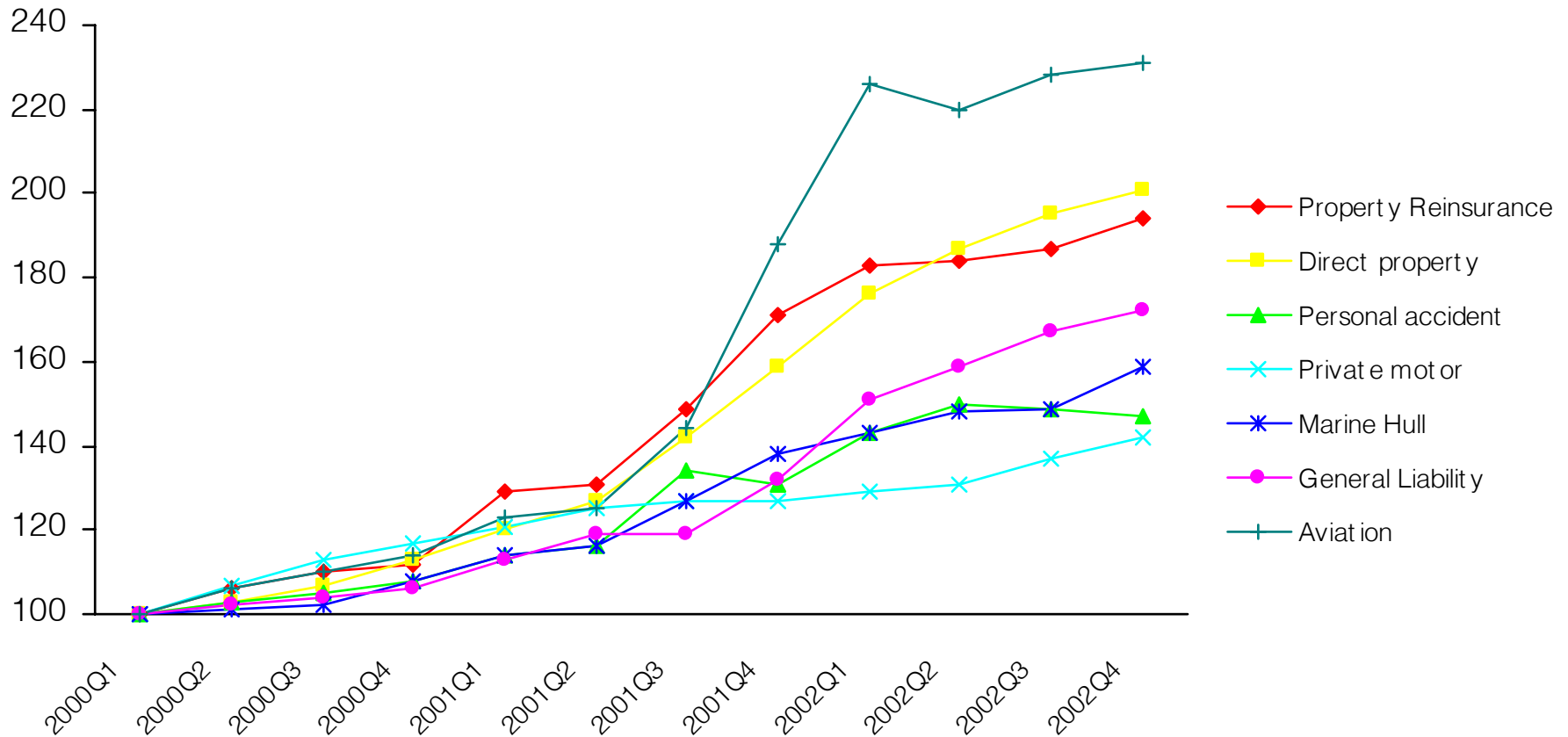
£m's



Source: Audited financial statements and Lloyd's estimates for 2003

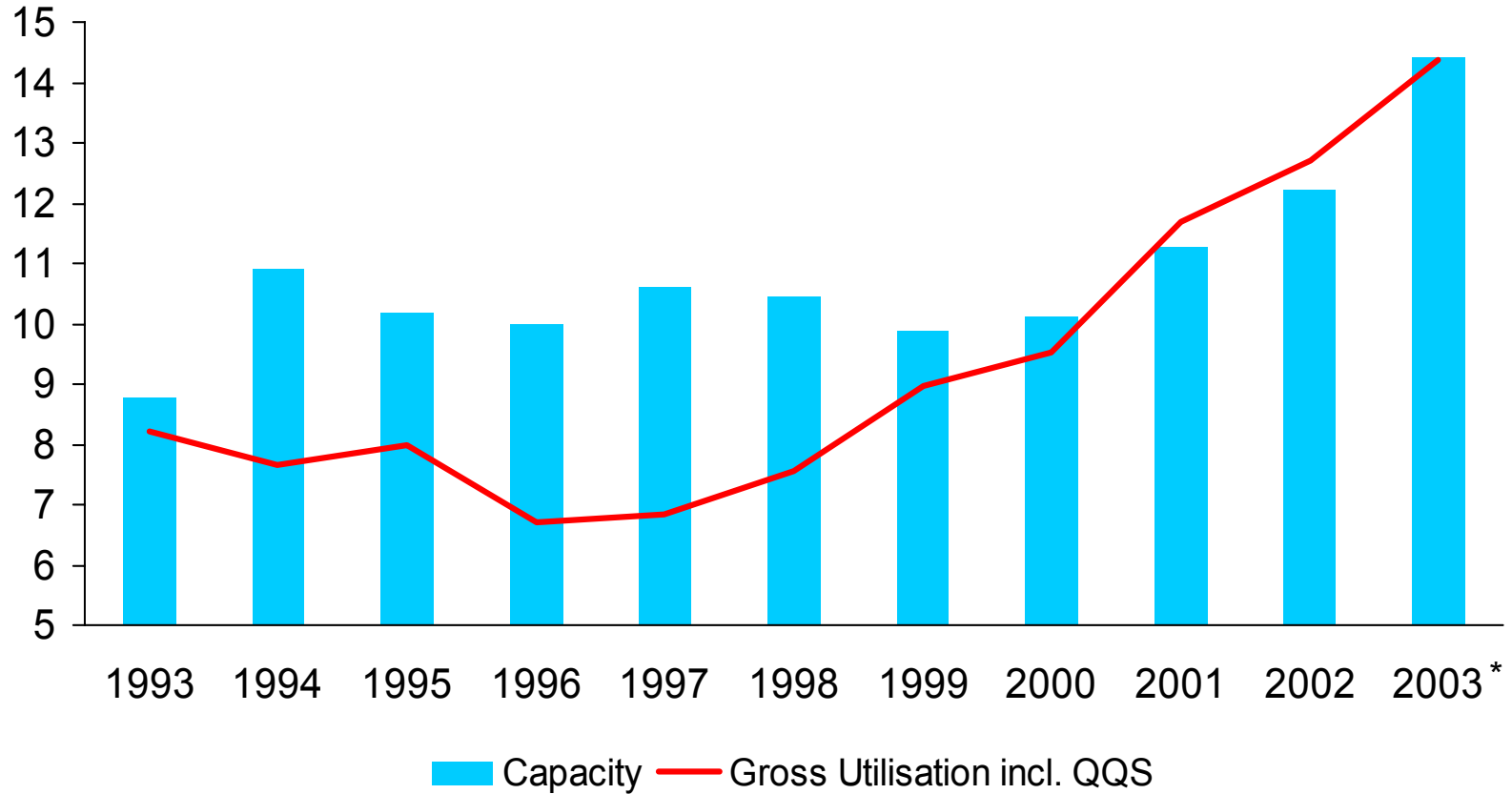
Outlook

Premium Rating Index



Capacity Utilisation

£bn

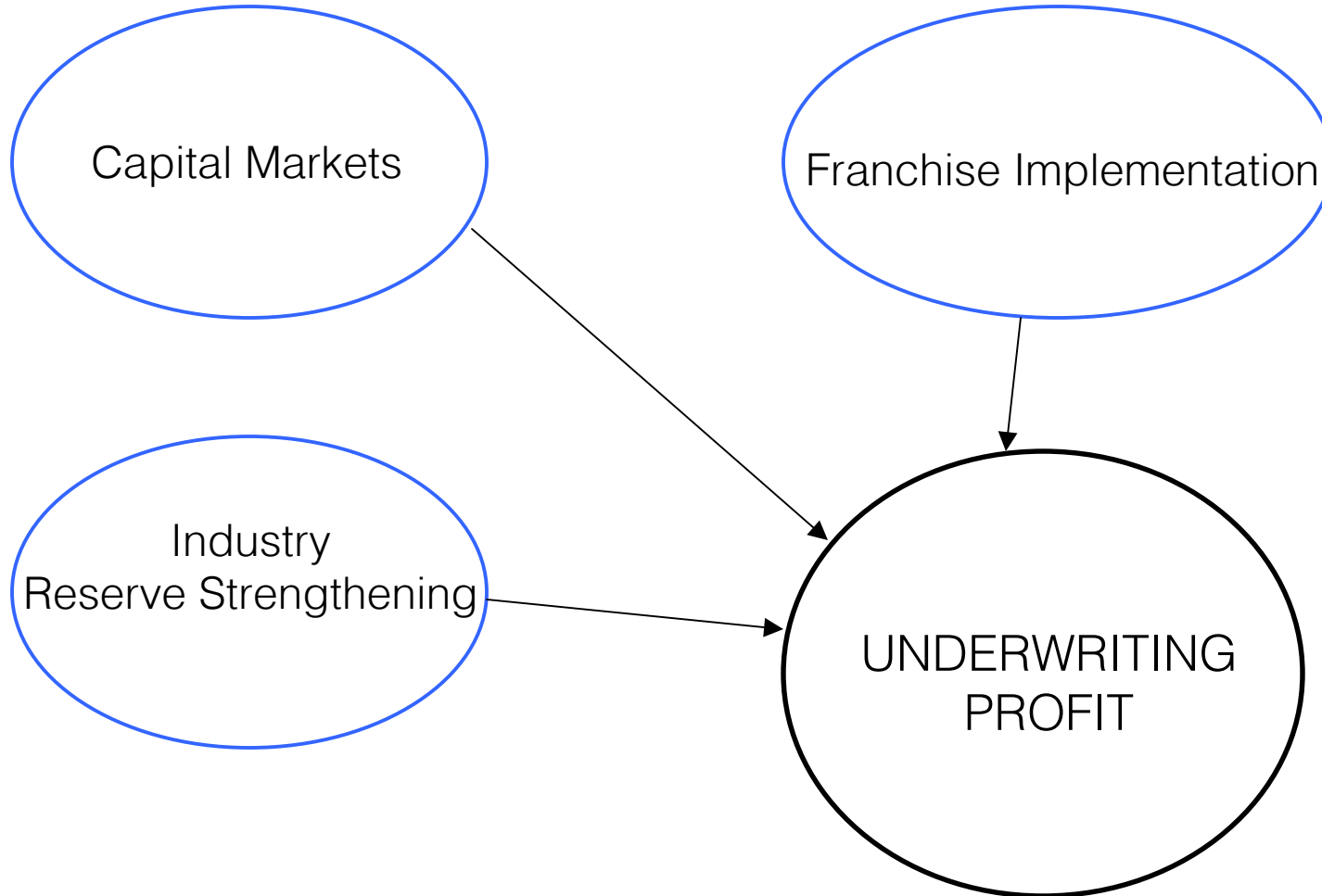


* Estimates from Business Plans

Industry Fundamentals

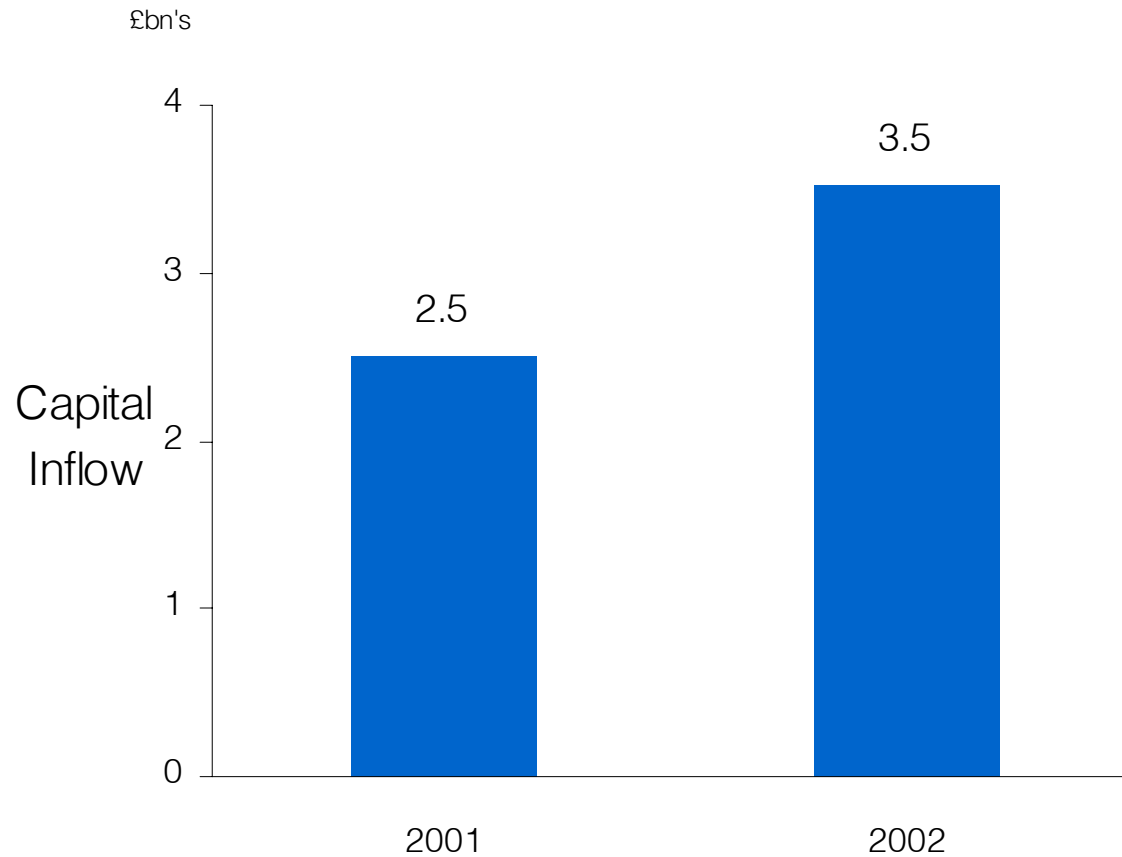
External Influences

Lloyd's Influences



2002 - A year of progress

■ Capitalisation of the Market



2002 - A year of progress

- Capitalisation of the Market
- Implementation of the Franchise
 - Franchise Board
 - Franchise Performance Director
 - Business review process underway
- Annual Accounting
- Business process
- Open Years
- Transition from unlimited liability

2002 Progress & Profit

- Major progress on key issues
and
- Return to profit £834m, annually accounted
- Profit projection £1,484m, traditional 3-year basis
- Strong peer group performance 98.6% combined ratio
- Significant strengthening of Market resources + 85%
- Increase central assets + 55%
- Strong industry fundamentals



Financial Results

Wednesday 2 April, 2003

Cautionary note on forward-looking statements

This presentation includes forward-looking statements. These statements are based on currently available information and consistent accounting policies as applied at 31 December 2002. They reflect Lloyd's current expectations, projections and forecasts about future events and financial performance. All forward-looking statements address matters that involve risks, uncertainties and assumptions. Based on a number of factors, actual results could vary materially from those anticipated by the forward-looking statements. These factors include, but are not limited to, the following:

- Rates and terms and conditions of policies may vary from those anticipated.
- Actual claims paid and the timing of such payments may vary from estimated claims and estimated timings of payments, taking into account the preliminary nature of such estimates.
- Claims and loss activity may be greater or more severe than anticipated, including as a result of natural or man-made catastrophic events.
- Competition on the basis of pricing, capacity, coverage terms or other factors may be greater than anticipated.
- Reinsurance placed with third parties may not be fully recoverable, or may not be paid on a timely basis, or such reinsurance from creditworthy reinsurers may not be available or may not be available on commercially attractive terms.
- Developments in the financial and capital markets may adversely affect investments of capital and premiums, or the availability of equity capital or debt.
- Changes in legal, regulatory, tax or accounting environments in relevant countries may adversely affect (i) Lloyd's ability to offer its products or attract capital, (ii) claims experience, (iii) financial return, or (iv) competitiveness.
- Economic contraction or other changes in general economic conditions could adversely affect (i) the market for insurance generally or for certain products offered by Lloyd's, or (ii) other factors relevant to Lloyd's performance.

The foregoing list of factors is not comprehensive, and should be read in conjunction with other cautionary statements that are included herein or elsewhere. Lloyd's undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.