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Catlin Group Limited 2011 Financial Results

Stephen Catlin, Chief Executive Officer

Paul Brand, Chief Underwriting Officer

Benjamin Meuli, Chief Financial Officer

9th February 2012

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Introduction

Stephen Catlin, Chief Executive Officer

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2011 In Review

Strong Underlying Results in Tough Year

- $71 million profit before tax (H1 2011: $201 million loss)
- $38 million net income to common stockholders
  - 1.7% RoNTA
  - 1.3% RoE
- 50% attritional loss ratio
- $324 million in underwriting contribution (H1 2011: $91 million loss)
- 3.1% total investment return
- Consistent reserve release equal to 2% of opening reserves, or $103 million
- Capital buffer equivalent to 14% of economic capital requirement

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2011 In Review

Strong Underlying Results in Tough Year

- 11% increase in gross premiums written
  - 1% increase in London/UK hub
  - 24% increase overall for all other hubs
  - 48% of GPW produced by non-London/UK hubs
- 12% increase in net premiums earned
- Solid performance notwithstanding nearly $1 billion in gross catastrophe losses
  - Catastrophe Aggregate programme performed as expected; limits remain to mitigate any loss deterioration from 2011 catastrophe events
- 6% increase in final dividend to 19 pence
  - Reflects confidence regarding future prospects in evolving marketplace

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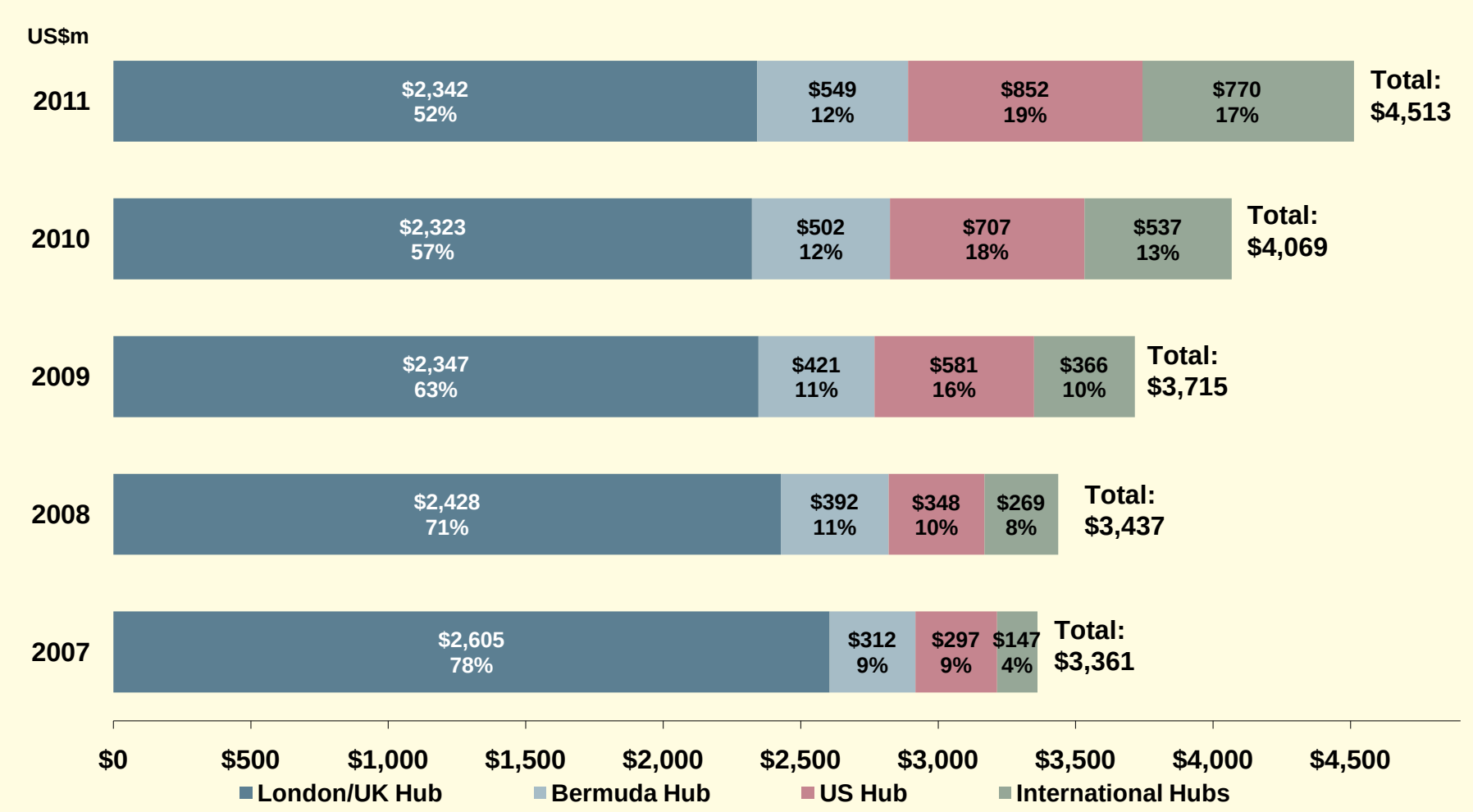
Catlin Delivers Profitable Growth

Group In Good Position for Excellent Opportunities in 2012 and Beyond

- **Market conditions are improving**
  - 5% increase in rates Group-wide at 1 January 2012; 9% for catastrophe classes
    - 17% increase in US Property Treaty rates
    - 12% increase in International Property Treaty rates
- **International platform for growth in place**
  - Overall GPW increased by 34% from 2007-2011 (8% CAGR)
  - Non-London/UK GPW increased by 187% from 2007-2011 (30% CAGR)
  - International hubs' GPW increased by 424% from 2007-2011 (51% CAGR)
  - Capital strength and flexibility allows for substantial growth in future years
- **Performance sustainable in all phases of market cycle**
  - Non-London/UK underwriting hubs in 2011 generated 48% of GPW and 45% per cent of underwriting contribution (excluding catastrophe losses)
  - Group-wide attritional loss ratio of 50%
  - Catlin will never sacrifice loss ratio for top-line growth
  - Structure designed to perform in all phases of market cycle

Gross Premiums Written by Hub 2007-11



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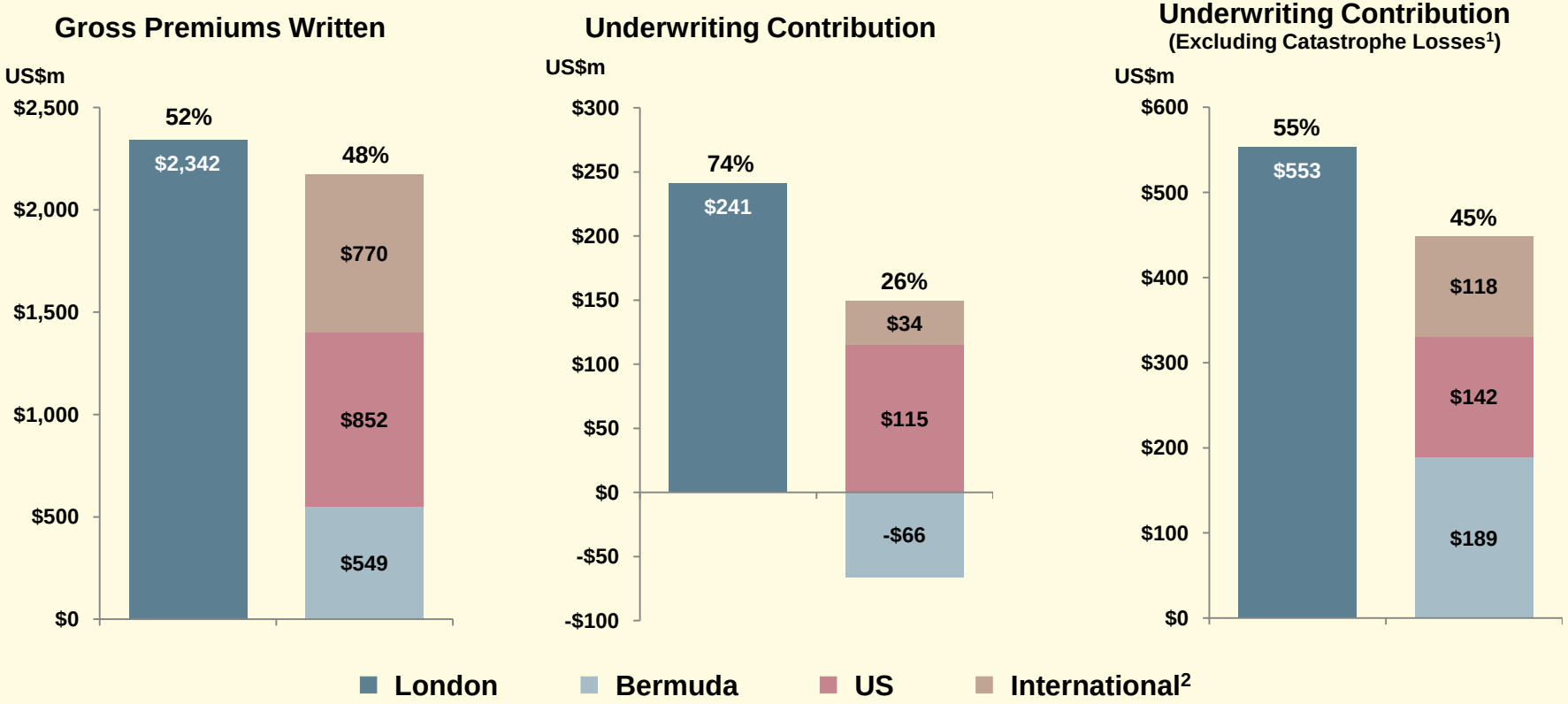
Non-London/UK Hubs Contribute to Profits

- Bulk of Catastrophe losses impact London, Bermuda and Asia-Pacific hubs

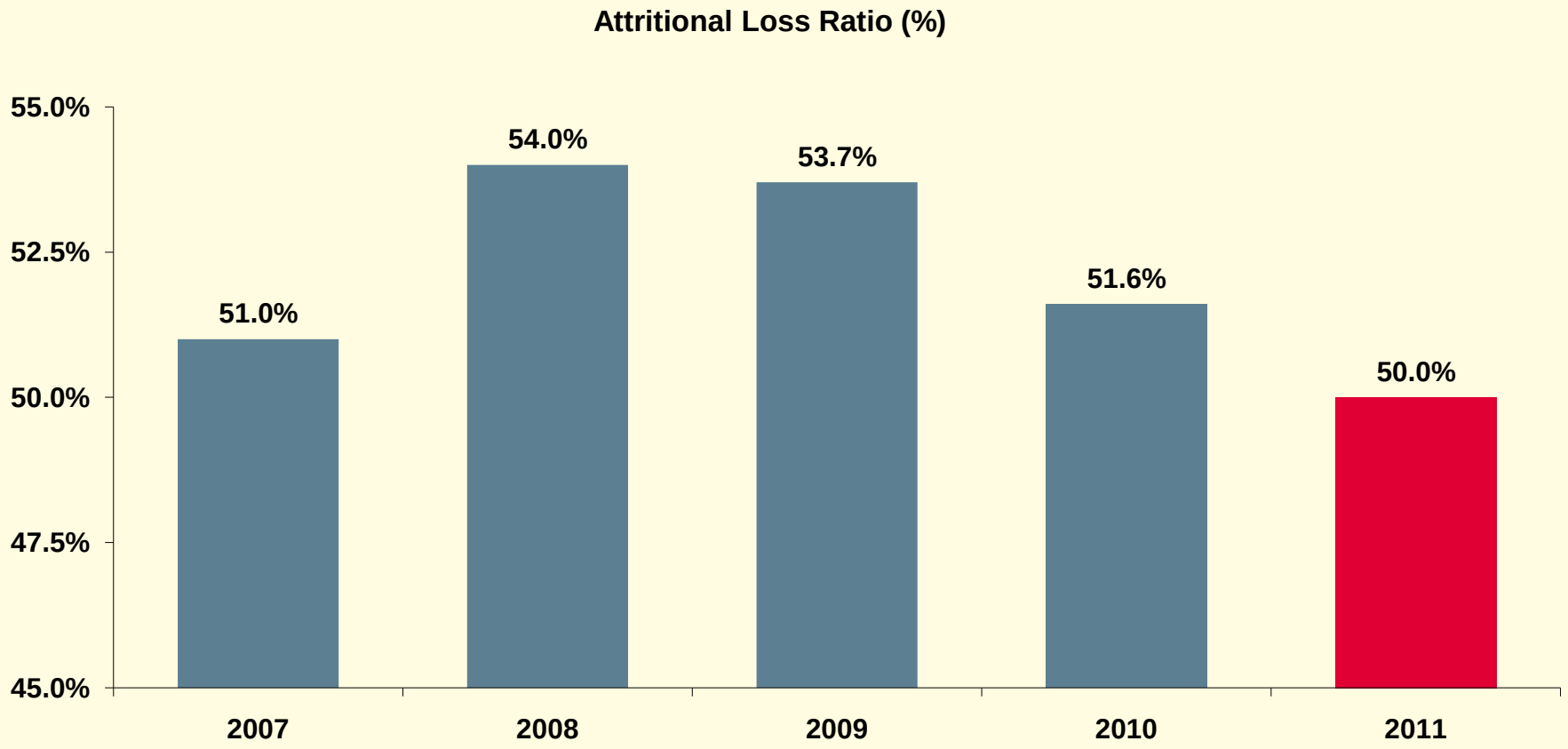


1 Net of reinsurance and reinstatement premiums

2 International includes Asia-Pacific, Europe and Canada hubs

Attritional Loss Ratio Lowest in Five Years

- Low attritional loss ratio demonstrates Catlin's disciplined risk selection



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Structure Capable of More Profitable Growth

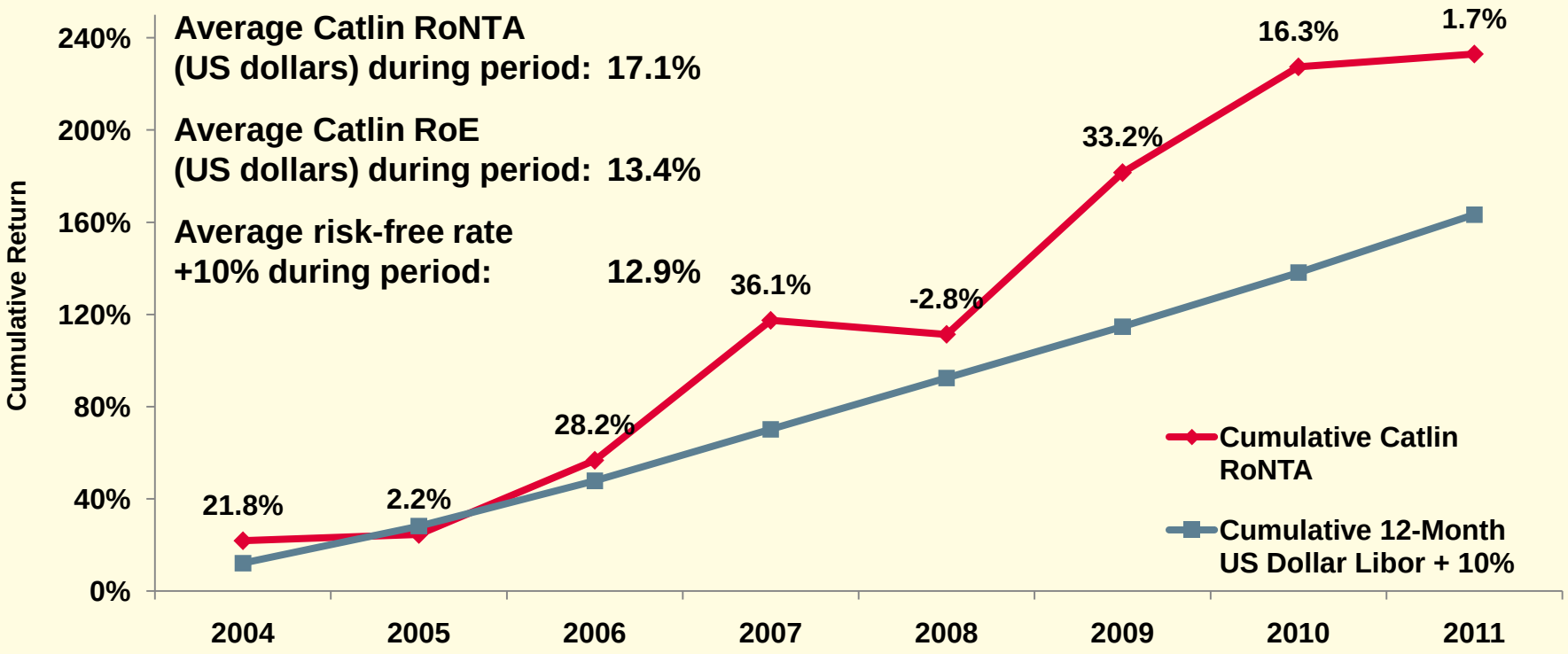
- Catlin's underwriting hub structure has traction
  - Non-London underwriting hubs provide sources of profitable growth, even when conditions in London wholesale market are tough
  - All hubs, particularly US and International hubs, are scalable

London /UK	Bermuda	US	International[1]
2011 GPW $2.3bn +1%	2011 GPW $549m +9%	2011 GPW $852m +21%	2011 GPW $770m +43%
Underwriting Employees 269	Underwriting Employees 26	Underwriting Employees 204	Underwriting Employees 238
GPW/Underwriting Employee $8.7m	GPW/Underwriting Employee $21.1m	GPW/Underwriting Employee $4.1m	GPW/Underwriting Employee $3.2m

1 Includes Asia-Pacific, Europe and Canada underwriting hubs

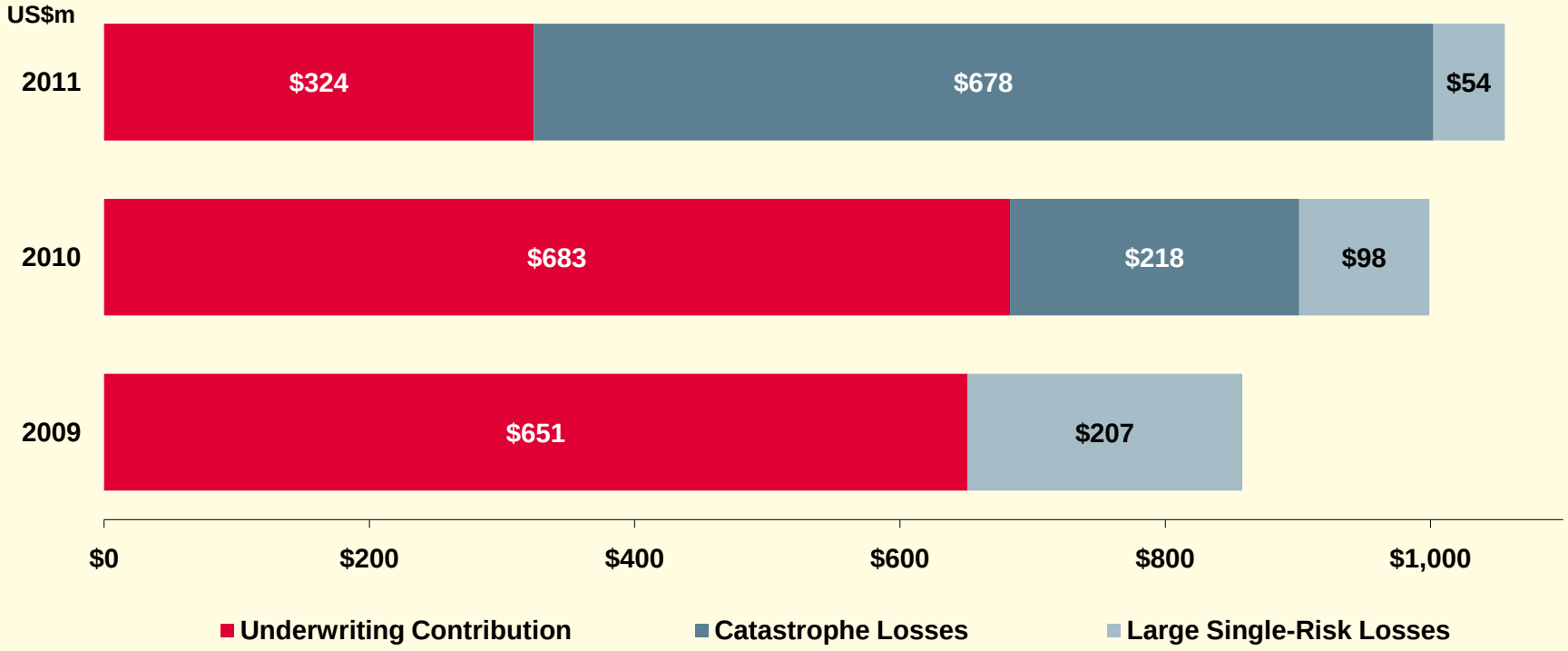
Shareholder Returns Exceed Target

- Catlin strives to produce weighted returns that exceed the risk-free rate over the course of a cycle by 10 percentage points
- Since the 2004 IPO, Catlin has exceeded this goal



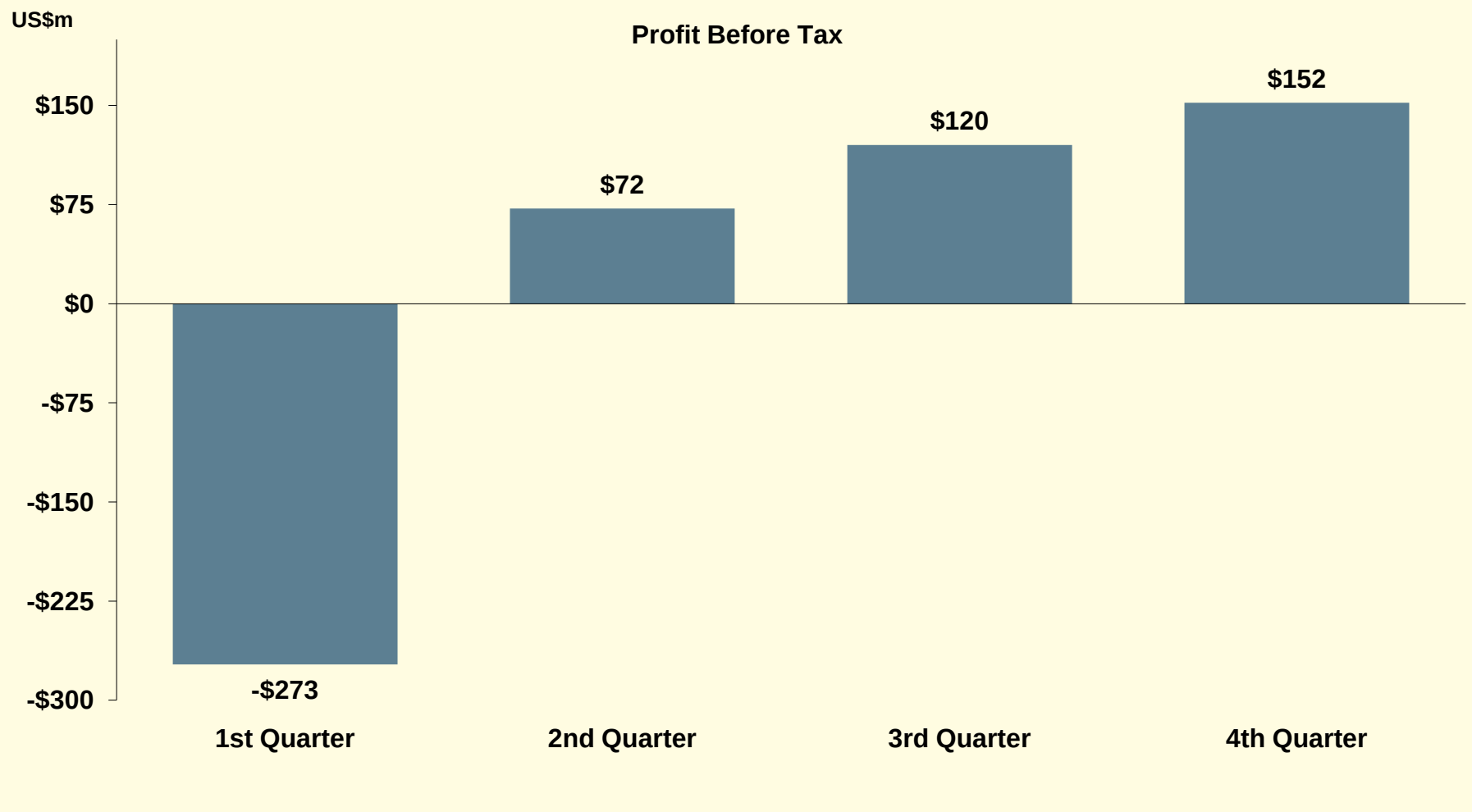
2011: Underwriting Profits Despite Cat Losses

- $324 million in underwriting contribution despite record $678 million in net catastrophe losses

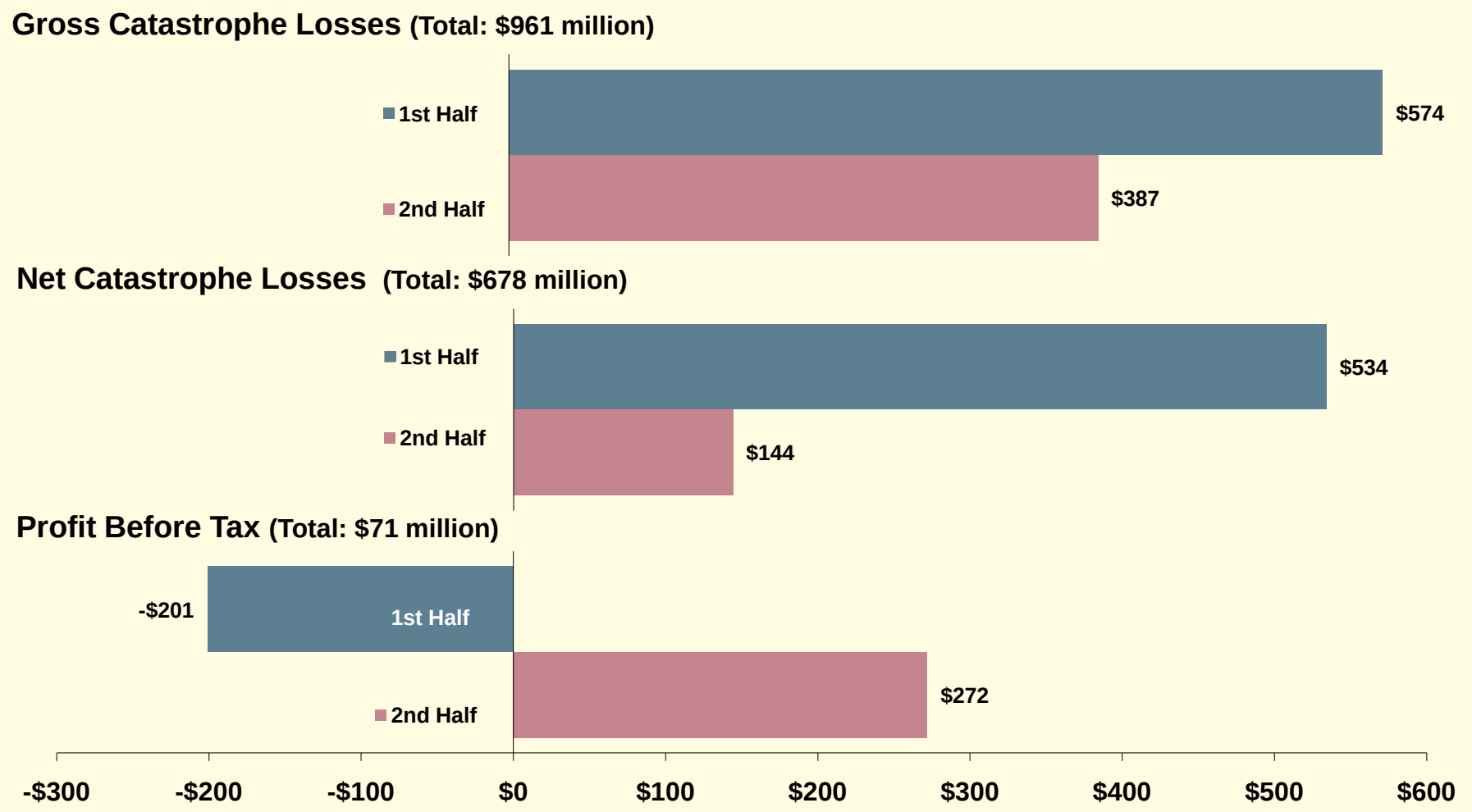


Note: Catlin incurred nil catastrophe losses in 2009; all loss figures are net of reinsurance and reinstatement premiums

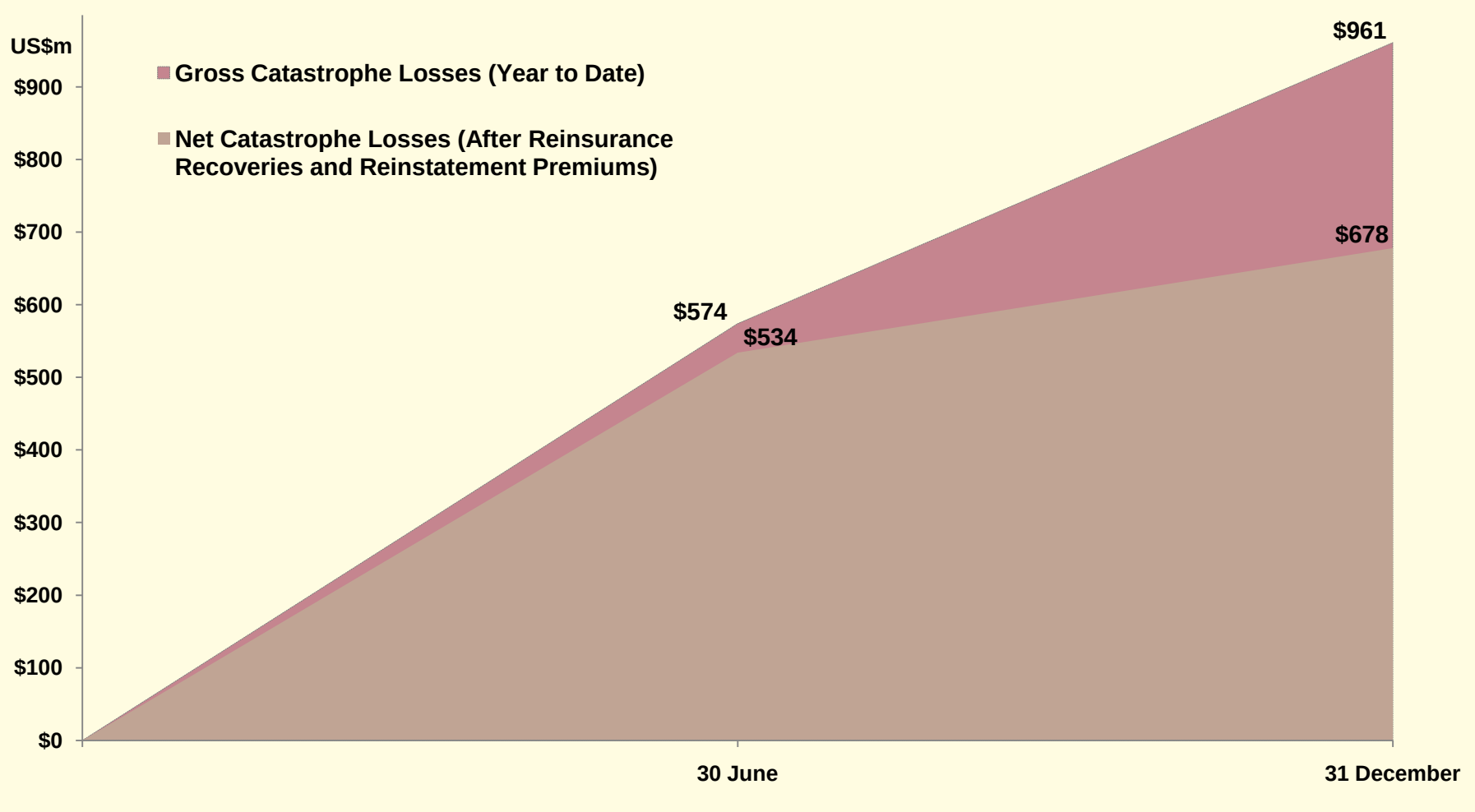
Profitability Built Steadily During 2011



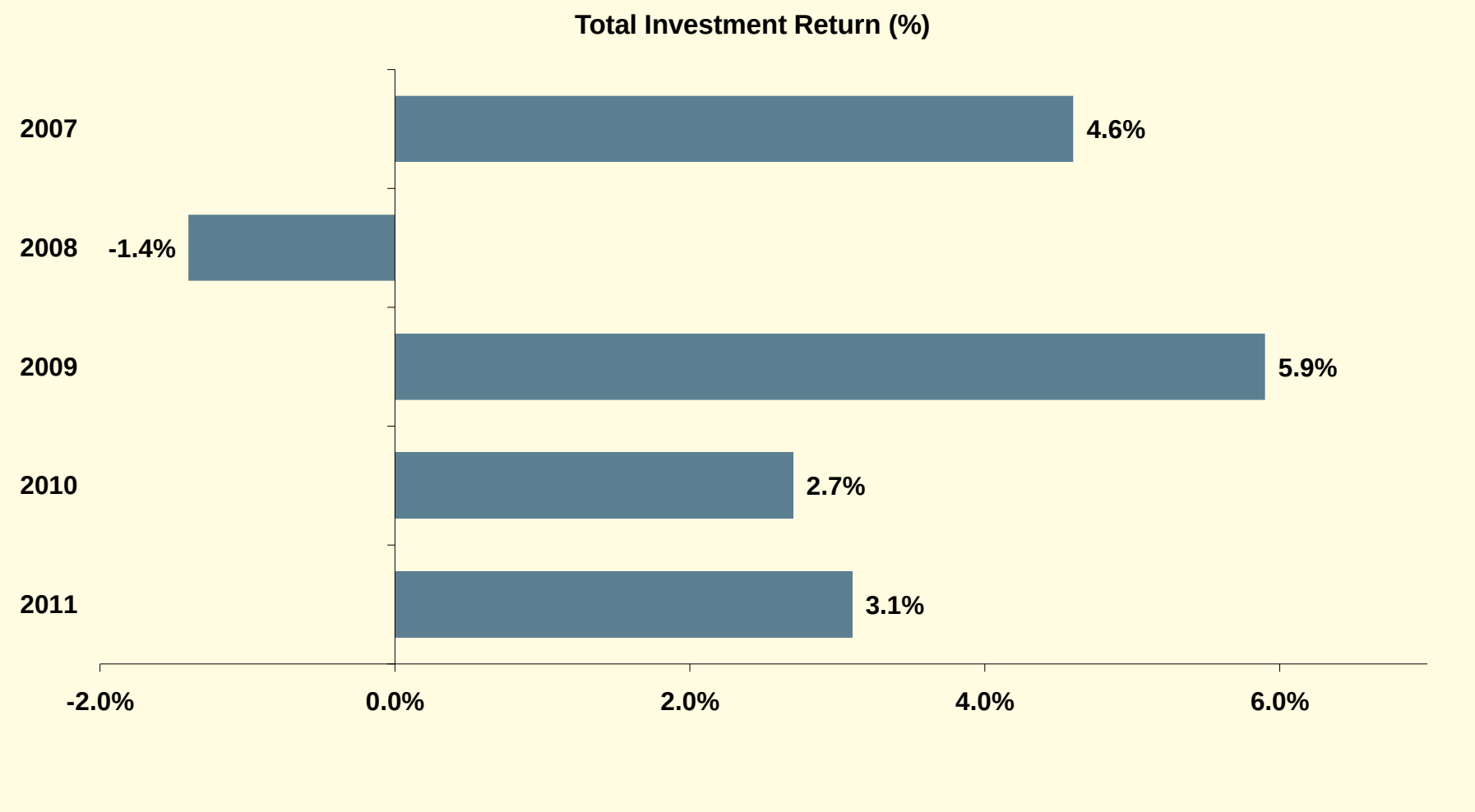
Profitable Second Half



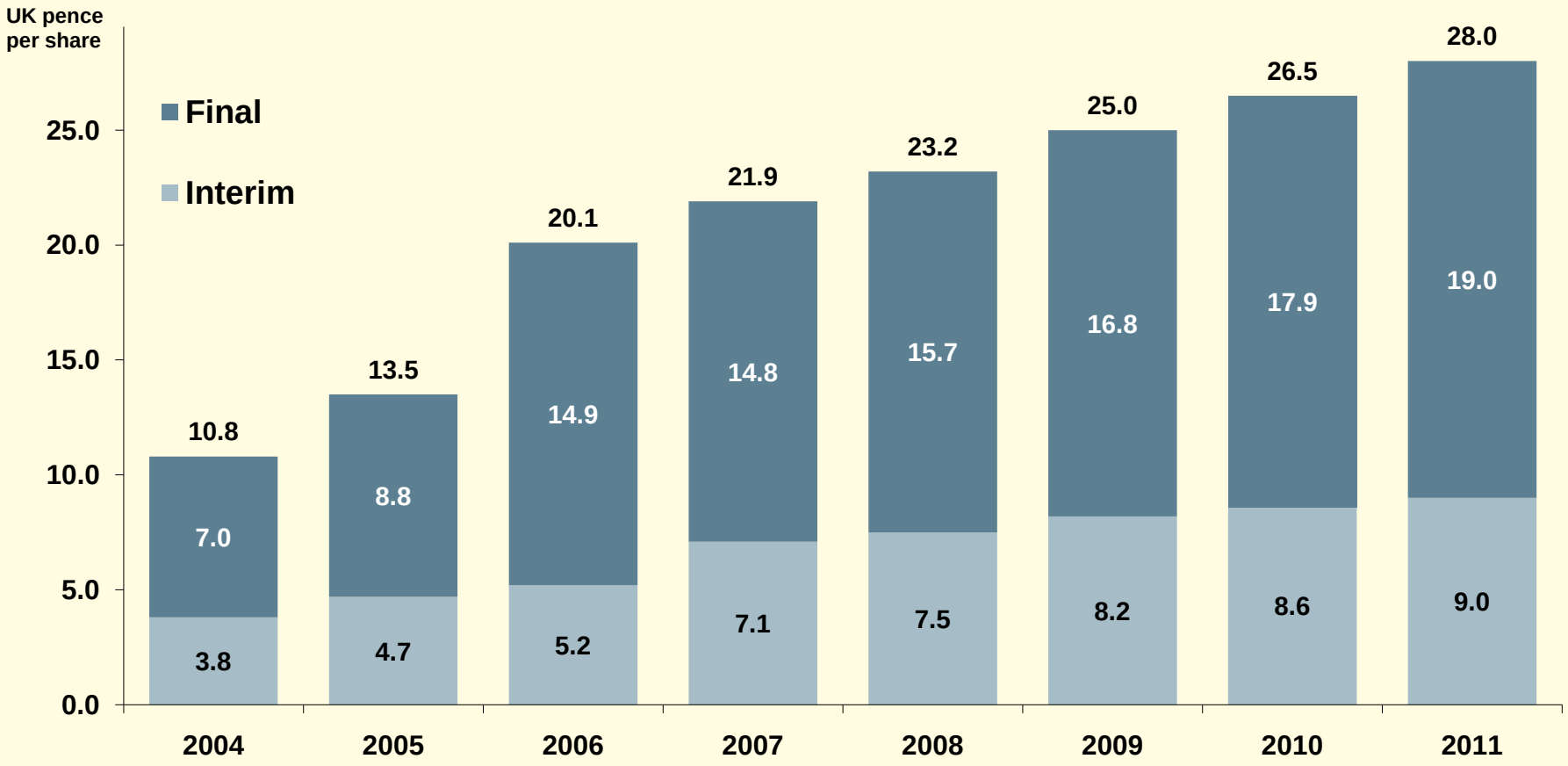
Reinsurance Benefits Seen in H2



Good Investment Performance



6% Increase in Final Dividend



Note: 2008 and prior year amounts restated for impact of Rights Issue

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Strong and Flexible Capital Position

US$m	31 Dec 2011	31 Dec 2010
Paid-up capital (net of intangibles)	2,099	2,236
Preferred shares	590	590
Capital available for underwriting[1]	2,689	2,826
Economic capital requirement[2]	2,362	2,349
Capital buffer to economic capital requirement	327	477
Capital buffer as % of economic capital requirement	14%	20%

1 Capital available for underwriting does not include $91 million in subordinated debt (31 December 2010: $93 million); 2011 capital available for underwriting includes third-party capital credit.

2 Economic capital represents management's view of the capital required to operate the business, based on the Group's internal model.

Foundations for Use of Third-Party Capital

- Catlin has the following new third-party capital agreements in place for 2012
  - Three Lloyd's special purpose syndicates provide whole account quota-share reinsurance to the Catlin Syndicate at Lloyd's

Syndicate number	Counterparty	Capacity
2088	China Reinsurance (Group) Corporation	£50 million
6111	Lloyd's Names	£60 million
6112	Everest Reinsurance Company	£27 million

  - Adverse Development Cover which protects against deterioration of reserves, subject to limits, relating to 2009 and prior underwriting years
    - Group still has ability to profit from favourable reserve development relating to these years
- Additional third-party capital transactions could be made during 2012

Note: Third-party capital contracts are considered reinsurance transactions and therefore will impact the percentage of premiums ceded.

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Underwriting

Paul Brand
Chief Underwriting Officer

Underwriting Review

- 2011 underwriting contribution negatively impacted by heavy cat year
  - Insured losses currently estimated at not less than $108 billion*
  - Net losses to Catlin: $678 million
- 2011 catastrophe losses offset by strong underlying performance
  - 50% attritional loss ratio is lowest for five years (2010: 52%)
- 2011 underwriting contribution of $324 million (2010: $683 million)
- Continued diversification outside London/UK hub
  - 11% increase in Group-wide GPW
  - 24% increase in GPW outside London/UK hub
- 5% weighted average rate increase for 1 January 2012 renewals
  - US Property Treaty rates increased by 17%
  - Underlying GPW growth of c. 10% during January 2012

* Source: Munich Re

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Outwards Reinsurance

Catastrophe Aggregate Programme

- Outwards programme worked as expected against 2011 loss experience
  - 2011 catastrophes were earnings events, not capital events
- Impact of H2 catastrophe losses only $144m
  - Marginally less than the three-loss scenario presented at half-year ($169 million)
- Limits remain to mitigate any loss deterioration from 2011 catastrophe events

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Outwards Reinsurance

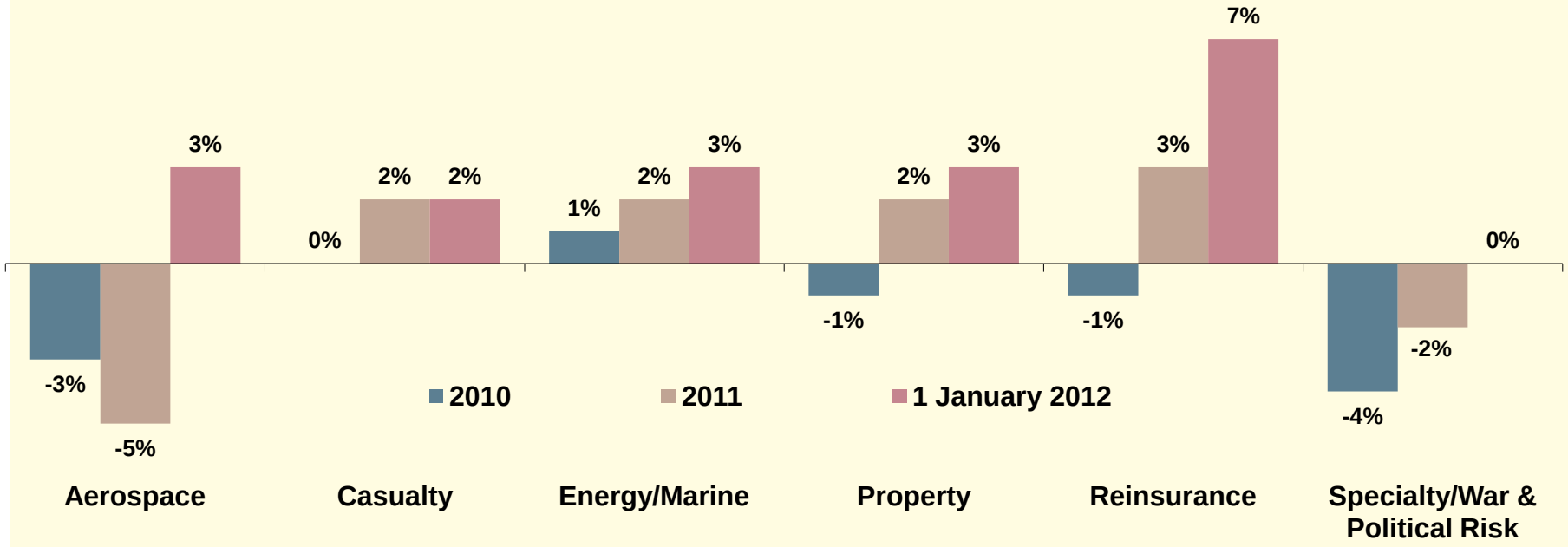
Strategy Unchanged

- Substantially similar cover for 2012 versus 2011
  - Increased catastrophe stop-loss protection
  - 20% reduction in catastrophe aggregate limit
  - More concentrated first-event protection within the catastrophe aggregate programme
- Increased pricing of catastrophe aggregate cover offset by improved pricing on the inwards business
  - Blend of deductibles and franchises similar to 2011
- Continued and expanded use of index-based tail protection for larger events in US and Europe
- Third-party capital transactions will increase ceded percentage by c. 5%

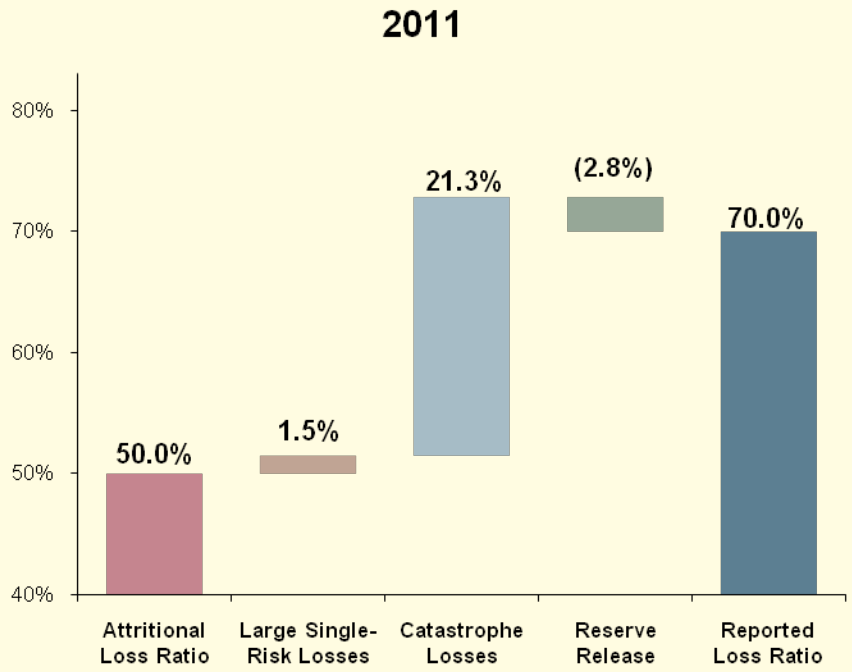
Rate Movements

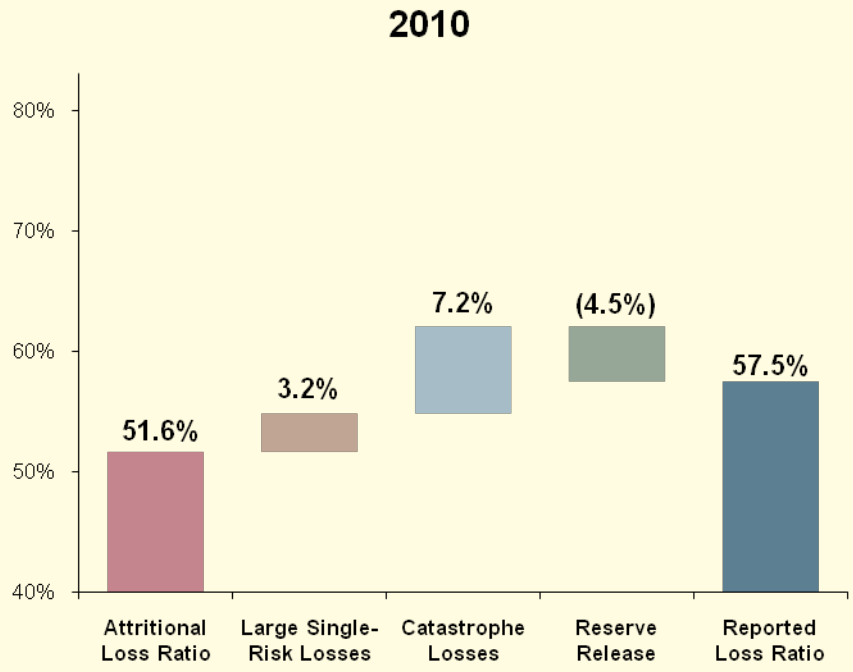
By Product Group

- Rates increased by 2% in 2011; 1 January 2012 renewals increased 5%
  - In 2011: catastrophe classes: +4%, non-catastrophe classes: 0%
  - At 1 January 2012: catastrophe classes: +9%, non-catastrophe classes: +1%
    - +17% increase for US Property Treaty, +12% for non-US Property Treaty



Analysis of Loss Ratio Components





- Attritional loss ratio improved despite a challenging market environment
- Large single-risk losses lower than long-term average but not indicative of a trend
- Prior year reserve release consistent with historic average

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Underwriting Results

2011 By Underwriting Hub

US$m	London	Bermuda	US	Int'l[1]	Group
Gross premiums written	2,342	549	852	770	4,513
Net premiums earned	1,891	471	636	614	3,612
Underwriting contribution	241	(66)	115	34	324
2011 attritional loss ratio	48%	33%	60%	61%	50%
2010 attritional loss ratio	*52%*	*30%*	*60%*	*60%*	*52%*
Loss ratio	65%	92%	64%	75%	70%

- London, Bermuda and Asia-Pacific most impacted by catastrophe loss experience
- Strong attritional performance across all underwriting hubs
- Successful first year for Catlin Re Switzerland
- Continued traction in International and US offices

1 International hub includes Asia-Pacific, Europe and Canada

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Underwriting Results

2011 By Product Group[1]

US$m	Gross premiums written	Net premiums earned	Underwriting contribution	2011 loss ratio	2010 loss ratio
Aerospace	396	338	101	51%	61%
Casualty	923	687	27	78%	87%
Energy/Marine	689	482	54	64%	55%
Property	515	404	53	58%	51%
Reinsurance	1,593	1,332	(75)	87%	52%
Specialty/War & Political Risk	410	387	180	32%	36%

- Reinsurance and Property results most impacted by 2011 catastrophe experience
  - The Property portfolio still produced a significant contribution
- Some evidence of corrective work in Casualty portfolio seen in loss ratio and contribution
- Energy/Marine loss ratio in 2010 flattered by higher than average prior year reserve releases
- Aerospace loss ratio improvement primarily due to benign loss experience
- Specialty/War & Political Risks contribution reflects continued levels of rate adequacy

1 Product group data excludes effects of claims handling costs and bad debt charges

Positive Underwriting Outlook

- Catlin is well-positioned to take advantage of opportunities in 2012
- International infrastructure continues to mature
  - Significant traction already
  - But underutilised in current market conditions
  - Scalable for when market improves
- Further rate adjustment expected
  - Currently led by Property Cat pricing
  - Becoming more common across non-correlated lines
  - Momentum is building
- Our portfolio flexibility enhances returns at this phase of the underwriting cycle

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Financial Results

Benjamin Meuli
Chief Financial Officer

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Income Statement

US$m	2011[1]	2010
Gross premiums written	4,513	4,069
Net premiums written	3,835	3,318
Net premiums earned	3,612	3,219
Net investment income	248	205
Other income	13	(10)
Total revenues	**3,873**	**3,414**
Loss and operating expenses	(3,802)	(3,008)
Income before income tax	**71**	**406**
Income tax and preferred share dividends[2]	(33)	(69)
Net income to common stockholders	**38**	**337**
Earnings per share (US cents)	0.11	0.98

- $272 million profit before tax in H2 2011 (H2 2010: $320 million)

1 With the exception of administrative expenses, the impact of year-to year changes using constant exchange rates is insignificant.

2 2011 and 2010 preferred share dividend: $44 million

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Analysis of Profit Before Tax

US$m	2011	2010
Net underwriting contribution[1]	324	683
Total investment return	256	212
Administrative expenses - controllable	(352)	(289)
Administrative expenses - non-controllable	(68)	(67)
Corporate expenses[2]	(84)	(101)
Financing and other	(14)	(35)
Foreign exchange	9	3
Profit before tax	**71**	**406**

1 Net underwriting contribution is defined as net premiums earned less losses and loss expenses and policy acquisition costs.

2 Corporate expenses include profit-related bonuses, employee share schemes and certain Group corporate costs. These items are not included in the expense ratio.

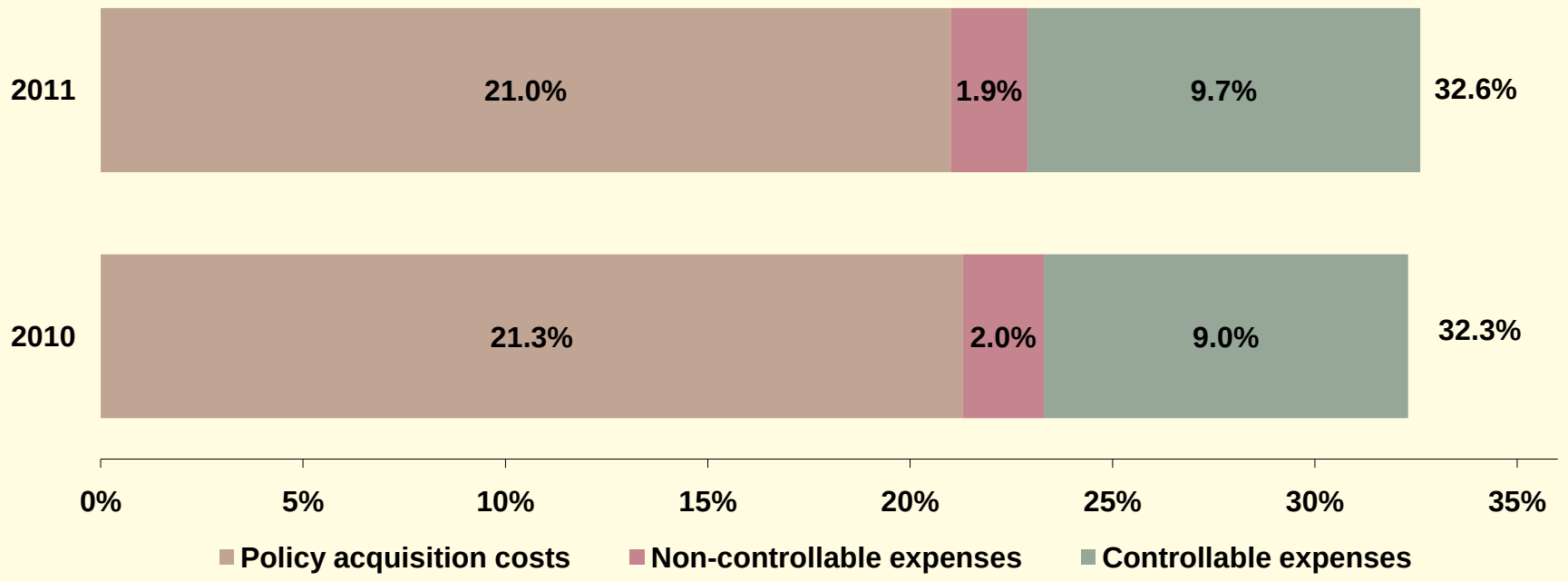
Operating Ratios

	2011	2010
Year on year GPW growth	10.9%	9.5%
Year on year NPE growth	12.2%	10.3%
Loss ratio[1]	70.0%	57.5%
Expense ratio[1]	32.6%	32.3%
Combined ratio[1]	102.6%	89.8%
Total investment return	3.1%	2.7%
Effective tax rate	(15.6%)	6.3%
Return on net tangible assets[2]	1.7%	16.3%
Return on equity[2]	1.3%	12.5%

1 Loss, expense and combined ratios are calculated with reference to net premiums earned; expense ratio excludes profit-related bonuses, employee share option schemes, certain Group corporate costs, investment costs and financing costs.

2 RoNTA and RoE exclude preferred shares

Expense Ratio Analysis



- Increase in controllable expenses arise from foreign exchange movements and increased accommodation costs

Note: Expense ratio excludes profit-related bonuses, employee share schemes, certain Group corporate costs, investment expenses and financing costs.

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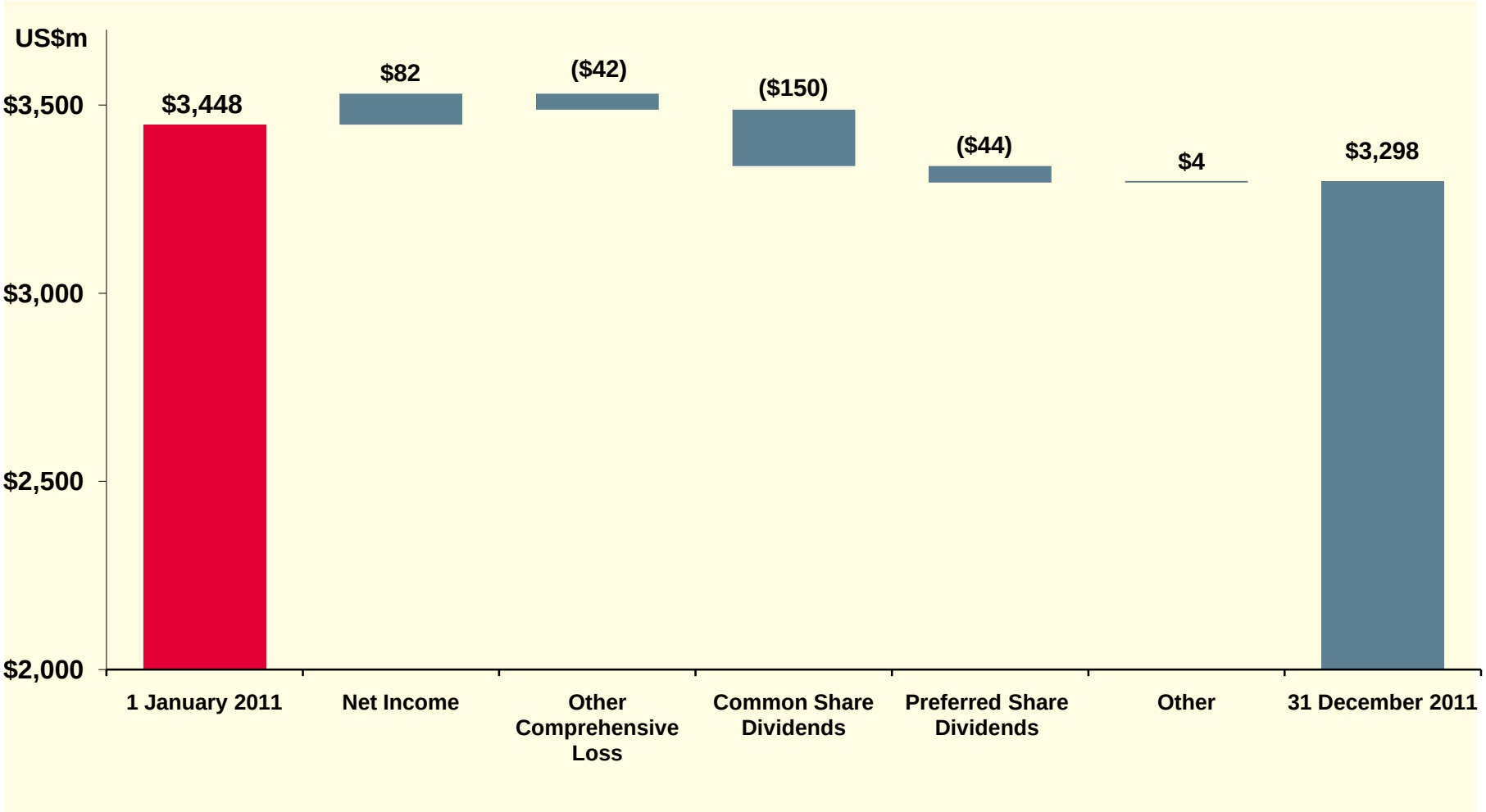
Balance Sheet

US$m	31 Dec 2011	31 Dec 2010
Investments and cash	8,388	8,021
Premiums receivable	1,679	1,322
Reinsurance recoverable	1,217	1,229
Deferred acquisition costs	398	354
Intangible assets and goodwill (net of deferred tax)	609	622
Other assets	560	440
Unpaid losses and loss adjustment expenses	(6,467)	(5,549)
Unearned premiums	(2,119)	(1,886)
Subordinated debt	(91)	(93)
Other liabilities	(876)	(1,012)
Total stockholders' equity	**3,298**	**3,448**

Change in Stockholders' Equity



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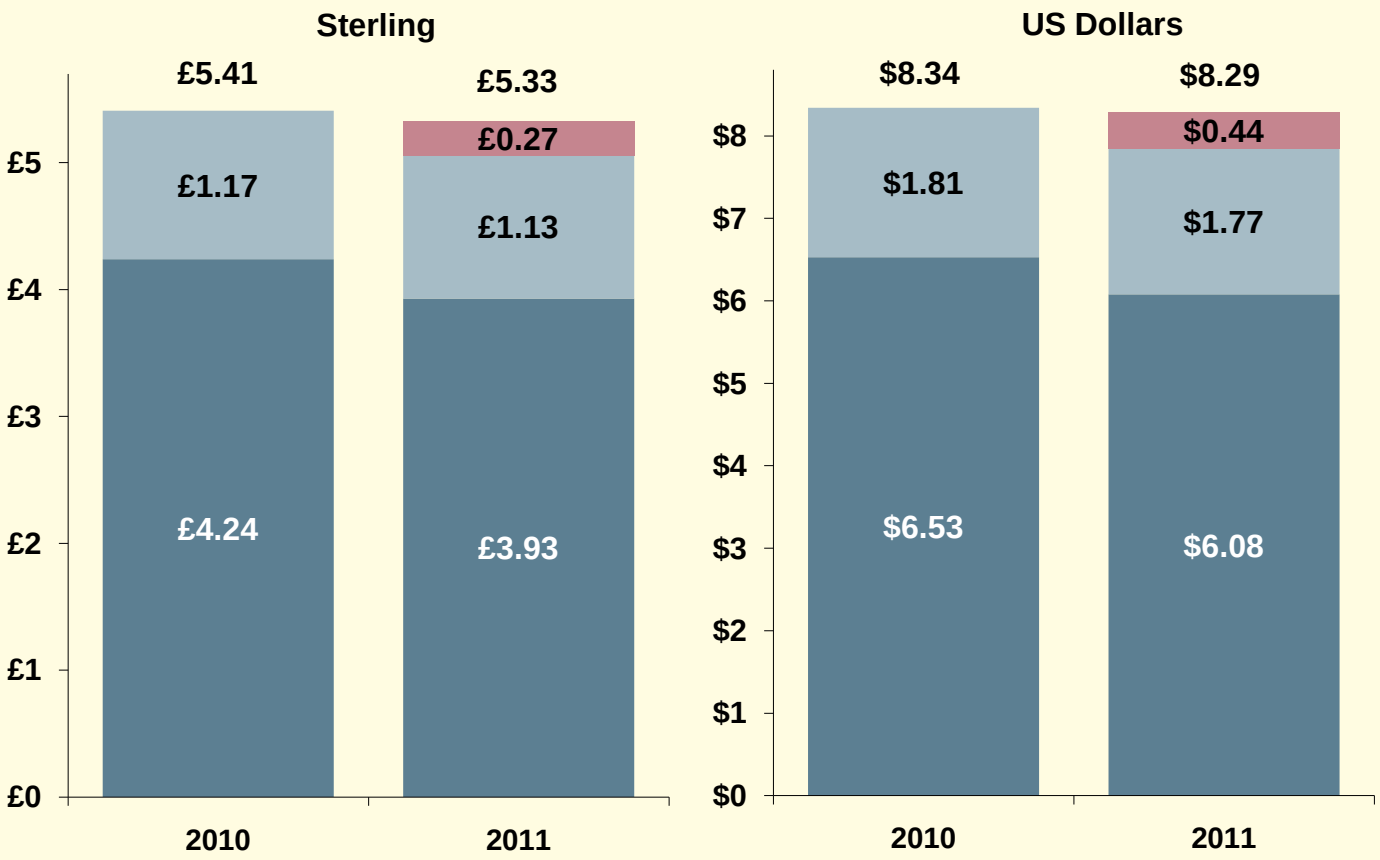
Consistent Reserving Philosophy

US$m	2011	2010	2009	2008	2007
Net loss reserves	5,279	4,510	4,220[1]	3,536	3,377
Prior period release	103	144	94	118	139
Release as % of opening reserves	2%	3%	2%	3%	4%
Stockholders' equity	3,298	3,448	3,278	2,469	3,017
Net loss reserves as % of equity	160%	131%	129%	143%	112%
Net loss reserves as % of total assets	41%	37%	36%	37%	35%

- Small reserve releases have been made in all years since the IPO
- Catastrophe Aggregate programme protects against deterioration of 2011 catastrophe losses
- Adverse development cover limits potential for reserve deterioration for 2009 and prior years whilst still allowing for future reserve releases

1 Net loss reserves at 1 January 2009 increased by an additional $431 million following reinsurance to close from Syndicate 2020.

Shareholder Value



- In spite of second worst year on record for catastrophe losses, shareholder value (book value plus dividends paid during a calendar year) is broadly the same

Dividends paid during year

Net intangible assets per share

Net tangible assets per share

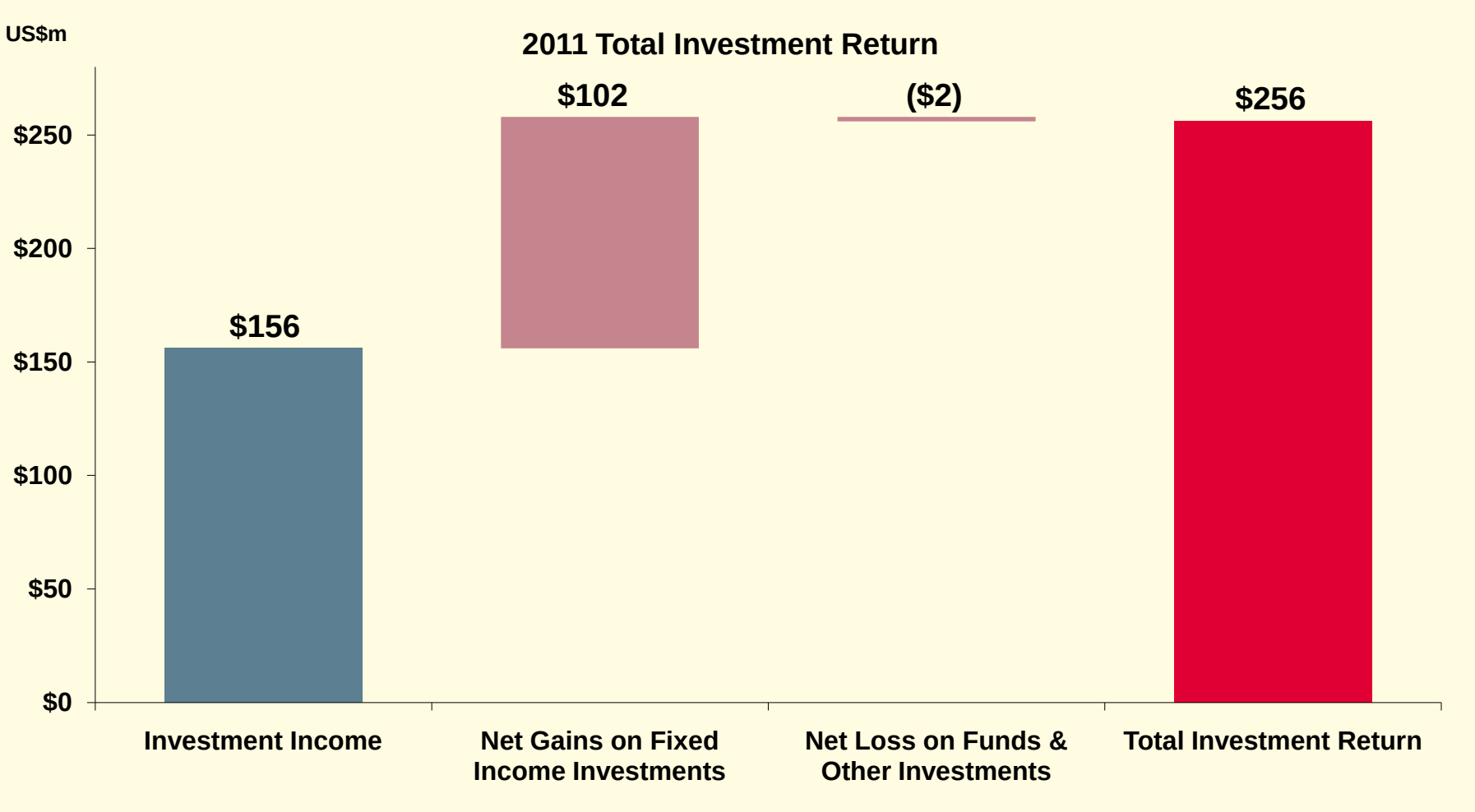
1 Excludes preferred shares. Number of common shares: 345 million on 31 December 2011; 343 million on 31 December 2010; 350 million on 31 December 2009;); treasury shares excluded from calculations

2011 Investment Overview

- Cash and investments increased by 5% to US$8.4 billion at 31 December 2011 (2010: US$8.0 billion)
- Good total investment return of 3.1% (2010: 2.7%)
- Active portfolio management with strengthened in-house capabilities

	31 Dec 2011 allocation $m	2011 average allocation $m	2011 average allocation %	2011 return $m	2011 return %
Fixed income	6,019	5,393	65%	225	4.2%
Cash & short-term investments	2,178	2,737	33%	32	1.2%
Other invested assets	181	162	2%	(2)	(1.0%)
Overlays	10	11	--	1	N/M
Total	8,388	8,303	100%	256	3.1%

Analysis of 2011 Investment Return



Proactive Portfolio Management in 2011

- Increased duration of the portfolio by reducing cash and increasing fixed income allocation early in the year; extending duration produced benefit from falling rates
- Total cash and investment portfolio duration at 1.8 years (2010: 1.5 years); fixed income portfolio duration at 2.5 years (2010: 2.5 years)
  - Liability benchmark of 2.4 years (2.7 years for insurance liabilities)
  - Overlays used to protect against significant movement in interest rates
- Active credit exposure management
  - Increased allocation to investment grade corporate credit at the start of the year benefitted from spread tightening during early 2011
  - Reduced tactical positions in CMBS during Q2 and investment grade corporate credit mid-year
  - Proactive review and management of sovereign and bank credit exposure
- No exposure to government bonds issued by Portugal, Italy, Ireland, Greece and Spain
- Liquid assets[1] amounted to 62% of portfolio (2010: 67%)
- 1.4% yield to maturity on fixed income portfolio (2010: 1.8%)

1 Liquid assets defined as cash, government securities and fixed income securities with less than six months to maturity.

Consistent Approach in 2012

- Significant majority of investments will be in core assets[1] managed by a select group of external managers and newly established in-house team
- In-house special situations team has been established for tactical investments
  - Concentrated, partially hedged portfolio of value investments with a primary focus on corporates across the capital structure
  - Building on balance sheet capacity to pursue longer-term investment horizon and to capture liquidity premium
- All investments subject to defined market risk limits (capital, earnings, liquidity)
- Investment portfolio remains positioned for a variety of economic scenarios; macro-economic risks are managed via overlays
- Benefits from newly established in-house capabilities
  - Improved flexibility to manage assets and risks
  - Capture risk and liquidity premium on a more timely and systematic basis
  - Better real time knowledge

1 Highly rated sovereign, agency and corporate bonds and AAA-rated short-duration asset-backed securities

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Conclusion

Stephen Catlin
Chief Executive

Conclusion

- Catlin is in a strong position
  - Good H2 profit performance (despite Thai floods and other catastrophes)
  - Broadly consistent reinsurance programme is in place for 2012, including Catastrophe Aggregate protection
  - Foundation for further third-party capital flexibility built
- Low attritional loss ratio demonstrates underwriting discipline
- Improved rate environment
  - Increased Catastrophe Reinsurance and Property Insurance rates
  - Continued pressure building for changes in wider market conditions
- Investment in global hub infrastructure continues to pay benefits
  - Sources of continued, profitable growth
  - Building on successful start of Catlin Re Switzerland
- Global scalability

Consistent Catlin Strategy

- Building a business for the future
- Disciplined underwriting
- Multiple underwriting hubs
- Benefit from investment in geographic expansion
- Building uncorrelated risk
- Focus on capital preservation

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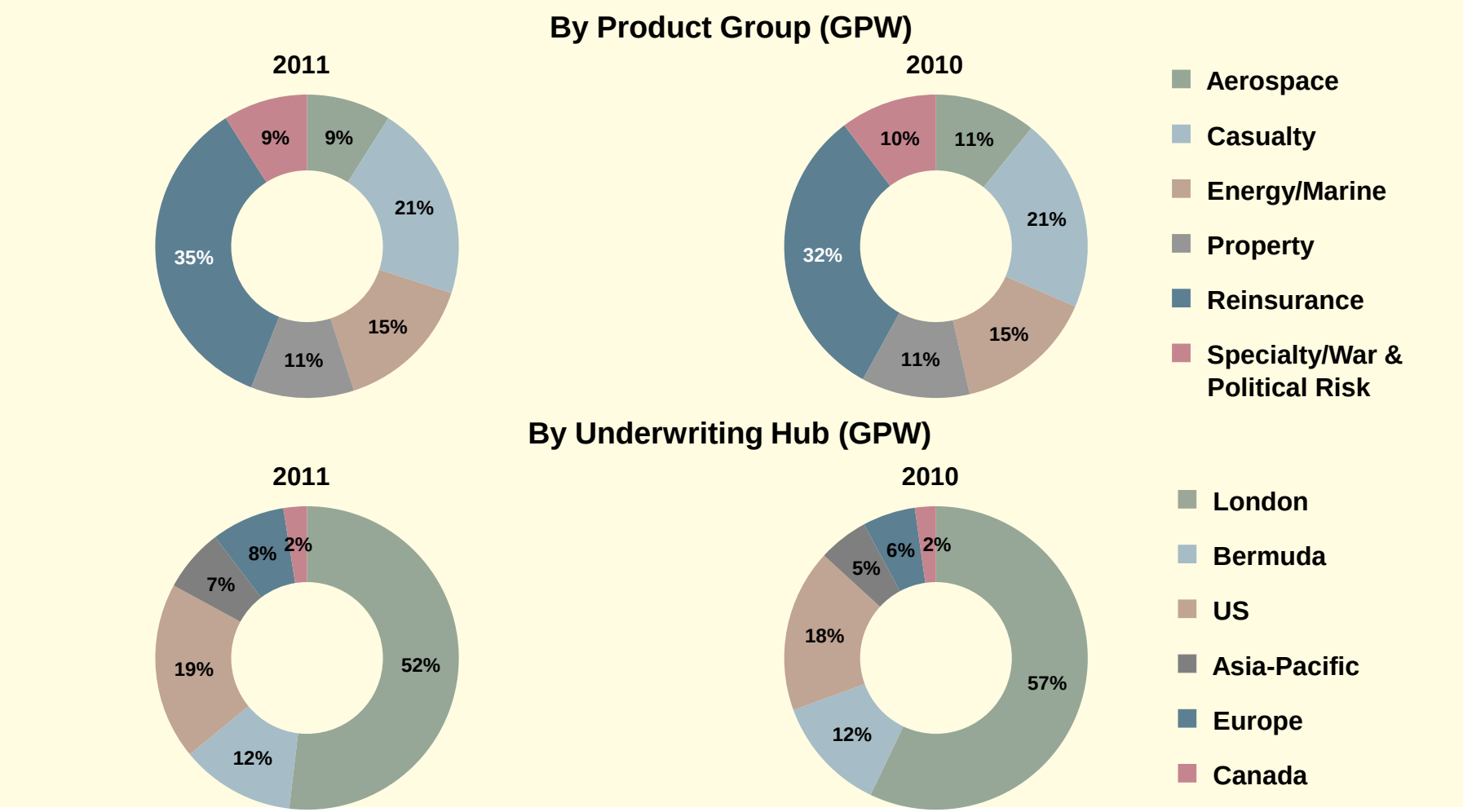
Appendix

Mix of Business

At 31 December 2011



Loss Ratio Components

- The loss ratio includes all losses and loss expenses incurred during the year, including:
  - **Attritional losses**
    - Loss and loss expenses excluding prior-year reserve changes, catastrophe losses and large single risk losses
  - **Large Single Risk Losses**
    - Losses arising from man-made causes that exceed expected severity for a given class of business, typically in excess of $10 million (gross of reinsurance) or recoverable under outwards catastrophe protections
  - **Catastrophe losses**
    - Losses incurred from significant natural catastrophes, including all such losses in excess of $50 million (net of reinsurance and reinstatement premiums)
  - **Prior year reserve changes**
    - Changes in loss and loss expense reserve estimates from prior years

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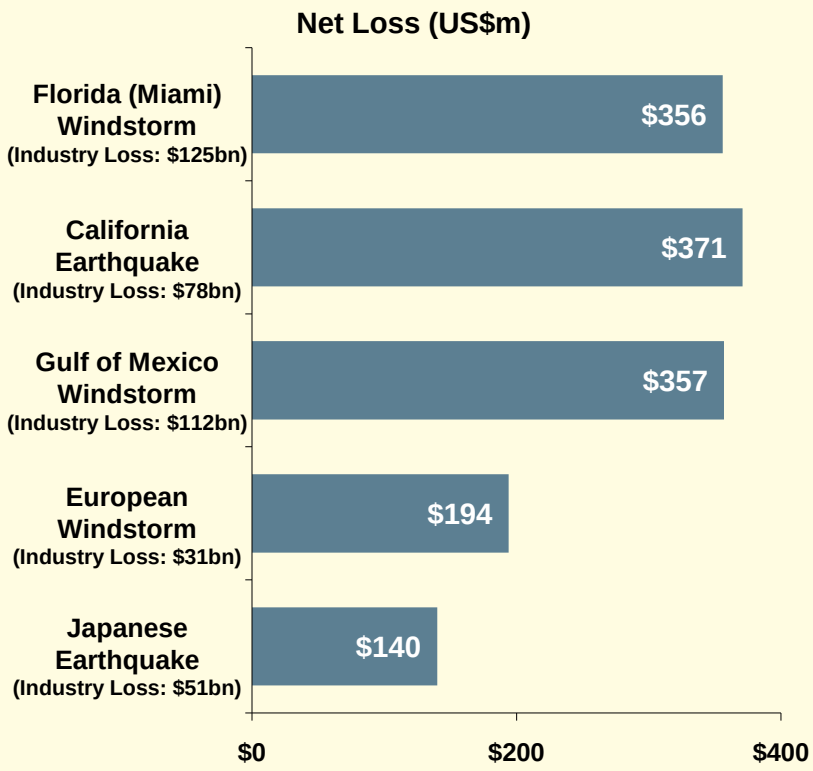
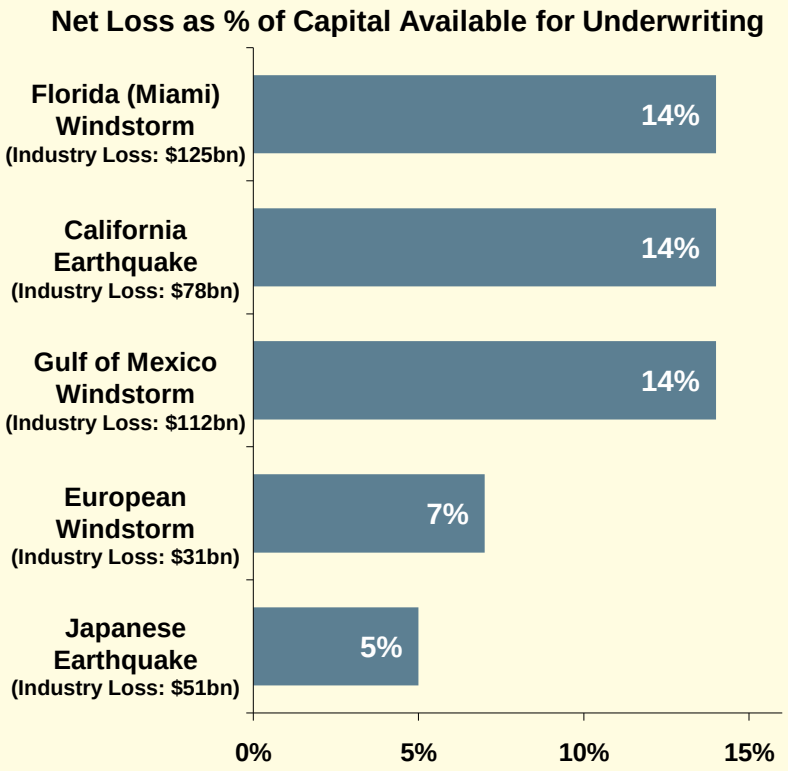
Catastrophe Threat Scenarios

As at 1 October 2011





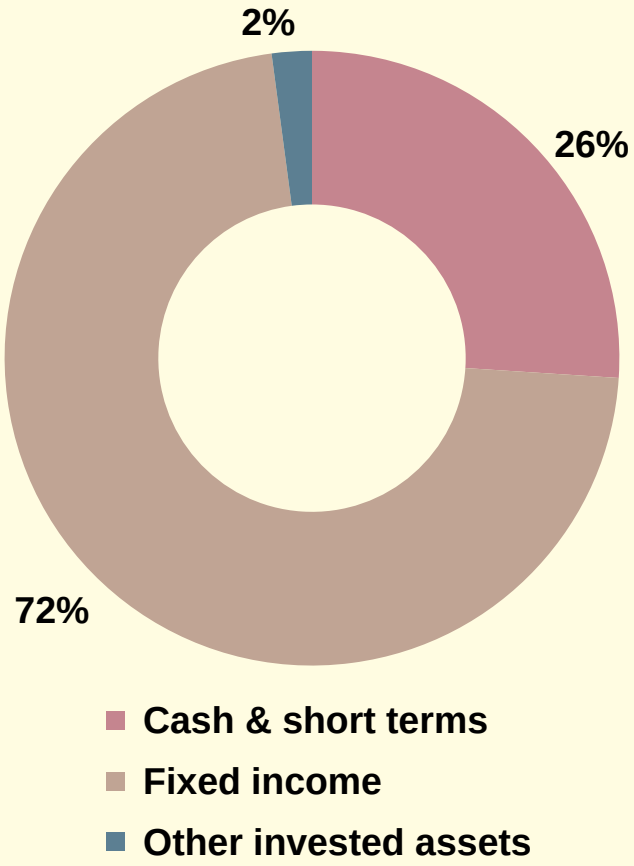
Notes:

Scenarios are shown after taking into account erosion of the underlying deductibles in the aggregate protections in place at 1 October 2011. If there were no erosion of the underlying deductibles in these programs, the largest net threat scenario would be 23% of capital available for underwriting

Capital available for underwriting amounted to US$2.5 billion at 30 June 2011; defined as total stockholders' equity (including preferred shares), less intangible assets net of associated deferred tax

Investment Portfolio Composition

At 31 December 2011



- Increase in fixed income assets to 72% (2010: 57%)
- 98% of fixed income portfolio rated 'A' or higher (30 June 2011: 92%; 31 December 2010: 97%)
- 98% of fixed income portfolio managed under core guidelines
- Cash and short-term holdings reduced to 26% of portfolio (2010: 41%)
- Other invested assets (including funds, equities, loans and private equity) account for 2% or $181million

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High-Quality Fixed Income Portfolio

At 31 December 2011

- 98% of fixed income portfolio is rated 'A' or higher (30 June 2011: 92%; 31 December 2010: 97%)

	Govt/ Agency	AAA	AA	A	BBB	Non-inv grade	Assets US$m
US government/agencies	28%	--	--	--	--	--	1,702
Non-US government/agencies	22%	--	--	--	--	--	1,326
Agency-backed mortgage securities	13%	--	--	--	--	--	748
FDIC-backed corporate bonds	1%	--	--	--	--	--	60
Asset-backed securities	--	10%	--	--	--	--	602
Non-agency mortgage-backed securities	--	*	--	--	--	*	47
Commercial mortgage-backed securities	--	--	--	*	*	1%	65
Corporate bonds	--	4%	12%	8%	1%	*	1,469
Total	**64%**	**14%**	**12%**	**8%**	**1%**	**1%**	**6,019**

* Less than 0.5%

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