CATLIN

Catlin Group Limited 2010 Financial Results

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10th February 2011

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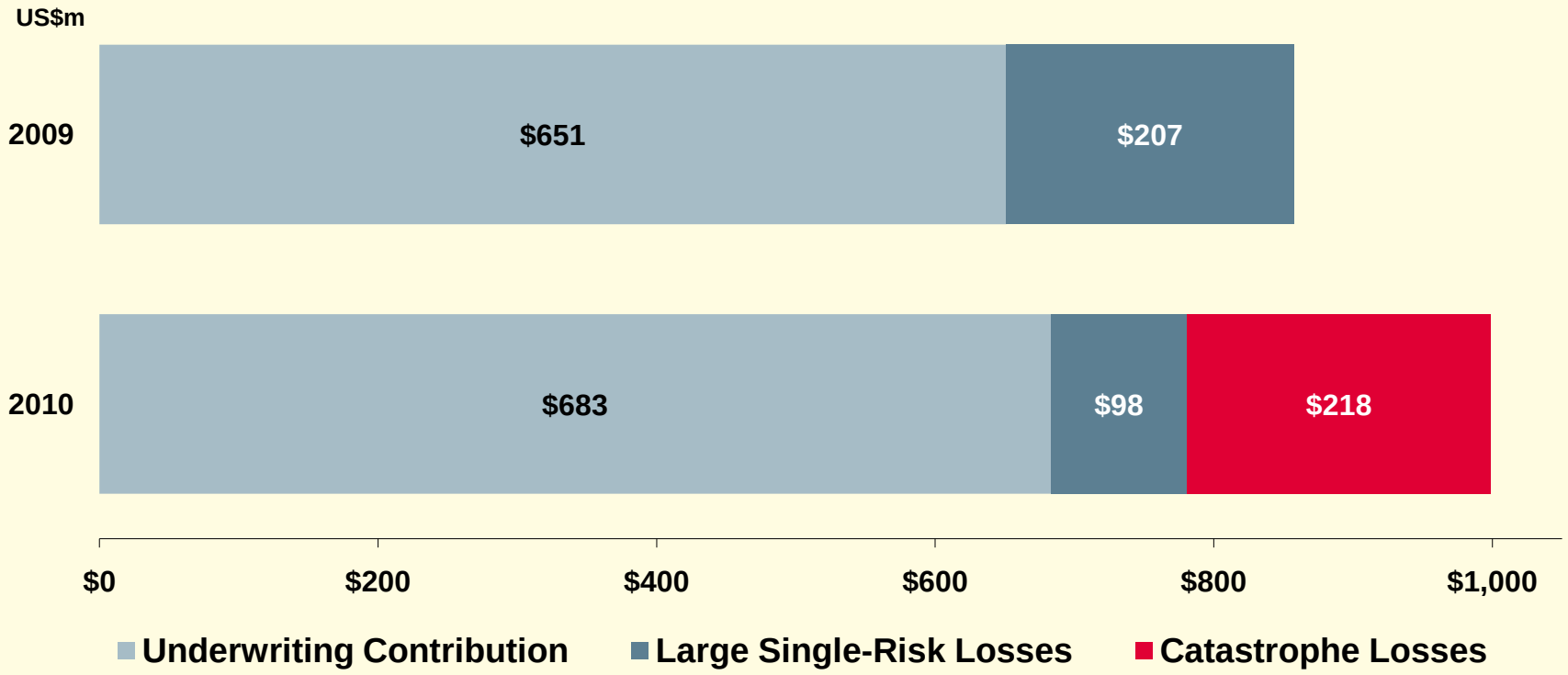
Introduction

Stephen Catlin, Chief Executive Officer

2010: Another Year of Progress

Increased Underwriting Contribution Despite Catastrophe Losses

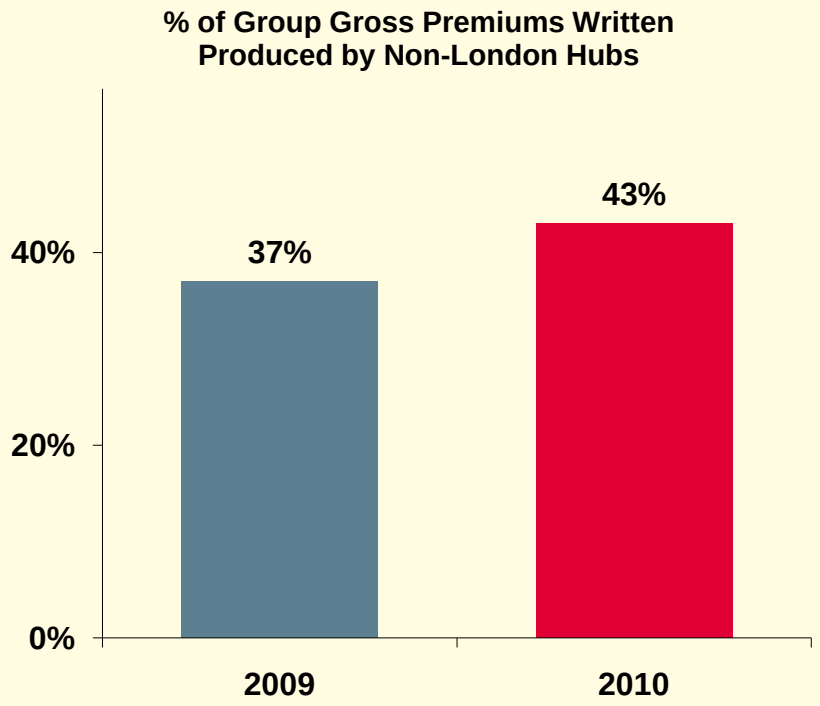
- 5% increase in underwriting contribution to $683 million
  - Increase despite $218 million in catastrophe losses during 2010 (2009: $0)
  - Positive underwriting contribution from all six underwriting hubs

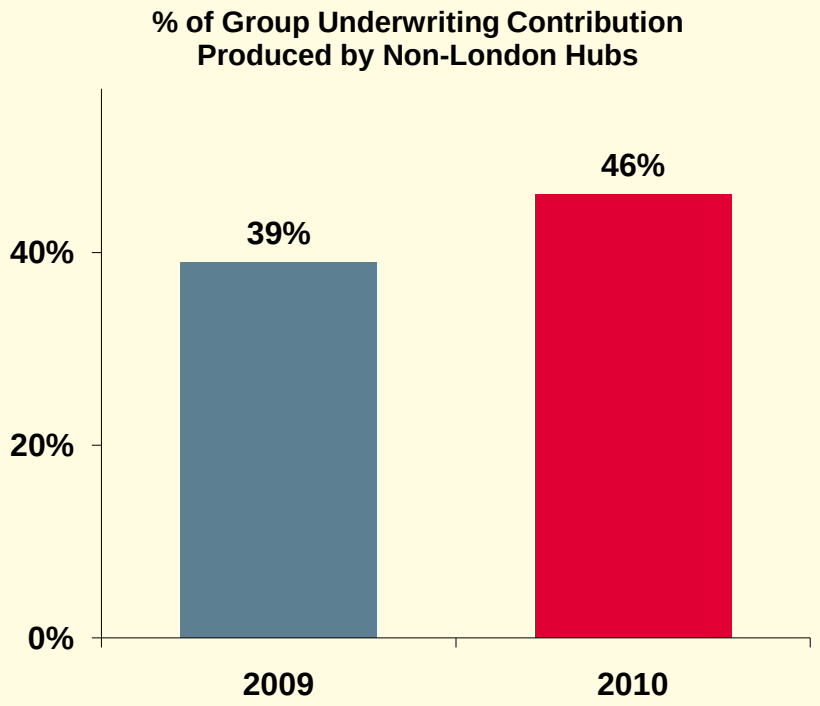


2010: Another Year of Progress

Non-London Hubs' Growth Continues

- Profitable growth from non-London/UK underwriting hubs
  - Non-London hubs' underwriting contribution increased 25%
  - 43% of GPW and 46% of underwriting contribution produced outside London





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2010: Another Year of Progress

Catlin Refines Structure That Provides Unique Advantages

- Catlin's underwriting hub structure is now gaining traction
  - Non-London underwriting hubs provide sources of profitable growth, even when conditions in London wholesale market become increasingly competitive
  - Structure provides underwriting and capital flexibility

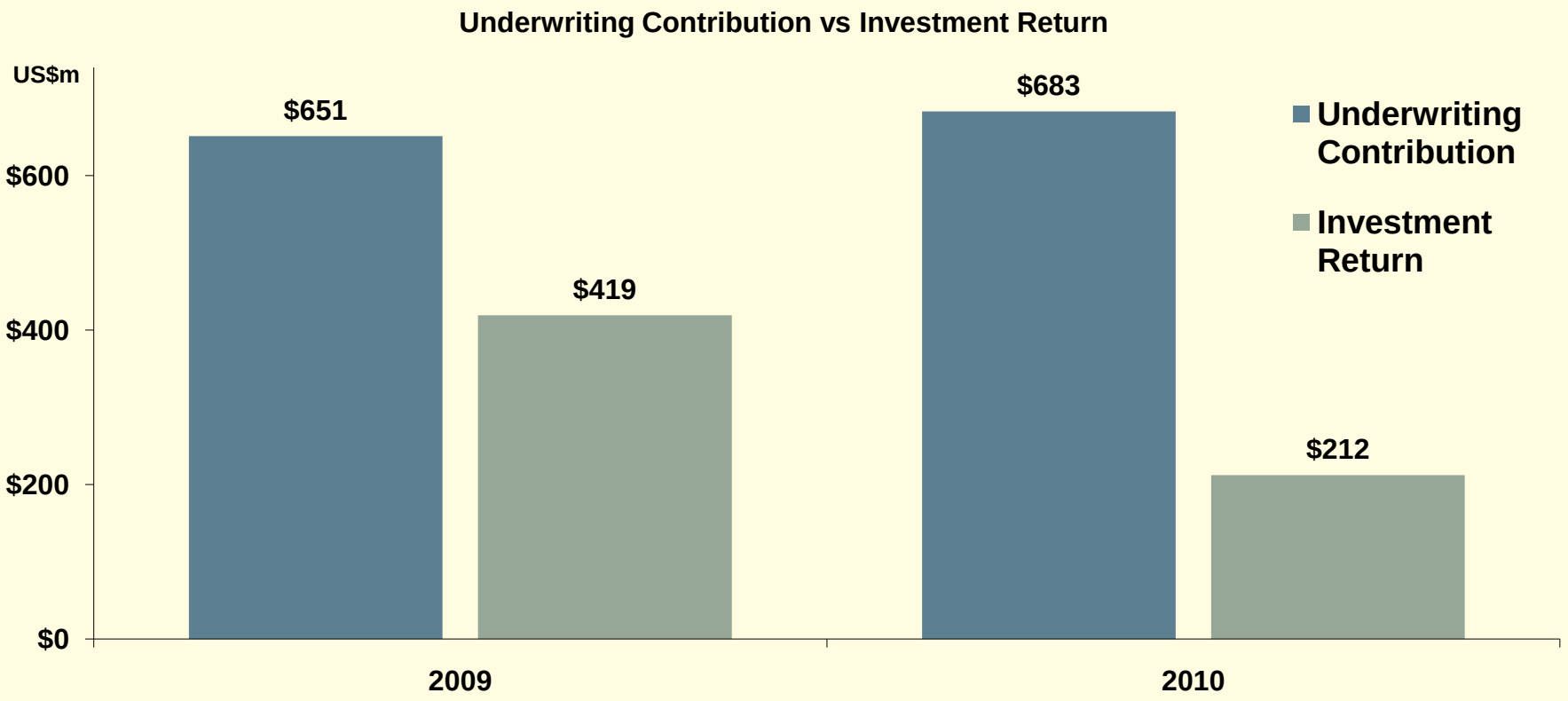
London /UK	Bermuda	US	International*
2010 GPW $2.3bn -1%	2010 GPW $502m +19%	2010 GPW $707m +22%	2010 GPW $537m +47%
Underwriting Employees 249	Underwriting Employees 24	Underwriting Employees 179	Underwriting Employees 208
GPW/Underwriting Employee $9.4m	GPW/Underwriting Employee $20.9m	GPW/Underwriting Employee $3.9m	GPW/Underwriting Employee $2.6m

1 Includes Asia-Pacific, Europe and Canada underwriting hubs

2010: Another Year of Progress

Strong Underwriting Result Fuels Profits

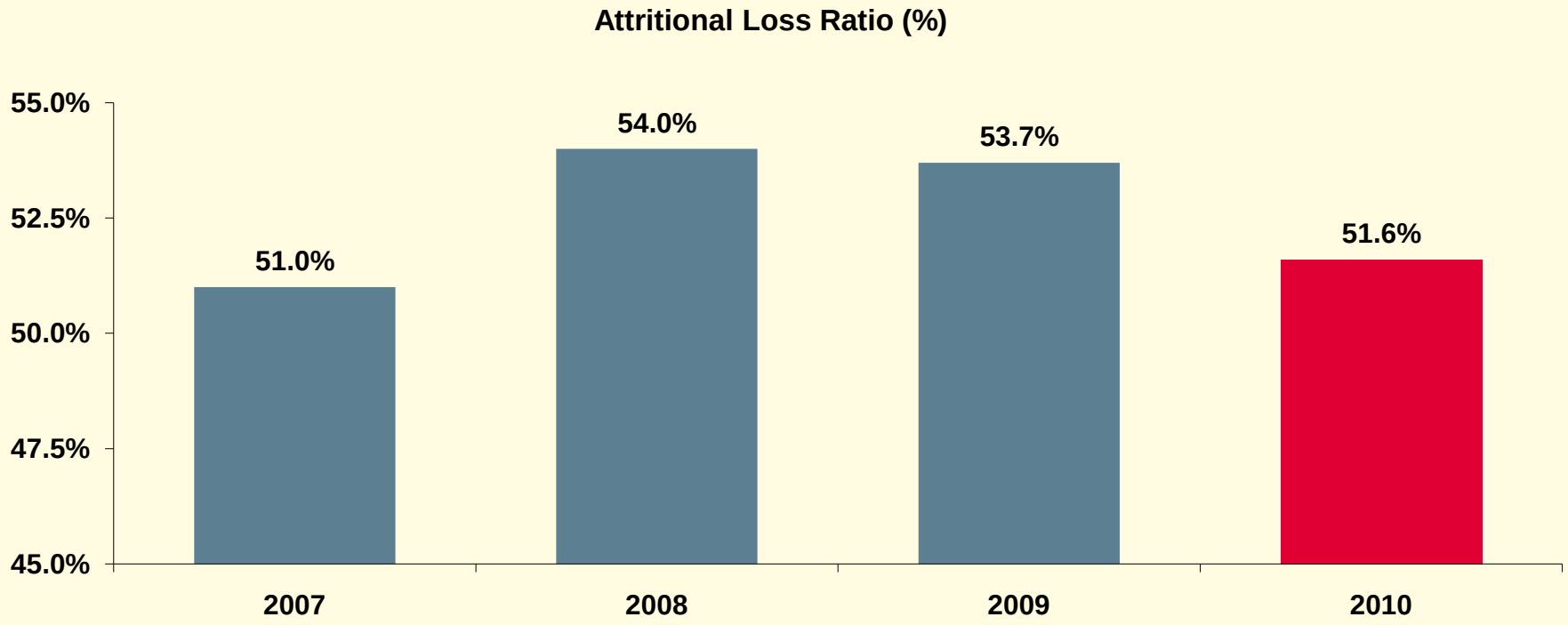
- Pre-tax profits of $406 million (2009: $603 million) primarily due to reduction in investment return as expected



2010: Another Year of Progress

Attritional Loss Ratio Improves Despite Softening Market Conditions

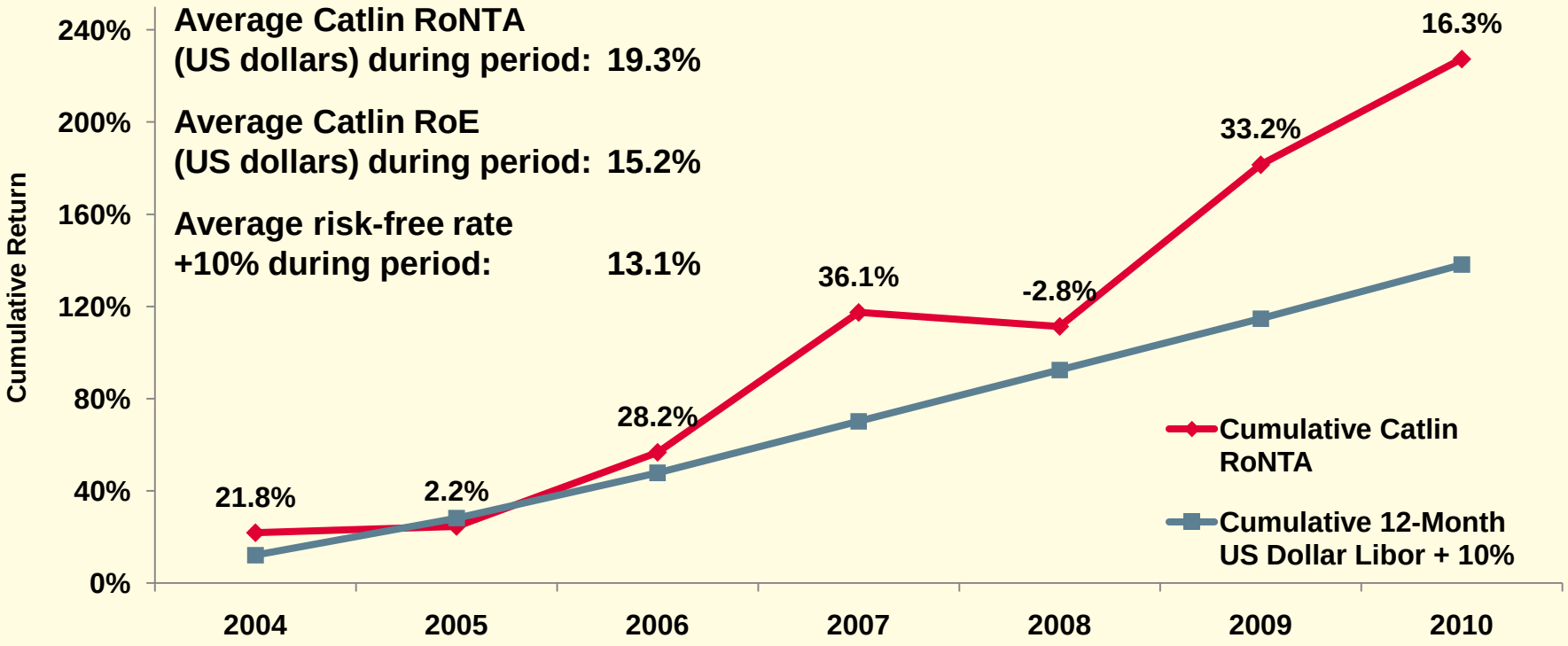
- Improvement in attritional loss ratio to 51.6% despite increasing competition in most classes of business (2009: 53.7%)
  - Average weighted premiums rates decreased 1% across entire portfolio during 2010



2010: Another Year of Progress

Return on Equity Exceeds Catlin's Cross-Cycle Target

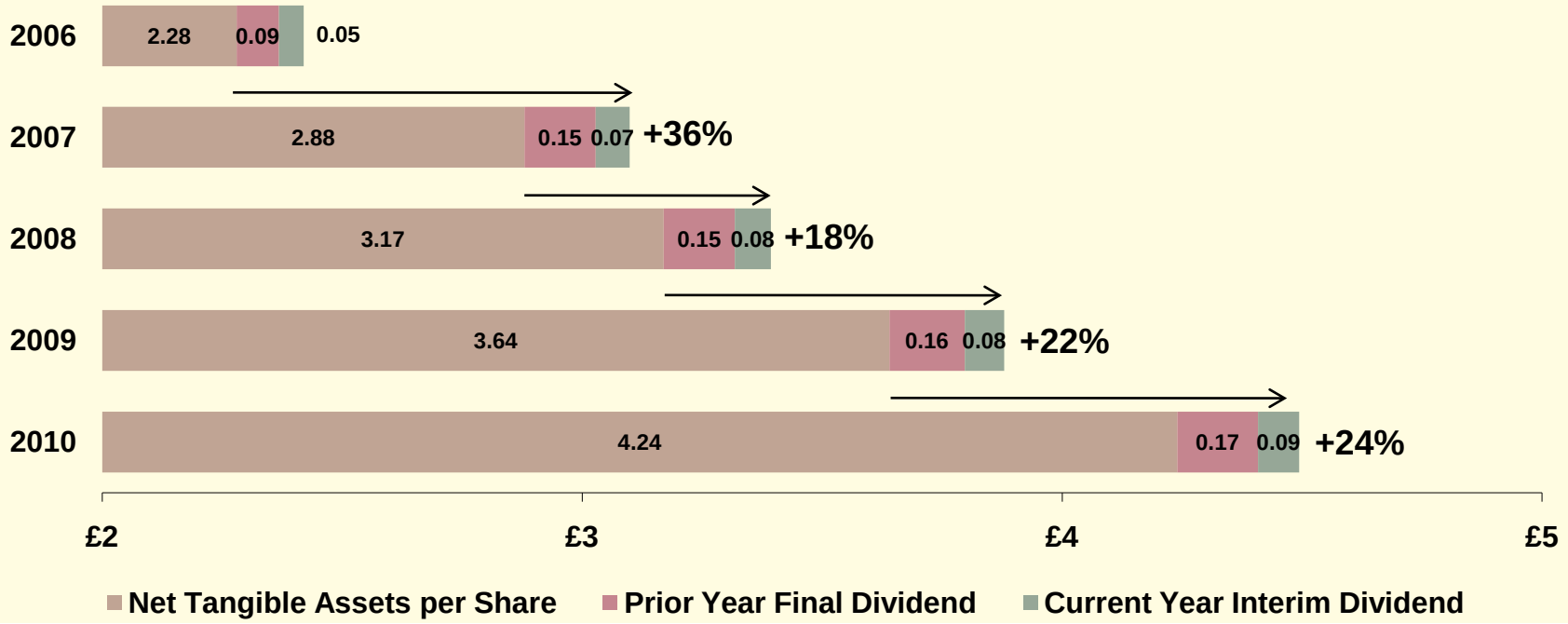
- Catlin strives to produce weighted returns that exceed the risk-free rate over the course of a cycle by 10 percentage points
- Since the 2004 IPO, Catlin has exceeded this goal



2010: Another Year of Progress

Significant Creation of Shareholder Value Continues

- Catlin measures shareholder value creation by comparing the annual increase in net tangible assets per share plus dividends paid during a year
- Shareholder value in sterling increased by 128% since 2006 on this basis
  - 24% increase in 2010



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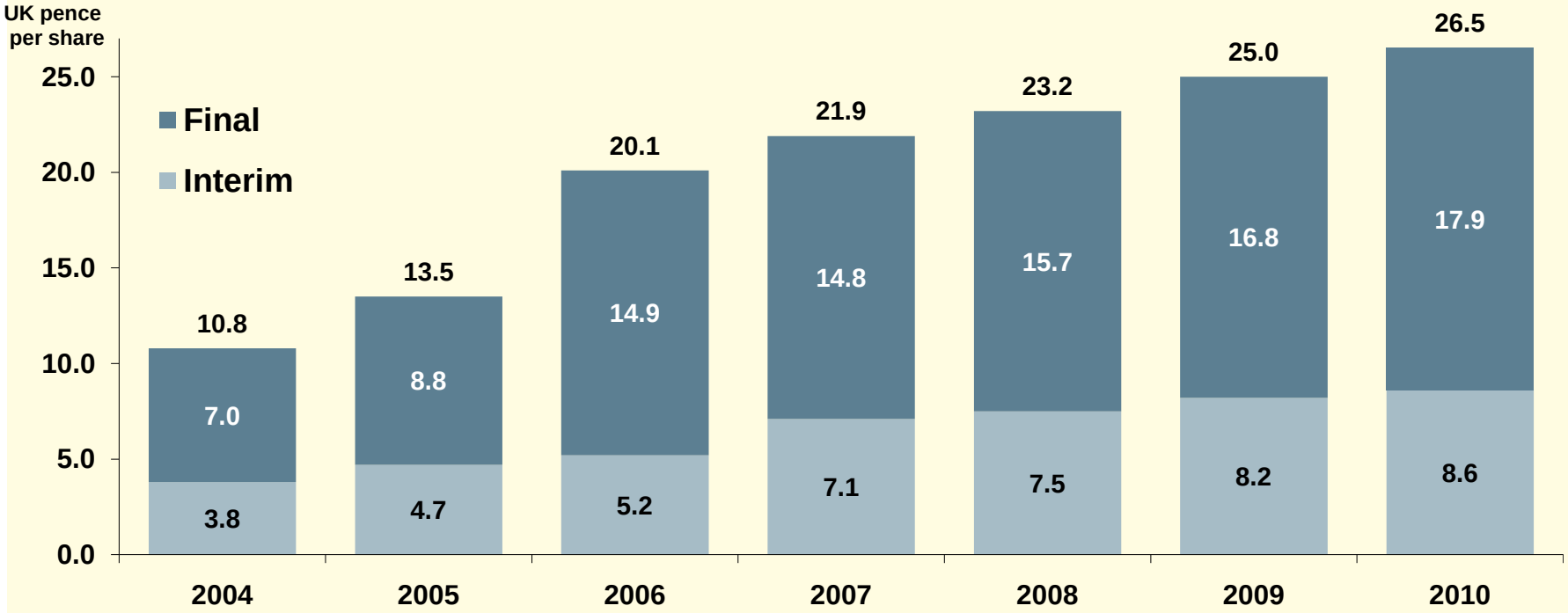
2010: Another Year of Progress

Shareholder Value Also Delivered Through Steadily Rising Dividends

- Since 2004 Catlin has declared more than £400 million in dividends
- Annual dividend has increased 145% since IPO
- One Catlin share has produced total dividends of 141p since IPO



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

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2010 Results In Review

- 5% increase in net underwriting contribution to $683 million
  - 46% produced by non-London/UK hubs
  - Includes more than $200 million in catastrophe losses (2009: $nil)
- 51.6% attritional loss ratio
  - Lowest since 2007
  - Demonstrates Catlin's selective underwriting amid rising competition
- 10% increase in gross premiums written to $4.1 billion
  - 28% increase by non-London/UK hubs; London/UK down 1%
- 10% increase in net premiums earned to $3.2 billion
- 32.3% expense ratio
- 89.8% combined ratio, of which 7.2% represents catastrophe losses

2010 In Review

- $144 million reserve release, equivalent to 3% of opening reserves
  - Demonstrates strength of prior year reserving
- 2.7% total investment return (2009: 5.9%)
  - Portfolio remains liquid amid continuing market uncertainty
- $406 million in profit before tax; $337 million in net income to common stockholders
  - 16.3% return on NTA
  - 12.5% return on equity
  - 16.5% sterling increase in NTA per share (10.7% increase in US dollars)
- 7% increase in final dividend to 17.9 pence; 6% increase in total dividend to 26.5 pence
  - Reflects strength of underlying business and continued confidence in future prospects

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Financial Results

Benjamin Meuli
Chief Financial Officer

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Income Statement

US$m	2010	2009
Gross premiums written	4,069	3,715
Net premiums written	3,318	3,168
Net premiums earned	3,219	2,918
Investment & other income	195	417
Total revenues	**3,414**	**3,335**
Loss and operating expenses	(3,008)	(2,732)
Income before income tax	**406**	**603**
Income tax and preferred share dividends[1]	(69)	(94)
Net income to common stockholders	**337**	**509**
Earnings per share (US cents)	0.98	1.52

1 2010 and 2009 preferred share dividend: $44 million

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Analysis of Profit Before Tax

US$m	2010	2009
Net underwriting contribution[1]	683	651
Total investment return	212	419
Administrative expenses - controllable	(289)	(269)
Administrative expenses - non-controllable	(67)	(64)
Other expenses[2]	(101)	(116)
Financing and other	(35)	(48)
Foreign exchange	3	30
Profit before tax	**406**	**603**

- 2010 foreign exchange gain was $3 million following unwind of H1 foreign exchange loss of $49 million

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

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

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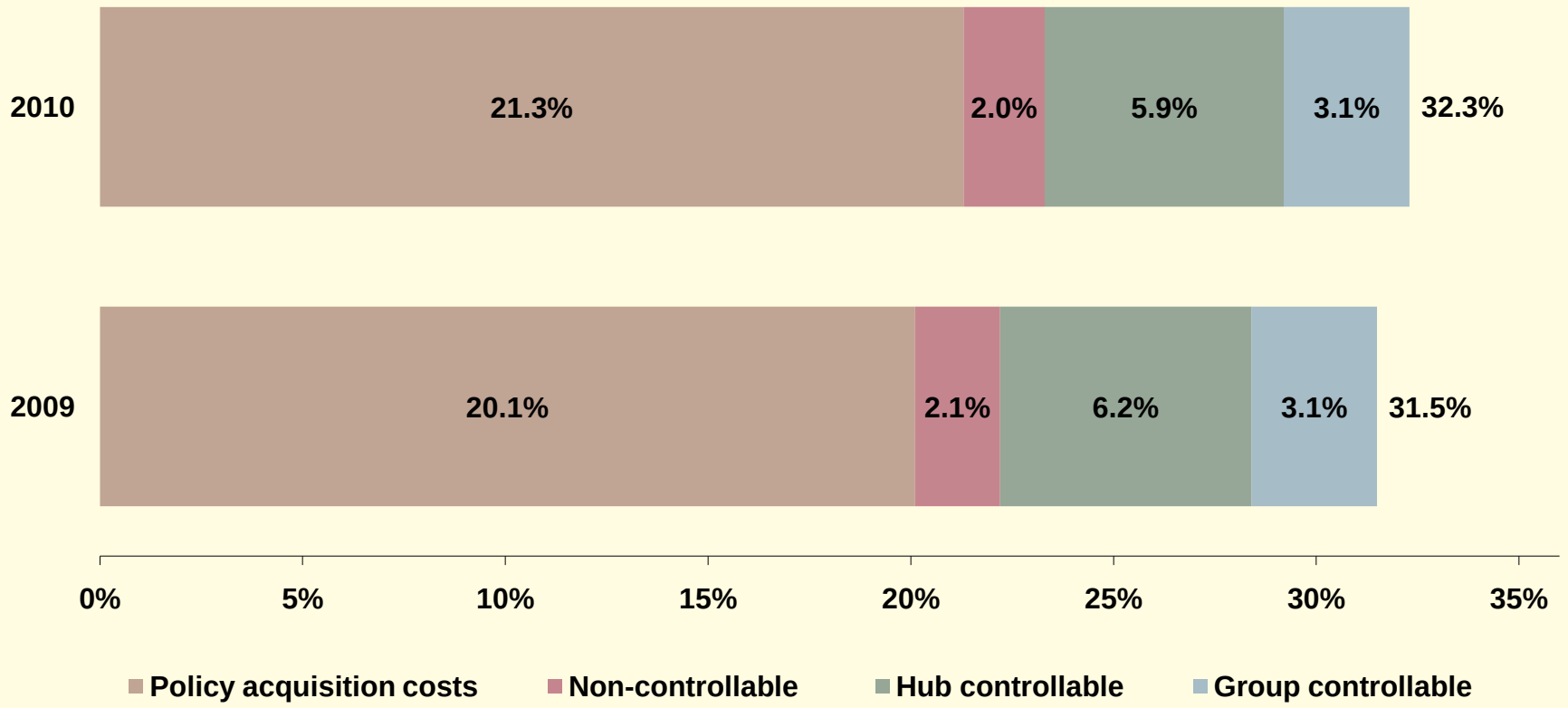
Operating Ratios

	2010	2009
Year on year GPW growth	9.5%	8.1%
Year on year NPE growth	10.3%	12.4%
Loss ratio[1]	57.5%	57.6%
Expense ratio[1]	32.3%	31.5%
Combined ratio[1]	89.8%	89.1%
Total investment return	2.7%	5.9%
Effective tax rate	6.3%	8.3%
Return on net tangible assets[2]	16.3%	33.2%
Return on equity[2]	12.5%	24.3%

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



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

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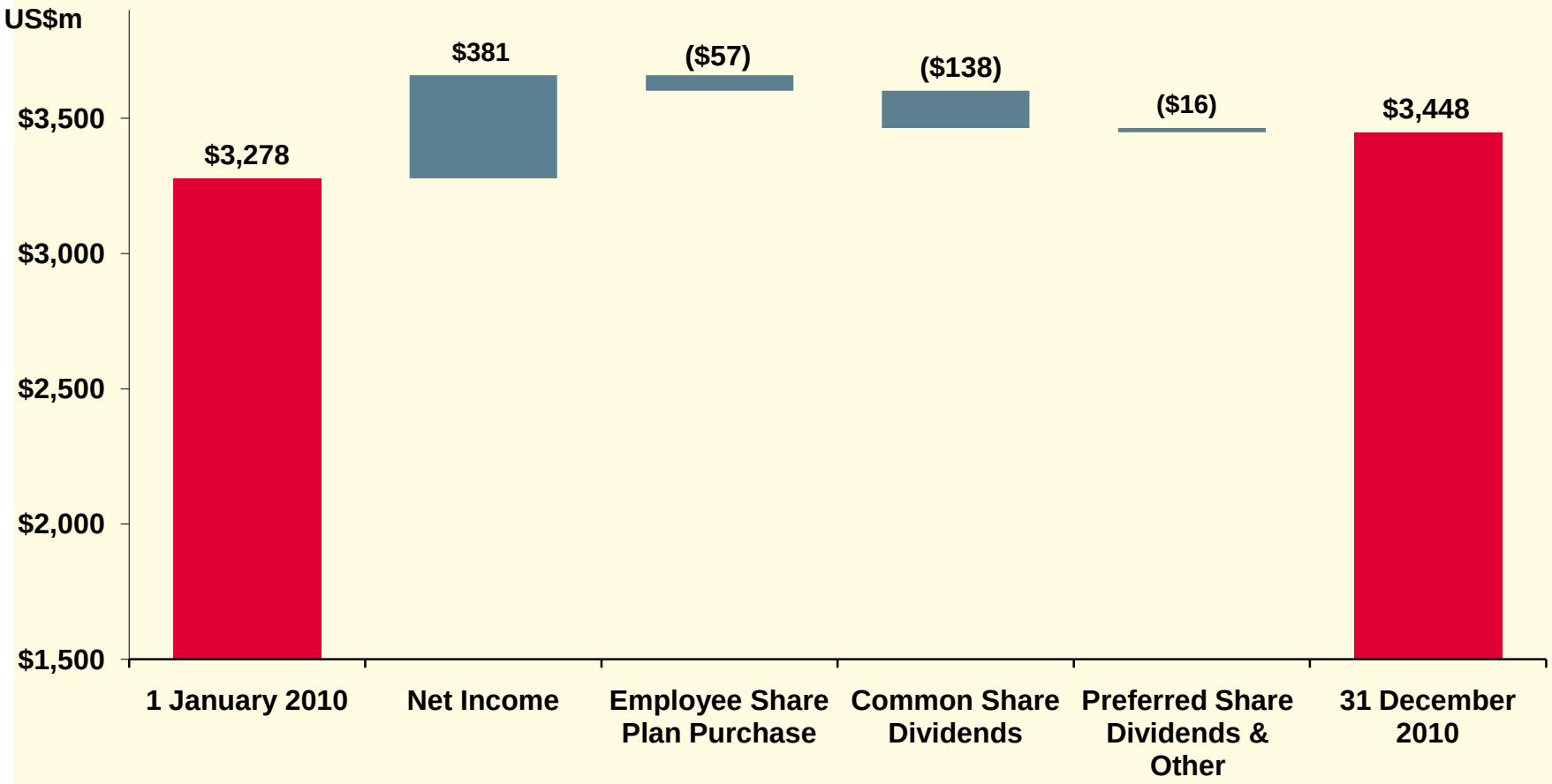
Balance Sheet

US$m	31 Dec 2010	31 Dec 2009
Investments and cash	8,021	7,693
Premiums receivable	1,322	1,133
Reinsurance recoverable	1,229	1,441
Deferred acquisition costs	354	292
Intangible assets and goodwill (net of deferred tax)	622	622
Other assets	440	405
Unpaid losses and loss adjustment expenses	(5,549)	(5,392)
Unearned premiums	(1,886)	(1,724)
Subordinated debt	(93)	(97)
Other liabilities	(1,012)	(1,095)
Total stockholders' equity	**3,448**	**3,278**

Change in Stockholders' Equity



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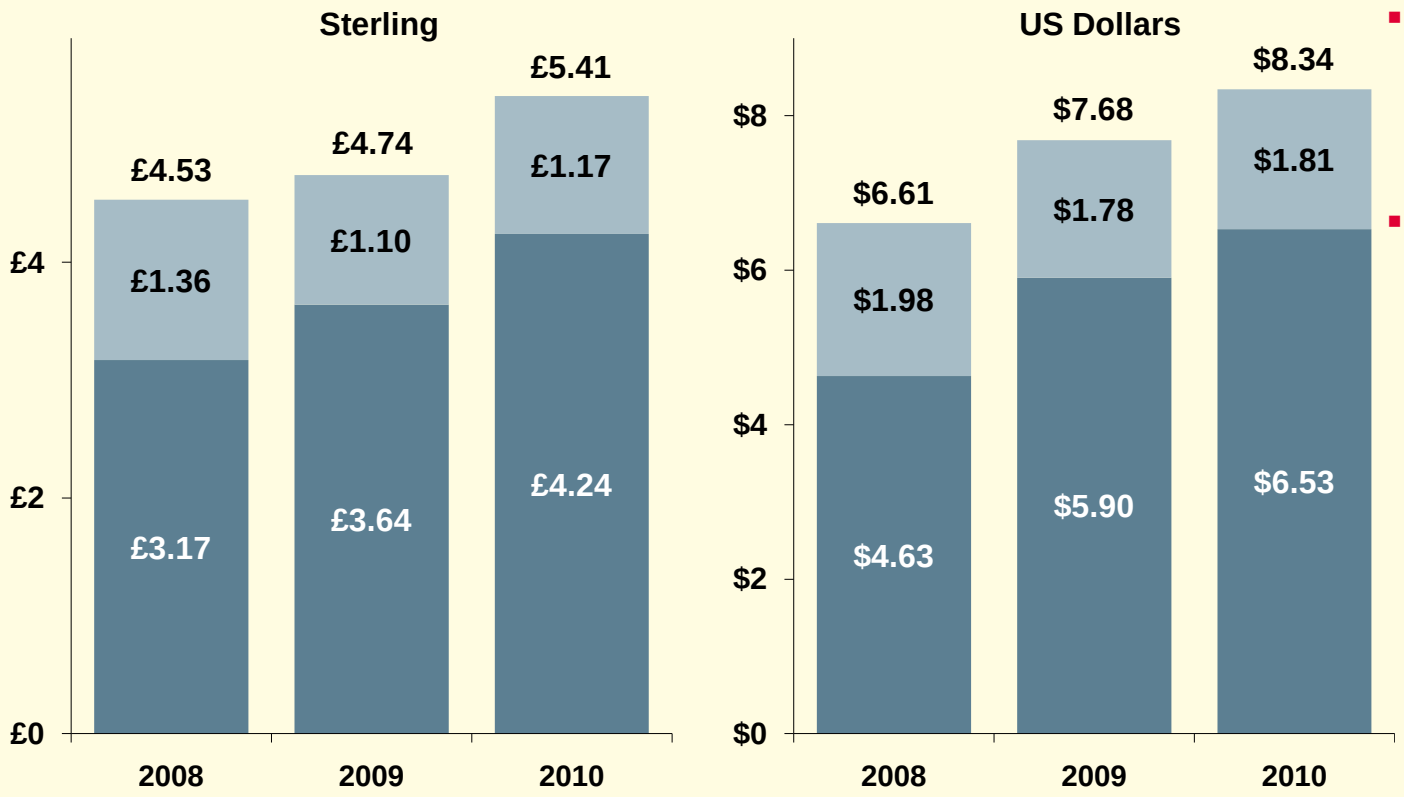
Strong Growth in Shareholder Value

Book Value per Share[1]



- 16% increase in sterling net tangible book value per share during 2010
- 11% increase in US dollar net tangible book value per share during 2010

1 Excludes preferred shares. Number of common shares: 343 million on 31 December 2010; 350 million on 31 December 2009; 248 million on 31 December 2008 (adjusted for impact of Rights Issue); treasury shares excluded from calculations

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Consistent Reserving Philosophy

US$m	2010	2009	2008	2007	2006[1]
Net loss reserves	4,510	4,220	3,536[2]	3,377	3,008
Prior period release	144	94	118	139	17
Release as % of opening reserves	3%	2%	3%	4%	1%
Stockholders' equity	3,448	3,278	2,469	3,017	2,018
Net loss reserves as % of equity	131%	129%	143%	112%	149%
Net loss reserves as % of total assets	37%	36%	37%	35%	34%

- Small reserve releases have been made in all years since the IPO

1 Catlin and Wellington combined

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

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Capital Adequacy

US$m	31 Dec 2010	31 Dec 2009
Paid-up capital (net of intangibles)	2,236	2,066
Preferred shares	590	590
Capital available for underwriting	2,826	2,656
Economic capital required[1]	2,349	2,231
Capital buffer to economic requirements	477	425
Capital buffer as % of economic capital	20%	19%

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

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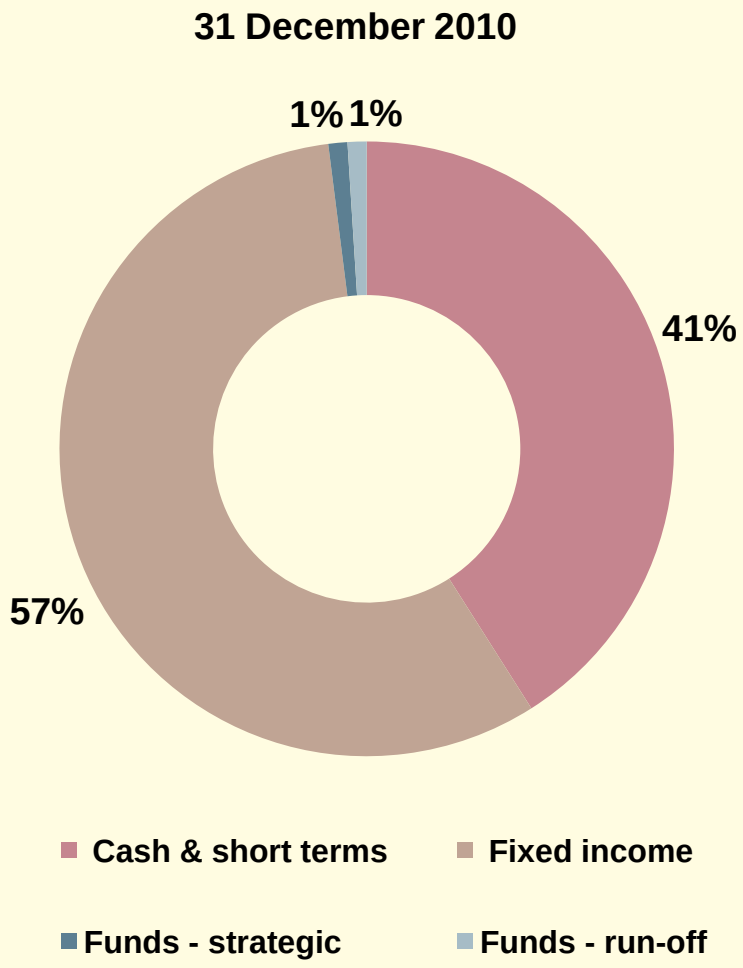
2010 Investment Overview

- Investment team strengthened across all functions
- Investment return of 2.7% (2009: 5.9%)
- Cash and investments at $8.0 billion at 31 December 2010 (2009: $7.7 billion)
- Favourable performance from fixed income portfolio

	31 Dec 2010 allocation $m	2010 average allocation $m	2010 average allocation %	Return $m	Return %
Fixed income	4,577	4,162	53.7%	167.5	4.0%
Cash & short-term investments	3,244	3,324	42.9%	25.2	0.8%
Funds - strategic	102	72	0.9%	11.0	15.2%
Funds - run-off	98	192	2.5%	8.1	4.2%
Total	8,021	7,750	100.0%	211.8	2.7%

Portfolio Composition



- Cash and short-term holdings at 41% (31 December 2009: 43%)
- Increase in fixed income assets to 57% at 31 December 2010 (31 December 2009: 50%) reflects selective additions to government/agency backed bonds and high-quality corporate bonds
- Funds now account for only 2% of total portfolio; funds in run-off amounted to $98 million at 31 December 2010
- 97% of fixed income portfolio rated ‘A’ or higher (2009: 96%)

Investment Strategy Implementation

- Investment strategy consistent with how the Group manages capital and risk
  - Core portfolio to minimise economic risk position
  - Tactical investments to earn liquidity and risk premium in cooperation with small group of specialist managers
  - Use of overlays to efficiently manage portfolio and macro risks
- Implementation of strategy progressed in 2010
  - Aligned external manager mandates with strategy
  - Appointed specialist managers for tactical investments
  - Strengthened team, operations, processes and controls
- Implemented and now operating within comprehensive market risk framework based on capital, solvency and earnings targets
  - Overseen by Enterprise Risk Management function

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Investment Flexibility

- Investment portfolio remains highly liquid
- Cash, cash equivalents and short-term investments at 41% (31 December 2009: 43%)
- Liquid assets[1] amounted to 67% of portfolio (31 December 2009: 62%)
- Fixed income portfolio duration at 2.5 years, total cash and investment portfolio at 1.5 years
- 1.8% yield to maturity on fixed income portfolio

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

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Underwriting

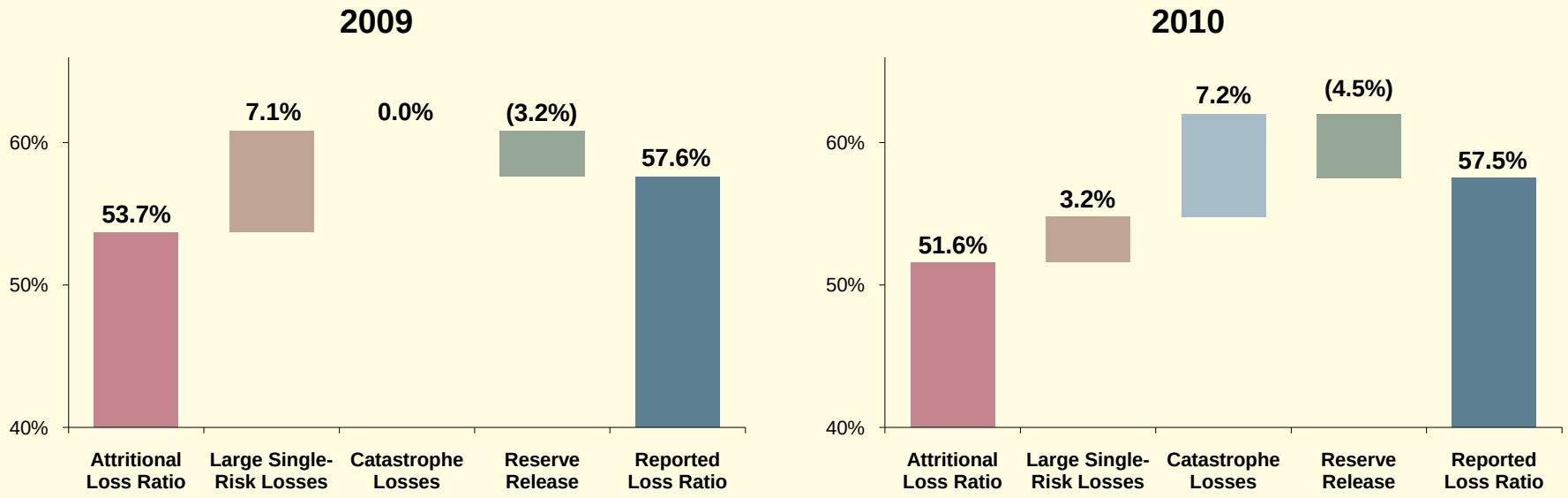
Paul Brand
Chief Underwriting Officer

2010: Another Year of Progress

Investments in Geographic and Product Diversification Produce Profits

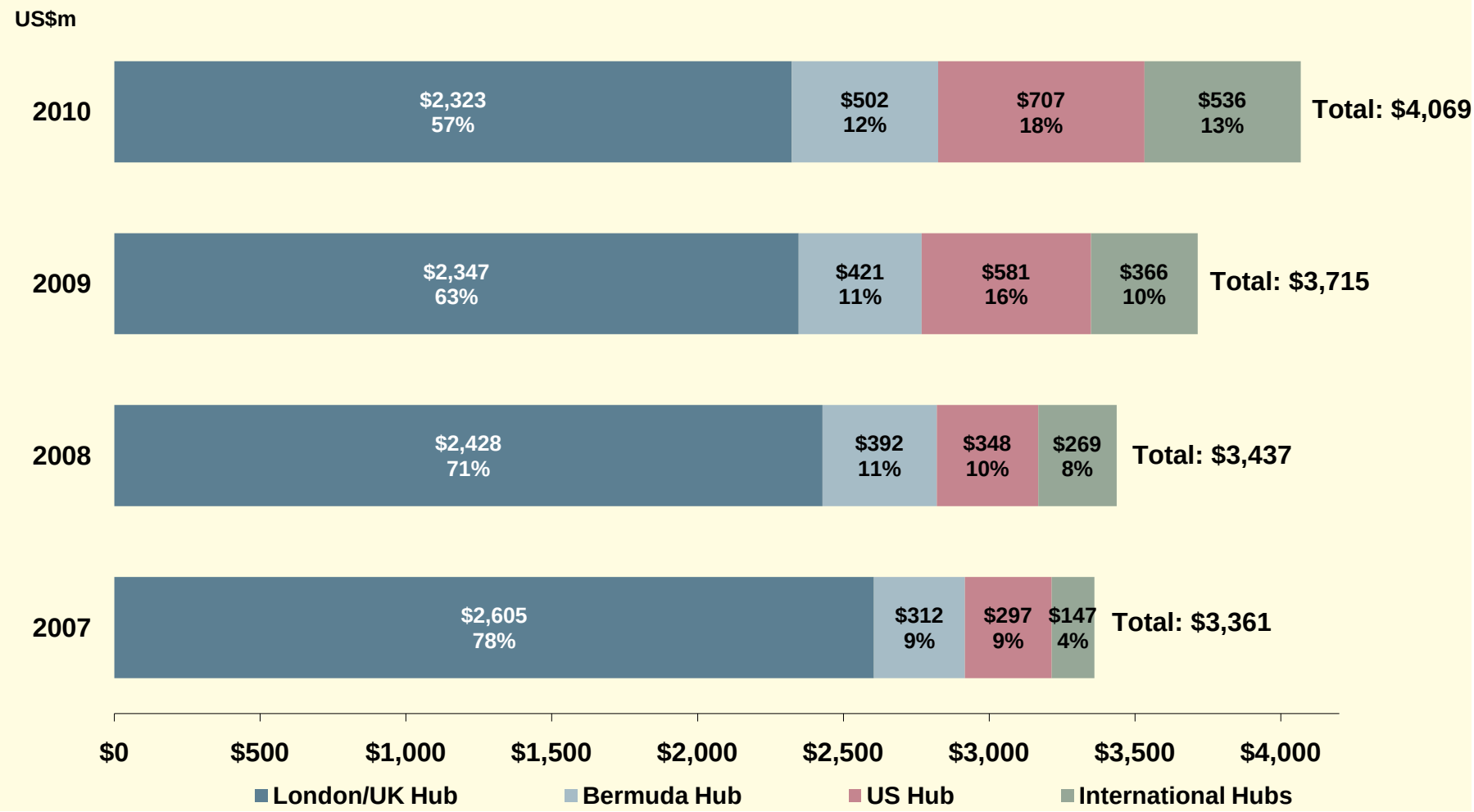
- 5% increase in 2010 underwriting contribution
  - $683 million (2009: $651 million)
- Continued growth in underwriting contribution and premium volume by non-London hubs:
  - 25% increase in contribution to $317 million (2009: $254 million)
  - Non-London hubs now produce 46% of Group's underwriting contribution (2009: 39%)
  - 43% of GPW originates from outside of the UK (2009: 37%)
- Loss ratio: 57.5% (2009: 57.6%)

Historic Loss Ratio Breakdown



- Attritional loss ratio improved despite challenging market environment
- Significant catastrophe experience but only 7.2% impact on loss ratio
- 2010 Australian floods have a range of outcomes
  - Recent notifications suggest that final settlements could be less than $20 million
- Large single-risk loss ratio in line with long-term average

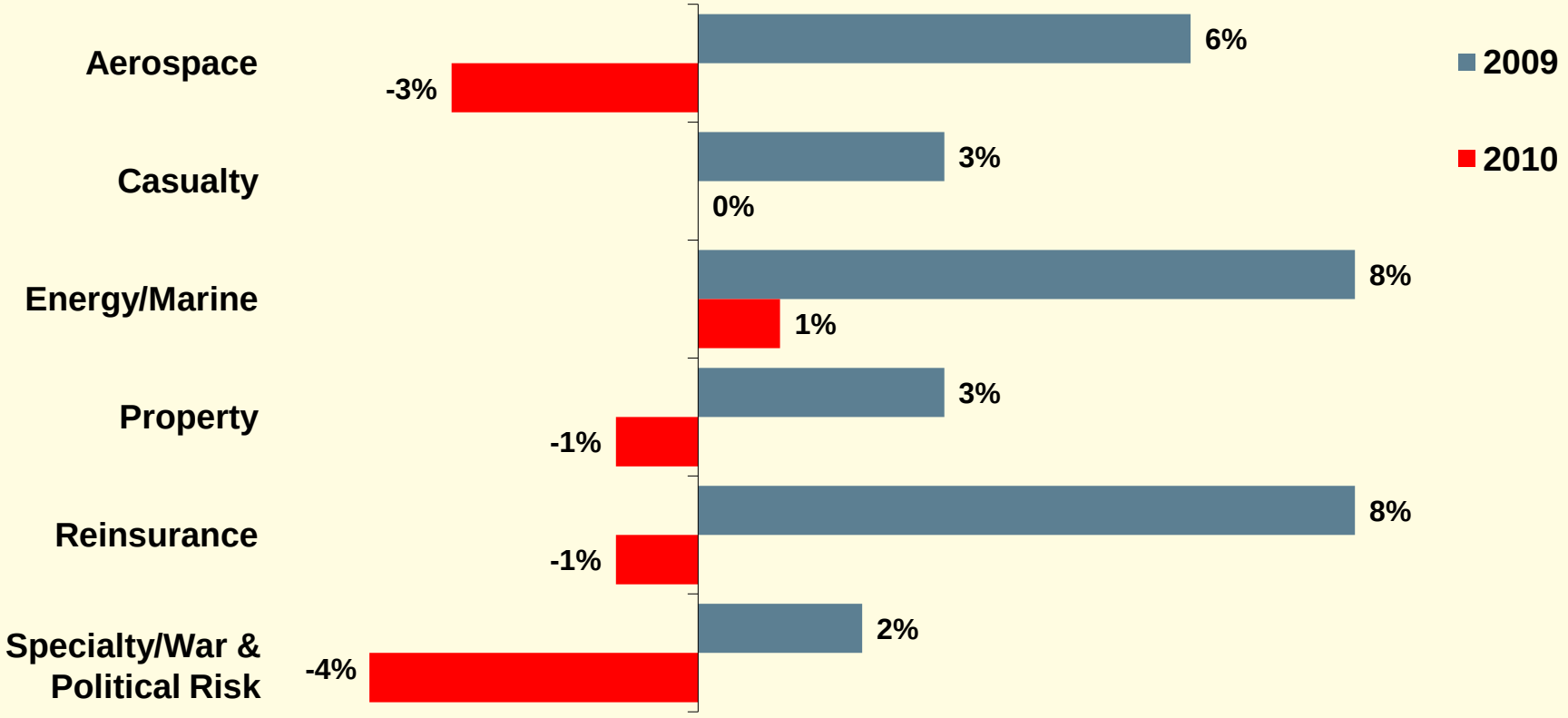
Gross Premiums Written By Hub



2010 Rate Movements

By Product Group

- Average weighted premium rates decreased by 1% in 2010
  - Catastrophe-exposed classes: -1%, non-catastrophe classes: -1%



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2010 Underwriting Results

By Underwriting Hub

US$m	London	Bermuda	US	Int'l[1]	Group
Gross premiums written	2,323	502	707	537	4,069
Net premiums written	1,830	438	572	478	3,318
Net premiums earned	1,827	427	538	427	3,219
Underwriting contribution	366	151	95	71	683
Attritional loss ratio	52%	30%	60%	60%	52%
Attritional loss ratio 2009	*55%*	*41%*	*57%*	*59%*	*54%*
Loss ratio	58%	42%	65%	64%	58%

- London loss ratio stable in spite of wholesale market conditions
- Significant contribution from Bermuda despite Catastrophe experience
- Growing and significant contribution from International hubs

1 International hub includes Asia-Pacific, Europe and Canada

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2010 Underwriting Results

By Product Group[1]

US$m	Gross premiums written	Net premiums written	Net premiums earned	Underwriting contribution	Loss Ratio	2009 loss ratio
Aerospace	440	348	405	70	61%	60%
Casualty	842	651	647	(13)	87%	86%
Energy/Marine	607	464	447	92	55%	55%
Property	471	379	371	73	51%	47%
Reinsurance	1,289	1,102	1,043	303	52%	41%
Specialty/War & Political Risk	420	406	355	156	36%	60%

- Reinsurance loss ratio 52% despite catastrophe experience
- We remain a lead Energy market; positioned for the opportunity
- Aerospace loss ratio unchanged; demonstrates pro-active portfolio management
- Specialty/War & Political Risks contribution reflects rating and conditions for Credit portfolio combined with benign loss environment

1 Product group data excludes effects of Names' quota share reinsurance of Syndicate 2003 and Syndicate 2020 movements

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Underwriting Outlook

- 1 January 2011 experience in line with expectations
  - GPW increased by 16% on a constant currency basis in January
    - 14% on as reported basis
  - Group weighted average rates flat during 1 January renewals
  - Positive start from European Reinsurance team
- We are well positioned however the cycle develops
- We will continue to see the benefits of the investments in international infrastructure
- Portfolio flexibility enhances returns during this phase of the cycle
  - Infrastructure is scalable for when market improves

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Conclusion

Stephen Catlin
Chief Executive

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

Continued Successful Strategy Delivery

- Increased underwriting contribution despite challenging environment
- Strict underwriting selectivity in London wholesale market
- Growing profitability in non-London hubs
- RoE target exceeded since IPO
- Continued growth in shareholder value, through increase in NTA and dividends
- Well-positioned for current conditions and to take advantage when market turns

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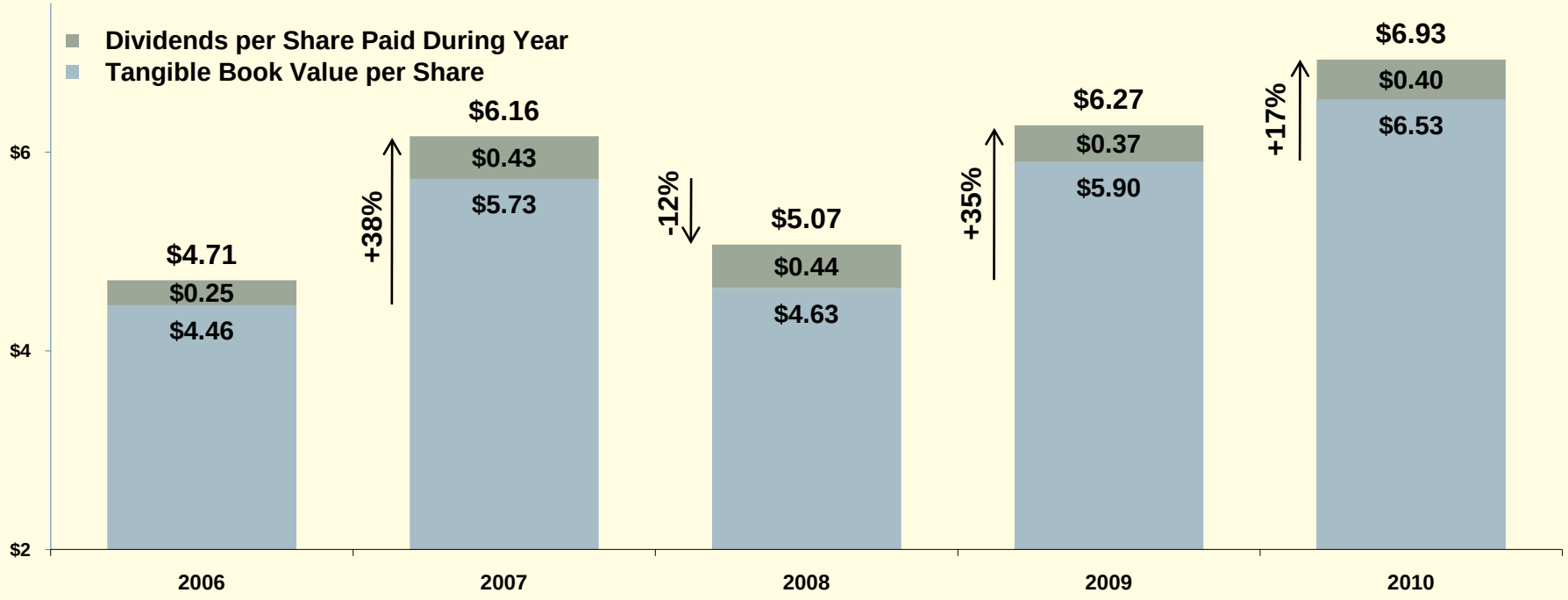
Appendix

2010: Another Year of Progress

Significant Creation of Shareholder Value Continues

- Catlin measures shareholder value creation by calculating annual growth in net tangible assets per share plus dividends paid during a year
- Dollar-based shareholder value on this basis increased by 83% over the past four years and by 17% in 2010 alone



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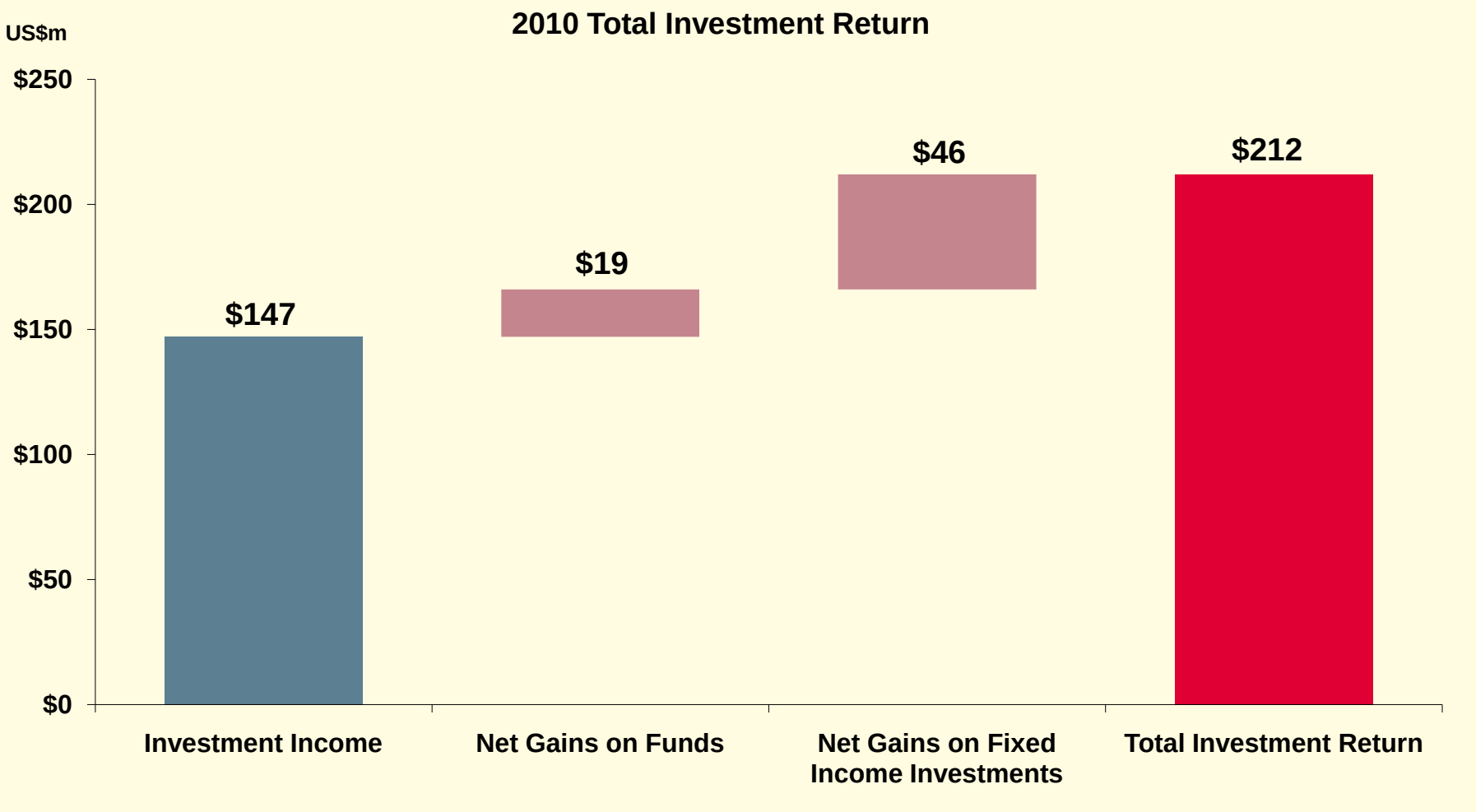
Currency Split of Net Assets

US$m	Amount	US$	Sterling	Other	Total
Net tangible assets[1]	2,236	79%	6%	15%	100%
Intangible assets	622	89%	11%	--	100%
Net assets[1]	2,858	81%	7%	12%	100%

1 Excludes preferred shares

Analysis of Investment Return



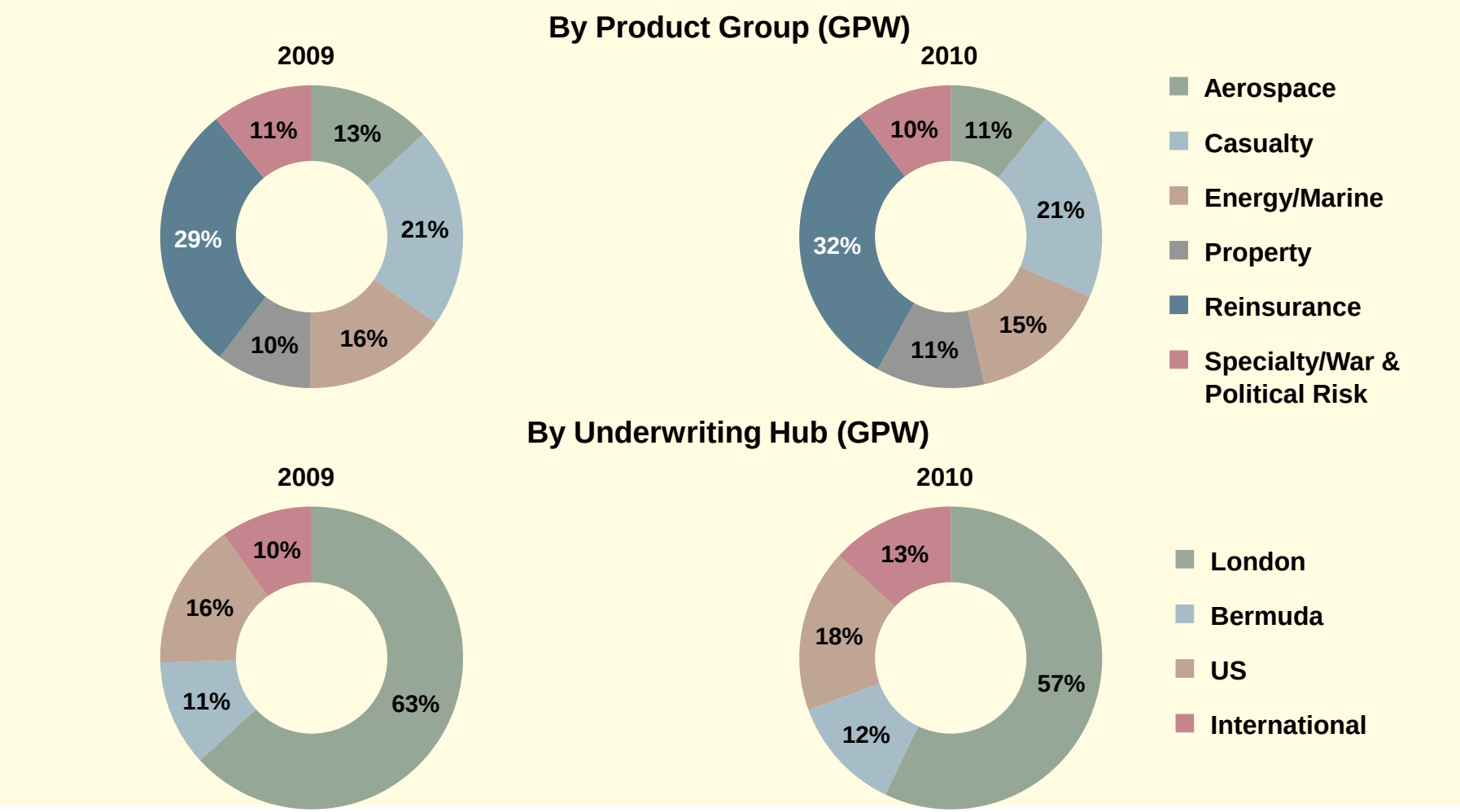
High-Quality Fixed Income Portfolio

- 97% of fixed income portfolio rated 'A' or higher (2009: 96%)

31 December 2010	Govt/Agency	AAA	AA	A	BBB/ Lower	Assets US$m
US government/agencies	23%	--	--	--	--	1,071
Non-US government/agencies	22%	--	--	--	--	1,002
Agency-backed mortgage securities	11%	--	--	--	--	486
FDIC-backed corporate bonds	7%	--	--	--	--	343
Asset-backed securities	--	6%	*	*	--	274
Corporate bonds	--	2%	12%	11%	2%	1,223
Commercial mortgage-backed securities	--	3%	*	*	*	159
Non-agency mortgage-backed securities	--	*	--	--	--	17
Total	**63%**	**11%**	**12%**	**11%**	**3%**	**4,575[1]**

1 Excludes $2 million relating to interest rate options
* Less than 0.5%

Mix of Business



Losses and Loss Expenses

- The loss ratio includes all losses and loss expenses incurred during the year, including:
  - **Prior year reserve changes**
    - Changes in loss and loss expense reserve estimates from prior years
  - **Catastrophe losses**
    - Significant losses incurred from natural catastrophes, including all such losses in excess of $50 million (net of reinsurance).
  - **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 (net of reinsurance).
  - **Attritional losses**
    - Loss and loss expenses excluding prior-year reserve changes, catastrophe losses and large single risk losses

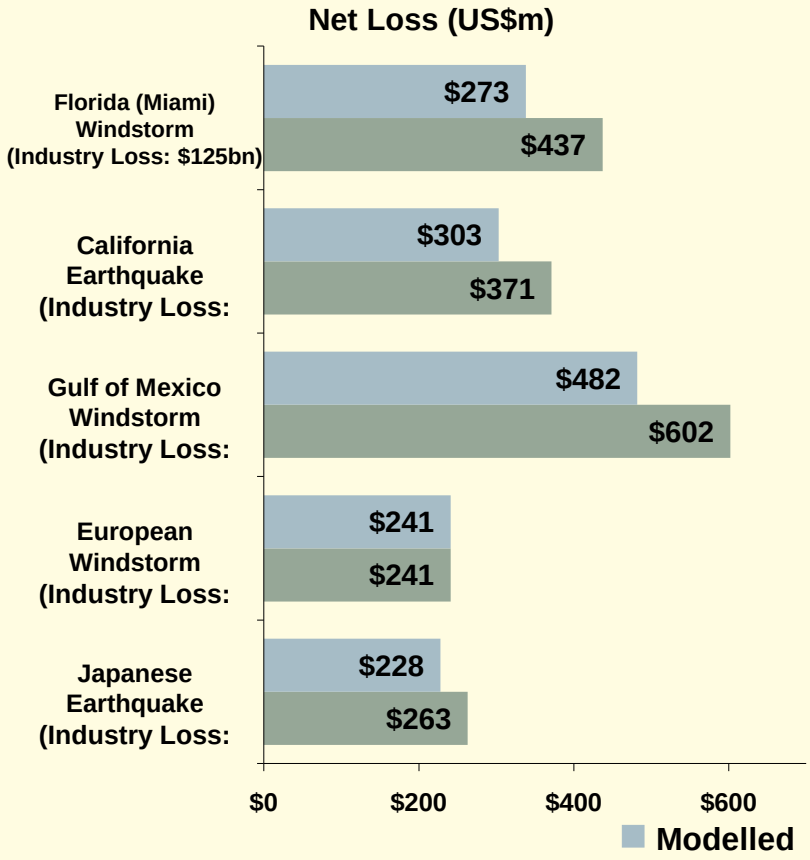
CATLIN

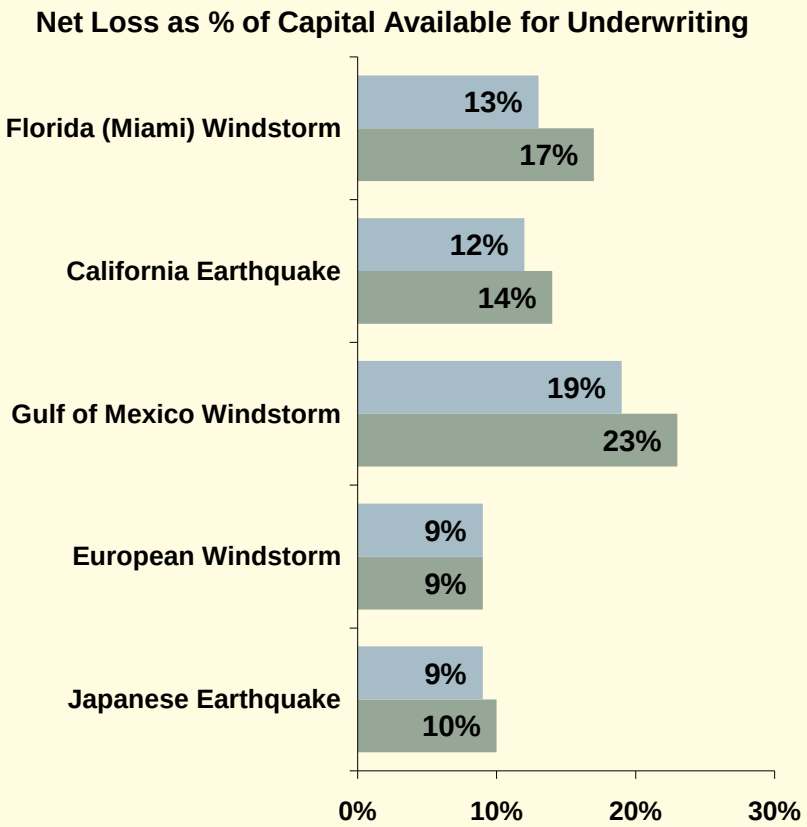
Australian Floods

- **2010**
  - Australian floods pertaining to 2010 have a range of potential outcomes
  - Recent notifications suggest that final settlements for Catlin could be less than $20 million

- **2011**
  - Current best estimate of Australian flood losses pertaining to January 2011 is $50 million
  - Significant uncertainty remains

Catastrophe Threat Scenarios





Outcomes derived as at 1 October 2010; capital available for underwriting amounted to US$2.6 billion at 30 June 2010, defined as total stockholders' equity (including preferred shares), less intangible assets net of associated deferred tax

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