

Underwriting comes **first**

Effectively **balance** risk and return

Operate **nimbly** through the cycle

## NOTE REGARDING FORWARD-LOOKING STATEMENTS:

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS 'BELIEVES', 'ANTICIPATES', 'PLANS', 'PROJECTS', 'FORECASTS', 'GUIDANCE', 'INTENDS', 'EXPECTS', 'ESTIMATES', 'PREDICTS', 'MAY', 'CAN', 'WILL', 'SEEKS', 'SHOULD', OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDING, WITHOUT LIMITATION, THOSE REGARDING THE GROUP'S FINANCIAL POSITION, RESULTS OF OPERATIONS, LIQUIDITY, PROSPECTS, GROWTH, CAPITAL MANAGEMENT PLANS, BUSINESS STRATEGY, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS (INCLUDING DEVELOPMENT PLANS AND OBJECTIVES RELATING TO THE GROUP'S INSURANCE BUSINESS) ARE FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: THE NUMBER AND TYPE OF INSURANCE AND REINSURANCE CONTRACTS THAT WE WRITE; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN OUR TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT OUR FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN OUR UNDERWRITING, RESERVING OR INVESTMENT PRACTICES HAVE ANTICIPATED; THE RELIABILITY OF, AND CHANGES IN ASSUMPTIONS TO, CATASTROPHE PRICING, ACCUMULATION AND ESTIMATED LOSS MODELS; THE EFFECTIVENESS OF OUR LOSS LIMITATION METHODS; LOSS OF KEY PERSONNEL; A DECLINE IN OUR OPERATING SUBSIDIARIES' RATING WITH A.M. BEST, STANDARD & POOR'S, MOODY'S OR OTHER RATING AGENCIES; INCREASED COMPETITION ON THE BASIS OF PRICING, CAPACITY, COVERAGE TERMS OR OTHER FACTORS; A CYCLICAL DOWNTURN OF THE INDUSTRY; THE IMPACT OF A DETERIORATING CREDIT ENVIRONMENT FOR ISSUERS OF FIXED INCOME INVESTMENTS; THE IMPACT OF SWINGS IN MARKET INTEREST RATES AND SECURITIES PRICES; A RATING DOWNGRADE OF, OR A MARKET DECLINE IN, SECURITIES IN OUR INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE LANCASHIRE CONDUCTS BUSINESS; LANCASHIRE OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE UNITED KINGDOM; THE UK TEMPORARY PERIOD EXEMPTION UNDER THE CURRENT CFC REGIME FAILING TO REMAIN IN FORCE FOR THE PERIOD INTENDED; THE FAILURE OF THE UK GOVERNMENT TO BRING BEFORE PARLIAMENT LEGISLATION CONTAINING A SUITABLE NEW CFC REGIME IN LINE WITH THE PROPOSALS OUTLINED IN THE CONSULTATION DOCUMENT; THE OMISSION FROM THE NEW CFC REGIME OF A SUITABLE EXCLUSION (E.G. RELATING TO LARGE RISKS WRITTEN IN THE INTERNATIONAL INSURANCE MARKET); ANY CHANGE IN UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE TEMPORARY PERIOD EXEMPTION, THE ANTICIPATED TERRITORIAL BUSINESS EXEMPTION OR OTHER ASPECTS OF THE NEW CFC REGIME; AND THE IMPLEMENTATION OF THE CHANGE IN TAX RESIDENCE OF LANCASHIRE NEGATIVELY IMPACTS STAKEHOLDERS OF LANCASHIRE IN A MATERIAL WAY.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE HOLDINGS LIMITED EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS (INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE)) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

## **Lancashire Holdings Limited**

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**Lancashire Holdings Limited**  
**basis of presentation and non-GAAP financial measures**



LANCASHIRE HOLDINGS LIMITED'S ("LANCASHIRE" OR "THE GROUP") AUDITED CONSOLIDATED FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ENDORSED BY THE EUROPEAN UNION. WHERE IFRS IS SILENT, AS IT IS IN RESPECT OF THE MEASUREMENT OF INSURANCE PRODUCTS, THE IFRS FRAMEWORK ALLOWS REFERENCE TO ANOTHER COMPREHENSIVE BODY OF ACCOUNTING PRINCIPLES. IN SUCH INSTANCES, MANAGEMENT DETERMINES APPROPRIATE MEASUREMENT BASES, TO PROVIDE THE MOST USEFUL INFORMATION TO USERS OF THE CONSOLIDATED FINANCIAL STATEMENTS, USING THEIR JUDGMENT AND CONSIDERING THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES ("US GAAP").

THIS FINANCIAL SUPPLEMENT HAS NOT BEEN AUDITED AND MAY CONTAIN DIFFERENCES TO NUMBERS AND DISCLOSURES PROVIDED IN OUR AUDITED AND / OR INTERIM FINANCIAL STATEMENTS. THESE DIFFERENCES ARE DUE TO MANAGEMENT'S PREFERRED PRESENTATION OR TO AID USERS' UNDERSTANDING OF THE GROUP.

THE FOLLOWING INFORMATION INCLUDED IN THIS DOCUMENT HAS NOT BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY LANCASHIRE FOR ITS AUDITED AND / OR INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INCLUDES NON IFRS/US GAAP MEASURES:

NET OPERATING INCOME (LOSS) - NET OPERATING INCOME (LOSS) EXCLUDES: REALISED GAINS AND LOSSES; WARRANTS ISSUED AT IPO; FOREIGN EXCHANGE AND TAX

NET LOSS RATIO - THE NET LOSS RATIO IS THE NET INSURANCE LOSSES AND LOSS ADJUSTMENT EXPENSES DIVIDED BY NET PREMIUMS EARNED

NET ACQUISITION COST RATIO - THE NET ACQUISITION COST RATIO IS THE NET ACQUISITION EXPENSES DIVIDED BY NET PREMIUMS EARNED

ADMINISTRATIVE EXPENSE RATIO - THE ADMINISTRATIVE EXPENSE RATIO IS THE GENERAL AND ADMINISTRATIVE EXPENSES ("OTHER OPERATING EXPENSES"), BUT EXCLUDING WARRANTS, OPTIONS AND RESTRICTED STOCK EXPENSES, DIVIDED BY NET PREMIUMS EARNED

COMBINED RATIO - THE COMBINED RATIO IS THE SUM OF THE LOSS RATIO, THE ACQUISITION COST RATIO AND THE ADMINISTRATIVE EXPENSE RATIO

FULLY CONVERTED BOOK VALUE PER SHARE ("FCBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY PLUS THE PROCEEDS THAT WOULD BE RECEIVED FROM THE EXERCISE OF ALL DILUTIVE OUTSTANDING OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS AS CALCULATED UNDER THE TREASURY METHOD; DIVIDED BY: THE SUM OF ALL SHARES, DILUTIVE OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, ASSUMING ALL ARE EXERCISED.

CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS - THE CALCULATION IS THE INTERNAL RATE OF RETURN OF THE CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE IN THE PERIOD PLUS DIVIDENDS ACCRUED

COMPOUND ANNUAL CHANGE IN FULLY CONVERTED BOOK VALUE PER SHARE ADJUSTED FOR DIVIDENDS ABOVE 3 MONTH TREASURY - THE CALCULATION IS THE INTERNAL RATE OF RETURN ON THE MOVEMENT IN FULLY CONVERTED BOOK VALUE SINCE INCEPTION ON AN ANNUALISED BASIS PLUS DIVIDENDS ACCRUED LESS THE ANNUALISED 3 MONTH TREASURY RATE

FULLY DILUTED BOOK VALUE PER SHARE ("FDBVS") - THE CALCULATION IS BASED ON THE FOLLOWING: THE VALUE OF TOTAL SHAREHOLDERS' EQUITY DIVIDED BY: THE SUM OF ALL SHARES OUTSTANDING AFTER THE EXERCISE OF ALL DILUTIVE OPTIONS, DILUTIVE WARRANTS AND DILUTIVE RESTRICTED STOCK UNITS, AS CALCULATED UNDER THE TREASURY METHOD, ASSUMING ALL ARE EXERCISED.

DEBT TO TOTAL CAPITAL RATIO - THE CALCULATION IS BASED ON THE FOLLOWING AND IS AN INDICATION OF THE LEVERAGE OF THE COMPANY: LONG-TERM DEBT DIVIDED BY LONG-TERM DEBT PLUS TOTAL SHAREHOLDERS' EQUITY

MANAGED CASH INCLUDES BOTH CASH MANAGED BY EXTERNAL INVESTMENT MANAGERS AND NON-OPERATING CASH MANAGED INTERNALLY

ALL AMOUNTS, EXCLUDING SHARE DATA OR WHERE OTHERWISE STATED, ARE IN MILLIONS OF UNITED STATES DOLLARS

MANAGEMENT BELIEVES THE FINANCIAL MEASURES INCLUDED IN THIS FINANCIAL SUPPLEMENT ARE IMPORTANT FOR UNDERSTANDING THE GROUP'S OVERALL RESULTS OF OPERATIONS. WE BELIEVE THAT THE MEASURES INCLUDED IN THIS DOCUMENT ARE IMPORTANT TO INVESTORS AND OTHER INTERESTED PARTIES AND THAT SUCH PERSONS BENEFIT FROM HAVING A CONSISTENT BASIS FOR COMPARISON WITH OTHER COMPANIES WITHIN THE INDUSTRY. HOWEVER, THESE MEASURES MAY NOT BE COMPARABLE TO SIMILARLY LABELED MEASURES USED BY COMPANIES INSIDE OR OUTSIDE THE INSURANCE INDUSTRY. IN ADDITION, THE INFORMATION HEREIN SHOULD NOT BE VIEWED AS A SUBSTITUTE FOR THE MEASURES DETERMINED IN ACCORDANCE WITH THE ACCOUNTING PRINCIPLES USED BY THE GROUP FOR ITS AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND IN ACCORDANCE WITH IFRS/US GAAP. WHERE INDICATED THROUGHOUT THIS DOCUMENT, REFERENCE SHOULD BE MADE TO COMPARABLE INFORMATION IN THE GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM RESULTS ANNOUNCEMENT.

**Lancashire Holdings Limited**  
**consolidated financial highlights**

	q4 2011	q4 2010	% change q4-11 vs. q4-10	full year 2011	full year 2010	% change ytd-11 vs. ytd-10
<b>highlights</b>						
gross premiums written	\$ 109.6	\$ 94.0	17%	\$ 632.3	\$ 689.1	(8%)
net premiums written	102.4	93.7	9%	565.1	649.9	(13%)
net premiums earned	138.2	149.4	(7%)	574.5	614.2	(6%)
net insurance losses	54.4	(9.1)	(698%)	182.3	165.7	10%
net investment income	8.9	12.7	(30%)	43.2	53.4	(19%)
net realised gains (losses) and impairments	2.6	13.8	(81%)	8.6	33.2	(74%)
profit after tax	39.0	131.8	(70%)	212.2	330.8	(36%)
change in net unrealised gains / losses on investments	0.8	(34.8)	(102%)	(10.6)	(2.2)	382%
comprehensive income	39.8	97.0	(59%)	201.6	328.6	(39%)
net operating income <sup>(1)</sup>	\$ 38.1	\$ 123.4	(69%)	\$ 219.0	\$ 306.5	(29%)
total investments and cash	\$ 2,025.2	\$ 2,231.4	(9%)			
total shareholders' equity	\$ 1,326.8	\$ 1,286.9	3%			
<b>per share data</b>						
net operating income per share - diluted <sup>(2)</sup>	\$ 0.21	\$ 0.71		\$ 1.23	\$ 1.73	
profit after tax per share - diluted <sup>(2)</sup>	\$ 0.22	\$ 0.76		\$ 1.20	\$ 1.86	
fully converted book value per share	\$ 7.62	\$ 7.57		\$ 7.62	\$ 7.57	
change in FCBVS adj for dividends <sup>(3)</sup>	2.7%	6.4%		13.4%	23.3%	
fully diluted book value per share	\$ 7.53	\$ 7.46		\$ 7.53	\$ 7.46	
change in FDBVS adj for dividends <sup>(4)</sup>	2.8%	6.8%		13.8%	23.4%	
<b>financial ratios</b>						
net loss ratio	39.4%	(6.1%)		31.7%	27.0%	
net acquisition cost ratio	23.1%	15.9%		19.6%	17.3%	
administrative expense ratio	10.6%	11.0%		12.4%	10.1%	
combined ratio	<u>73.1%</u>	<u>20.8%</u>		<u>63.7%</u>	<u>54.4%</u>	
net return on total investments	0.6%	(0.4%)		1.8%	4.2%	

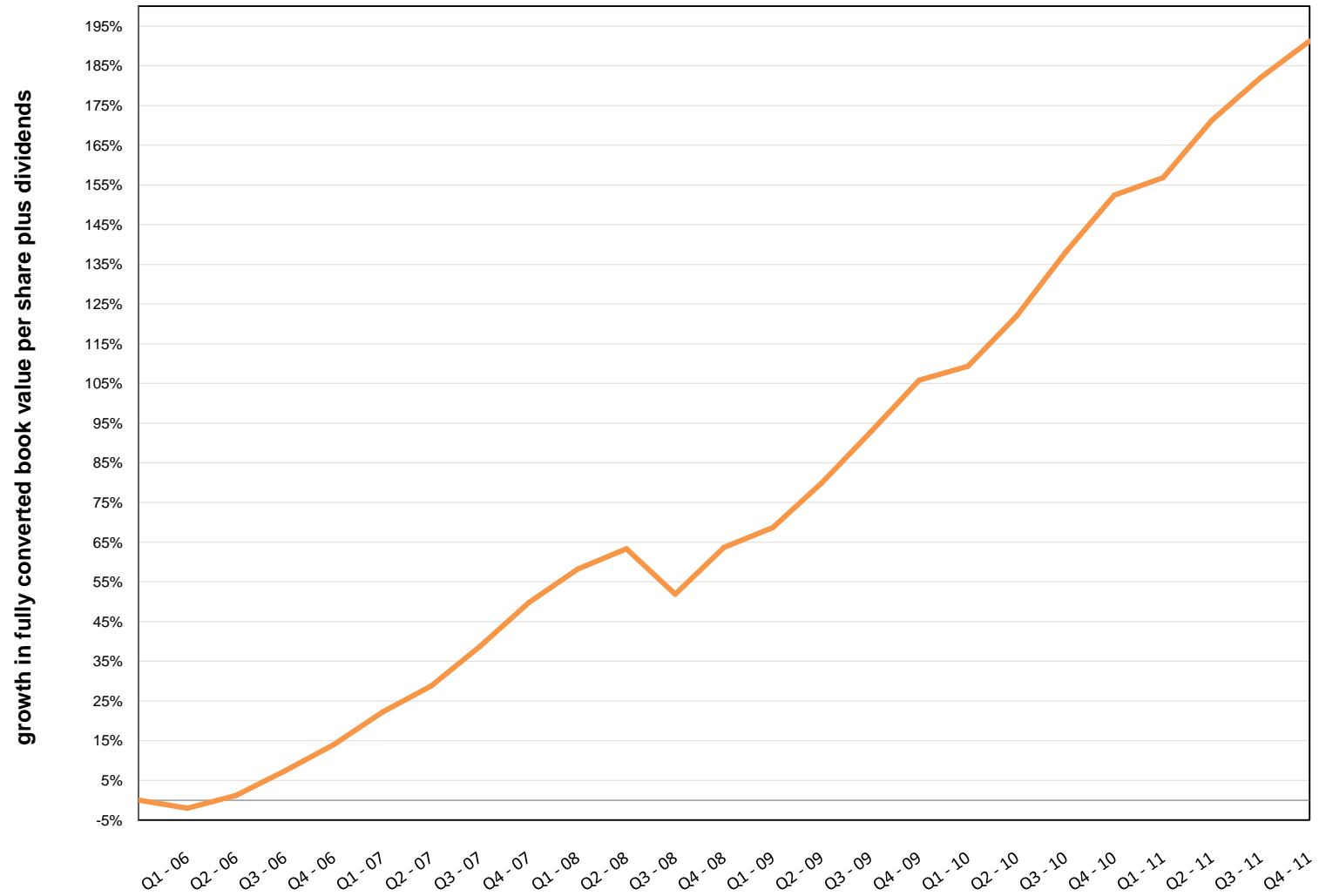
<sup>(1)</sup> excludes realised gains and losses, foreign exchange gains and losses, equity based compensation relating to warrants issued at IPO and tax

<sup>(2)</sup> earnings per share calculations use weighted average common shares outstanding - basic when in a net loss position

<sup>(3)</sup> change in fully converted book value per share ("FCBVS") adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period adjusted for dividends accrued

<sup>(4)</sup> change in fully diluted book value per share adjusted for dividends ("FDBVS") is the internal rate of return of the change in fully diluted book value per share in the period adjusted for dividends accrued

Lancashire Holdings Limited  
growth in fully converted book value per share plus dividends since inception



**Lancashire Holdings Limited**  
summary consolidated income statements

	q4 2011	q3 2011	q2 2011	q1 2011	q4 2010	full year 2011	full year 2010
gross premiums written	\$ 109.6	\$ 142.9	\$ 207.9	\$ 171.9	\$ 94.0	\$ 632.3	\$ 689.1
outwards reinsurance premiums	(7.2)	(9.3)	(16.5)	(34.2)	(0.3)	(67.2)	(39.2)
<b>net premiums written</b>	<b>102.4</b>	<b>133.6</b>	<b>191.4</b>	<b>137.7</b>	<b>93.7</b>	<b>565.1</b>	<b>649.9</b>
change in unearned premiums	50.7	20.7	(53.4)	(14.5)	64.5	3.5	(33.0)
change in unearned premiums on premiums ceded	(14.9)	(5.5)	4.3	22.0	(8.8)	5.9	(2.7)
<b>net premiums earned</b>	<b>138.2</b>	<b>148.8</b>	<b>142.3</b>	<b>145.2</b>	<b>149.4</b>	<b>574.5</b>	<b>614.2</b>
net investment income	8.9	10.5	12.2	11.6	12.7	43.2	53.4
net other investment income (losses)	0.4	(0.9)	0.1	(0.1)	-	(0.5)	0.1
net realised gains (losses) and impairments	2.6	1.0	2.6	2.4	13.8	8.6	33.2
share of profit of associate	0.6	0.3	-	-	-	0.9	-
net foreign exchange gains (losses)	(0.6)	(9.7)	1.8	(0.9)	(0.1)	(9.4)	(0.1)
<b>total net revenue</b>	<b>150.1</b>	<b>150.0</b>	<b>159.0</b>	<b>158.2</b>	<b>175.8</b>	<b>617.3</b>	<b>700.8</b>
insurance losses	85.5	17.1	17.6	105.1	(11.5)	225.3	194.7
insurance losses recoverable	(31.1)	1.0	(5.1)	(7.8)	2.4	(43.0)	(29.0)
net insurance acquisition expenses	31.9	28.9	26.2	25.4	23.7	112.4	106.3
equity based compensation	6.2	0.4	5.8	6.4	6.1	18.8	21.1
other operating expenses	14.7	17.7	19.9	18.7	16.5	71.0	61.8
<b>total expenses</b>	<b>107.2</b>	<b>65.1</b>	<b>64.4</b>	<b>147.8</b>	<b>37.2</b>	<b>384.5</b>	<b>354.9</b>
<b>profit before tax and finance costs</b>	<b>42.9</b>	<b>84.9</b>	<b>94.6</b>	<b>10.4</b>	<b>138.6</b>	<b>232.8</b>	<b>345.9</b>
financing costs	(2.7)	(5.9)	(3.6)	(2.0)	(1.6)	(14.2)	(6.7)
<b>profit before tax</b>	<b>40.2</b>	<b>79.0</b>	<b>91.0</b>	<b>8.4</b>	<b>137.0</b>	<b>218.6</b>	<b>339.2</b>
tax	(1.2)	(3.3)	(2.1)	0.2	(5.2)	(6.4)	(8.4)
<b>profit after tax</b>	<b>\$ 39.0</b>	<b>\$ 75.7</b>	<b>\$ 88.9</b>	<b>\$ 8.6</b>	<b>\$ 131.8</b>	<b>\$ 212.2</b>	<b>\$ 330.8</b>
change in net unrealised gains / losses on investments	0.8	(15.4)	6.2	(2.2)	(34.8)	(10.6)	(2.2)
<b>comprehensive income</b>	<b>\$ 39.8</b>	<b>\$ 60.3</b>	<b>\$ 95.1</b>	<b>\$ 6.4</b>	<b>\$ 97.0</b>	<b>\$ 201.6</b>	<b>\$ 328.6</b>
net loss ratio	39.4%	12.2%	8.8%	67.0%	(6.1%)	31.7%	27.0%
net acquisition cost ratio	23.1%	19.4%	18.4%	17.5%	15.9%	19.6%	17.3%
administrative expense ratio	10.6%	11.9%	14.0%	12.9%	11.0%	12.4%	10.1%
combined ratio	73.1%	43.5%	41.2%	97.4%	20.8%	63.7%	54.4%
net return on total investments	0.6%	(0.6%)	1.1%	0.6%	(0.4%)	1.8%	4.2%
basic earnings per share	\$ 0.25	\$ 0.49	\$ 0.58	\$ 0.06	\$ 0.87	\$ 1.38	\$ 2.08
diluted earnings per share	\$ 0.22	\$ 0.42	\$ 0.50	\$ 0.05	\$ 0.76	\$ 1.20	\$ 1.86

**Lancashire Holdings Limited**  
**premiums by line of business**

	<b>q4 2011</b>	<b>q3 2011</b>	<b>q2 2011</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>full year 2011</b>	<b>full year 2010</b>
<b>gross premiums written</b>							
property cat excess of loss	\$ 5.6	\$ 27.1	\$ 16.3	\$ 33.0	\$ 2.2	\$ 82.0	\$ 98.1
terrorism	15.8	12.0	17.4	23.2	13.1	68.4	77.8
property direct and facultative	12.5	12.6	18.8	13.6	12.7	57.5	64.8
property retrocession	5.3	8.5	7.1	25.9	2.4	46.8	52.4
property political risk	9.5	4.7	0.8	5.4	6.3	20.4	29.1
other property	1.0	-	2.5	1.2	0.2	4.7	1.4
<b>total property</b>	<b>49.7</b>	<b>64.9</b>	<b>62.9</b>	<b>102.3</b>	<b>36.9</b>	<b>279.8</b>	<b>323.6</b>
worldwide offshore energy	19.3	38.2	60.2	22.6	22.8	140.3	123.1
gulf of mexico offshore energy	0.1	7.8	50.7	2.1	1.8	60.7	87.4
construction energy	3.5	1.4	4.1	1.5	2.4	10.5	12.2
onshore energy	0.1	4.0	3.6	0.9	1.0	8.6	6.9
energy excess of loss	(0.1)	-	4.0	1.3	-	5.2	5.4
other energy	0.3	2.3	0.8	0.3	-	3.7	3.3
<b>total energy</b>	<b>23.2</b>	<b>53.7</b>	<b>123.4</b>	<b>28.7</b>	<b>28.0</b>	<b>229.0</b>	<b>238.3</b>
marine hull and total loss	5.8	3.7	3.4	10.9	(0.5)	23.8	31.7
marine builders risk	6.8	4.8	3.0	5.4	3.3	20.0	14.6
marine hull war	4.9	4.8	2.8	5.2	2.7	17.7	16.9
marine P&I clubs	0.9	0.3	0.7	9.1	0.8	11.0	11.9
other marine	0.2	-	1.0	2.7	0.2	3.9	1.3
<b>total marine</b>	<b>18.6</b>	<b>13.6</b>	<b>10.9</b>	<b>33.3</b>	<b>6.5</b>	<b>76.4</b>	<b>76.4</b>
AV 52	15.0	8.6	9.3	6.7	19.5	39.6	42.6
other aviation	3.1	2.1	1.4	0.9	3.1	7.5	8.2
<b>total aviation</b>	<b>18.1</b>	<b>10.7</b>	<b>10.7</b>	<b>7.6</b>	<b>22.6</b>	<b>47.1</b>	<b>50.8</b>
<b>total gross premiums written</b>	<b>\$ 109.6</b>	<b>\$ 142.9</b>	<b>\$ 207.9</b>	<b>\$ 171.9</b>	<b>\$ 94.0</b>	<b>\$ 632.3</b>	<b>\$ 689.1</b>



**Lancashire Holdings Limited**  
**summary consolidated underwriting segment results**



**twelve months ending 31 december 2011**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 279.8	\$ 229.0	\$ 76.4	\$ 47.1	\$ 632.3
net premiums written	238.6	210.7	72.5	43.3	565.1
net premiums earned	256.4	195.9	77.3	44.9	574.5
net insurance losses	130.2	53.8	4.1	(5.8)	182.3
net insurance acquisition expenses	35.1	42.6	25.0	9.7	112.4
other operating expenses <sup>(1)</sup>					71.0
	\$ 91.1	\$ 99.5	\$ 48.2	\$ 41.0	\$ 208.8
net loss ratio	50.8%	27.5%	5.3%	(12.9%)	31.7%
net acquisition cost ratio	13.7%	21.7%	32.3%	21.6%	19.6%
administrative expense ratio <sup>(1)</sup>					12.4%
combined ratio	64.5%	49.2%	37.6%	8.7%	63.7%

**twelve months ending 31 december 2010**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 323.6	\$ 238.3	\$ 76.4	\$ 50.8	\$ 689.1
net premiums written	304.7	224.4	75.5	45.3	649.9
net premiums earned	311.7	183.3	66.8	52.4	614.2
net insurance losses	108.7	37.0	25.8	(5.8)	165.7
net insurance acquisition expenses	38.3	36.9	19.2	11.9	106.3
other operating expenses <sup>(1)</sup>					61.8
	\$ 164.7	\$ 109.4	\$ 21.8	\$ 46.3	\$ 280.4
net loss ratio	34.9%	20.2%	38.6%	(11.1%)	27.0%
net acquisition cost ratio	12.3%	20.1%	28.7%	22.7%	17.3%
administrative expense ratio <sup>(1)</sup>					10.1%
combined ratio	47.2%	40.3%	67.3%	11.6%	54.4%

<sup>(1)</sup> administrative expenses are not allocated by segment

**Lancashire Holdings Limited**  
**property segment - underwriting statement**

	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>q2</u> <u>2011</u>	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>full year</u> <u>2011</u>	<u>full year</u> <u>2010</u>
<b>underwriting income (loss)</b>							
gross premiums written	\$ 49.7	\$ 64.9	\$ 62.9	\$ 102.3	\$ 36.9	\$ 279.8	\$ 323.6
outwards reinsurance premiums	(8.4)	(7.8)	(12.2)	(12.8)	-	(41.2)	(18.9)
<b>net premiums written</b>	<b>41.3</b>	<b>57.1</b>	<b>50.7</b>	<b>89.5</b>	<b>36.9</b>	<b>238.6</b>	<b>304.7</b>
change in unearned premiums	23.2	7.9	7.4	(26.5)	40.0	12.0	5.3
change in unearned premiums on premiums ceded	(9.1)	(0.8)	7.3	8.4	(4.8)	5.8	1.7
<b>net premiums earned</b>	<b>\$ 55.4</b>	<b>\$ 64.2</b>	<b>\$ 65.4</b>	<b>\$ 71.4</b>	<b>\$ 72.1</b>	<b>\$ 256.4</b>	<b>\$ 311.7</b>
<b>underwriting expenses</b>							
net insurance losses	39.5	9.5	(14.7)	95.9	0.7	130.2	108.7
net insurance acquisition expenses	9.0	8.7	8.7	8.7	9.5	35.1	38.3
<b>total underwriting expenses</b>	<b>48.5</b>	<b>18.2</b>	<b>(6.0)</b>	<b>104.6</b>	<b>10.2</b>	<b>165.3</b>	<b>147.0</b>
<b>net underwriting income (loss)</b>	<b>\$ 6.9</b>	<b>\$ 46.0</b>	<b>\$ 71.4</b>	<b>\$ (33.2)</b>	<b>\$ 61.9</b>	<b>\$ 91.1</b>	<b>\$ 164.7</b>
net loss ratio (% of net premiums earned)	71.3%	14.8%	(22.5%)	134.3%	1.0%	50.8%	34.9%
net acquisition cost ratio (% of net premiums earned)	16.2%	13.6%	13.3%	12.2%	13.2%	13.7%	12.3%
	87.5%	28.4%	(9.2%)	146.5%	14.2%	64.5%	47.2%

**Lancashire Holdings Limited**  
**energy segment - underwriting statement**

	<b>q4 2011</b>	<b>q3 2011</b>	<b>q2 2011</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>full year 2011</b>	<b>full year 2010</b>
<b>underwriting income</b>							
gross premiums written	\$ 23.2	\$ 53.7	\$ 123.4	\$ 28.7	\$ 28.0	\$ 229.0	\$ 238.3
outwards reinsurance premiums	1.8	(1.5)	(6.3)	(12.3)	(0.5)	(18.3)	(13.9)
<b>net premiums written</b>	<b>25.0</b>	<b>52.2</b>	<b>117.1</b>	<b>16.4</b>	<b>27.5</b>	<b>210.7</b>	<b>224.4</b>
change in unearned premiums	31.5	3.0	(70.9)	21.3	24.3	(15.1)	(38.8)
change in unearned premiums on premiums ceded	(4.1)	(2.9)	-	7.3	(2.1)	0.3	(2.3)
<b>net premiums earned</b>	<b>\$ 52.4</b>	<b>\$ 52.3</b>	<b>\$ 46.2</b>	<b>\$ 45.0</b>	<b>\$ 49.7</b>	<b>\$ 195.9</b>	<b>\$ 183.3</b>
<b>underwriting expenses</b>							
net insurance losses	7.7	9.1	24.8	12.2	(8.7)	53.8	37.0
net insurance acquisition expenses	12.2	11.9	9.8	8.7	6.9	42.6	36.9
<b>total underwriting expenses</b>	<b>19.9</b>	<b>21.0</b>	<b>34.6</b>	<b>20.9</b>	<b>(1.8)</b>	<b>96.4</b>	<b>73.9</b>
<b>net underwriting income</b>	<b>\$ 32.5</b>	<b>\$ 31.3</b>	<b>\$ 11.6</b>	<b>\$ 24.1</b>	<b>\$ 51.5</b>	<b>\$ 99.5</b>	<b>\$ 109.4</b>
net loss ratio (% of net premiums earned)	14.7%	17.4%	53.7%	27.1%	(17.5%)	27.5%	20.2%
net acquisition cost ratio (% of net premiums earned)	23.3%	22.8%	21.2%	19.3%	13.9%	21.7%	20.1%
	38.0%	40.2%	74.9%	46.4%	(3.6%)	49.2%	40.3%

**Lancashire Holdings Limited**  
**marine segment - underwriting statement**

	<b>q4 2011</b>	<b>q3 2011</b>	<b>q2 2011</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>full year 2011</b>	<b>full year 2010</b>
<b>underwriting income</b>							
gross premiums written	\$ 18.6	\$ 13.6	\$ 10.9	\$ 33.3	\$ 6.5	\$ 76.4	\$ 76.4
outwards reinsurance premiums	(0.6)	-	3.1	(6.4)	0.2	(3.9)	(0.9)
<b>net premiums written</b>	<b>18.0</b>	<b>13.6</b>	<b>14.0</b>	<b>26.9</b>	<b>6.7</b>	<b>72.5</b>	<b>75.5</b>
change in unearned premiums	5.2	6.3	7.3	(14.0)	9.6	4.8	(6.9)
change in unearned premiums on premiums ceded	(0.7)	(0.8)	(3.2)	4.7	(0.7)	-	(1.8)
<b>net premiums earned</b>	<b>\$ 22.5</b>	<b>\$ 19.1</b>	<b>\$ 18.1</b>	<b>\$ 17.6</b>	<b>\$ 15.6</b>	<b>\$ 77.3</b>	<b>\$ 66.8</b>
<b>underwriting expenses</b>							
net insurance losses	7.4	(0.4)	2.6	(5.5)	(0.5)	4.1	25.8
net insurance acquisition expenses	8.6	6.3	4.6	5.5	4.6	25.0	19.2
<b>total underwriting expenses</b>	<b>16.0</b>	<b>5.9</b>	<b>7.2</b>	<b>-</b>	<b>4.1</b>	<b>29.1</b>	<b>45.0</b>
<b>net underwriting income</b>	<b>\$ 6.5</b>	<b>\$ 13.2</b>	<b>\$ 10.9</b>	<b>\$ 17.6</b>	<b>\$ 11.5</b>	<b>\$ 48.2</b>	<b>\$ 21.8</b>
net loss ratio (% of net premiums earned)	32.9%	(2.1%)	14.4%	(31.3%)	(3.2%)	5.3%	38.6%
net acquisition cost ratio (% of net premiums earned)	38.2%	33.0%	25.4%	31.3%	29.5%	32.3%	28.7%
	71.1%	30.9%	39.8%	-	26.3%	37.6%	67.3%

**Lancashire Holdings Limited**  
**aviation segment - underwriting statement**

	<u>q4</u> <u>2011</u>	<u>q3</u> <u>2011</u>	<u>q2</u> <u>2011</u>	<u>q1</u> <u>2011</u>	<u>q4</u> <u>2010</u>	<u>full year</u> <u>2011</u>	<u>full year</u> <u>2010</u>
<b>underwriting income</b>							
gross premiums written	\$ 18.1	\$ 10.7	\$ 10.7	\$ 7.6	\$ 22.6	\$ 47.1	\$ 50.8
outwards reinsurance premiums	-	-	(1.1)	(2.7)	-	(3.8)	(5.5)
<b>net premiums written</b>	<b>18.1</b>	<b>10.7</b>	<b>9.6</b>	<b>4.9</b>	<b>22.6</b>	<b>43.3</b>	<b>45.3</b>
change in unearned premiums	(9.2)	3.5	2.8	4.7	(9.4)	1.8	7.4
change in unearned premiums on premiums ceded	(1.0)	(1.0)	0.2	1.6	(1.2)	(0.2)	(0.3)
<b>net premiums earned</b>	<b>\$ 7.9</b>	<b>\$ 13.2</b>	<b>\$ 12.6</b>	<b>\$ 11.2</b>	<b>\$ 12.0</b>	<b>\$ 44.9</b>	<b>\$ 52.4</b>
<b>underwriting expenses</b>							
net insurance losses	(0.2)	(0.1)	(0.2)	(5.3)	(0.6)	(5.8)	(5.8)
net insurance acquisition expenses	2.1	2.0	3.1	2.5	2.7	9.7	11.9
<b>total underwriting expenses</b>	<b>1.9</b>	<b>1.9</b>	<b>2.9</b>	<b>(2.8)</b>	<b>2.1</b>	<b>3.9</b>	<b>6.1</b>
<b>net underwriting income</b>	<b>\$ 6.0</b>	<b>\$ 11.3</b>	<b>\$ 9.7</b>	<b>\$ 14.0</b>	<b>\$ 9.9</b>	<b>\$ 41.0</b>	<b>\$ 46.3</b>
net loss ratio (% of net premiums earned)	(2.5%)	(0.8%)	(1.6%)	(47.3%)	(5.0%)	(12.9%)	(11.1%)
net acquisition cost ratio (% of net premiums earned)	26.6%	15.2%	24.6%	22.3%	22.5%	21.6%	22.7%
	24.1%	14.4%	23.0%	(25.0%)	17.5%	8.7%	11.6%

**Lancashire Holdings Limited**  
**summary consolidated cash flows**

<b>cash flows</b>	<b>q4 2011</b>	<b>q3 2011</b>	<b>q2 2011</b>	<b>q1 2011</b>	<b>q4 2010</b>	<b>full year 2011</b>	<b>full year 2010</b>
net cash flows (used in) from operating activities	\$ (1.5)	\$ 71.6	\$ 120.2	\$ 67.4	\$ 22.9	\$ 257.7	\$ 268.8
net cash flows from (used in) investing activities	103.7	(135.9)	(143.9)	172.3	220.6	(3.8)	259.2
net cash flows used in financing activities	(153.7)	(11.8)	(23.7)	(265.3)	(10.5)	(454.5)	(448.1)
<b>net (decrease) increase in cash and cash equivalents</b>	<b>(51.5)</b>	<b>(76.1)</b>	<b>(47.4)</b>	<b>(25.6)</b>	<b>233.0</b>	<b>(200.6)</b>	<b>79.9</b>
cash and cash equivalents, opening	368.5	448.9	493.3	512.5	288.1	512.5	440.0
effect of exchange rate fluctuations	(5.2)	(4.3)	3.0	6.4	(8.6)	(0.1)	(7.4)
<b>cash and cash equivalents, closing</b>	<b>\$ 311.8</b>	<b>\$ 368.5</b>	<b>\$ 448.9</b>	<b>\$ 493.3</b>	<b>\$ 512.5</b>	<b>\$ 311.8</b>	<b>\$ 512.5</b>

**Lancashire Holdings Limited**  
summary consolidated balance sheets



	31 december 2011	30 september 2011	30 june 2011	31 march 2011	31 december 2010
<b>assets</b>					
cash and cash equivalents	\$ 311.8	\$ 368.5	\$ 448.9	\$ 493.3	\$ 512.5
accrued interest receivable	10.0	12.4	11.8	12.8	13.4
investments					
- fixed income securities - available for sale	1,714.0	1,844.1	1,637.3	1,529.9	1,719.1
- at fair value through profit or loss	-	0.7	8.6	1.5	-
- equity securities - available for sale	-	-	75.2	29.8	-
- other investments	(0.6)	(0.2)	(0.4)	(0.4)	(0.2)
reinsurance assets					
- unearned premiums on premiums ceded	8.8	23.7	29.2	24.9	2.9
- reinsurance recoveries	69.7	42.4	46.1	41.0	35.9
- other receivables	6.2	2.4	0.1	2.5	5.6
deferred acquisition costs	61.4	66.2	70.5	62.7	61.2
inwards premiums receivable from insureds and cedants	212.1	232.1	292.6	239.3	217.5
investment in associate	50.9	7.3	7.5	-	-
other assets	63.3	36.5	24.8	61.6	59.5
<b>total assets</b>	<b>\$ 2,507.6</b>	<b>\$ 2,636.1</b>	<b>\$ 2,652.2</b>	<b>\$ 2,498.9</b>	<b>\$ 2,627.4</b>
<b>liabilities</b>					
insurance contracts					
- losses and loss adjustment expenses	\$ 571.2	\$ 556.9	\$ 576.7	\$ 576.6	\$ 507.5
- unearned premiums	347.1	397.8	418.5	365.1	350.6
- other payables	23.5	17.1	19.7	16.0	20.6
amounts payable to reinsurers	17.8	20.0	22.8	20.9	4.4
deferred acquisition costs ceded	0.7	1.2	1.2	0.7	0.1
other payables	92.5	81.0	101.4	106.7	328.5
long-term debt	128.0	129.6	131.5	130.8	128.8
<b>total liabilities</b>	<b>1,180.8</b>	<b>1,203.6</b>	<b>1,271.8</b>	<b>1,216.8</b>	<b>1,340.5</b>
<b>shareholders' equity</b>					
share capital	84.3	84.3	84.3	84.3	84.3
own shares	(83.0)	(95.7)	(90.5)	(110.3)	(106.9)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	660.5	665.9	659.6	669.7	662.6
accumulated other comprehensive income	17.6	16.8	32.2	26.0	28.2
other reserves	67.6	68.4	68.2	74.7	70.7
dividends	(180.4)	(28.4)	(18.9)	(18.9)	(294.2)
retained earnings	757.8	718.8	643.1	554.2	839.8
<b>total shareholders' equity</b>	<b>\$ 1,326.8</b>	<b>\$ 1,432.5</b>	<b>\$ 1,380.4</b>	<b>\$ 1,282.1</b>	<b>\$ 1,286.9</b>
<b>total liabilities and shareholders' equity</b>	<b>\$ 2,507.6</b>	<b>\$ 2,636.1</b>	<b>\$ 2,652.2</b>	<b>\$ 2,498.9</b>	<b>\$ 2,627.4</b>
basic book value per share	\$ 8.46	\$ 9.22	\$ 8.90	\$ 8.39	\$ 8.45
fully converted book value per share	\$ 7.62	\$ 8.20	\$ 7.96	\$ 7.50	\$ 7.57
fully diluted book value per share	\$ 7.53	\$ 8.10	\$ 7.86	\$ 7.39	\$ 7.46
debt to total capital ratio	8.8%	8.3%	8.7%	9.3%	9.1%

**Lancashire Holdings Limited**  
composition of investment portfolio



	31 december 2011	%	30 september 2011	%	30 june 2011	%	31 march 2011	%	31 december 2010	%
type of investment										
short term investments	\$ 78.9	4.0%	\$ 102.2	4.7%	\$ 45.7	2.2%	\$ 57.7	2.9%	\$ 12.1	0.5%
U.S. treasuries	351.1	17.8%	337.3	15.6%	251.3	11.9%	227.1	11.4%	300.5	13.7%
other government bonds	159.1	8.0%	176.1	8.1%	178.4	8.5%	168.0	8.4%	181.4	8.2%
U.S. municipal bonds	27.7	1.4%	28.2	1.3%	22.1	1.0%	14.8	0.7%	10.9	0.5%
U.S. government agency debt	83.0	4.2%	74.5	3.5%	28.1	1.3%	25.9	1.3%	34.4	1.6%
asset backed securities	69.6	3.5%	72.1	3.3%	73.1	3.5%	31.2	1.5%	19.7	0.9%
U.S. government agency mortgage backed securities	260.3	13.2%	255.8	11.8%	222.2	10.5%	212.4	10.6%	337.5	15.3%
non-agency mortgage backed securities	13.1	0.7%	24.5	1.1%	24.7	1.2%	17.3	0.9%	16.5	0.8%
agency commercial mortgage backed securities	-	-	1.2	0.1%	1.1	0.1%	1.1	0.1%	-	-
non-agency commercial mortgage backed securities	31.5	1.6%	33.0	1.5%	24.4	1.2%	24.1	1.2%	26.7	1.2%
corporate bonds - non FDIC guaranteed	590.5	29.9%	662.5	30.6%	685.6	32.6%	667.0	33.3%	683.9	31.1%
corporate bonds - FDIC guaranteed	49.2	2.5%	76.7	3.6%	80.6	3.8%	83.3	4.2%	95.5	4.3%
total fixed income securities - available for sale	1,714.0	86.8%	1,844.1	85.2%	1,637.3	77.8%	1,529.9	76.5%	1,719.1	78.1%
convertible debt securities - at fair value through profit or loss	-	-	0.7	-	8.6	0.4%	1.5	0.1%	-	-
equity securities - available for sale	-	-	-	-	75.2	3.6%	29.8	1.5%	-	-
other investments	(0.6)	-	(0.2)	-	(0.4)	-	(0.4)	-	(0.2)	-
managed cash	260.4	13.2%	321.1	14.8%	383.6	18.2%	437.4	21.9%	481.8	21.9%
total investments	\$ 1,973.8	100.0%	\$ 2,165.7	100.0%	\$ 2,104.3	100.0%	\$ 1,998.2	100.0%	\$ 2,200.7	100.0%
credit quality of fixed income securities										
AAA	\$ 294.2	17.2%	\$ 339.4	18.4%	\$ 871.7	53.2%	\$ 819.2	53.6%	\$ 968.3	56.3%
AA+, AA, AA-	877.5	51.2%	916.4	49.7%	142.0	8.7%	145.6	9.5%	147.5	8.6%
A+, A, A-	327.4	19.1%	383.4	20.8%	419.9	25.6%	373.3	24.4%	375.2	21.8%
BBB+, BBB, BBB-	165.9	9.7%	151.7	8.2%	146.7	9.0%	150.0	9.8%	182.9	10.7%
other	49.0	2.8%	53.2	2.9%	57.0	3.5%	41.8	2.7%	45.2	2.6%
	\$ 1,714.0	100.0%	\$ 1,844.1	100.0%	\$ 1,637.3	100.0%	\$ 1,529.9	100.0%	\$ 1,719.1	100.0%
corporate bonds										
industrial	\$ 277.5	43.4%	\$ 302.7	41.0%	\$ 294.2	38.4%	\$ 291.8	38.9%	\$ 300.3	38.5%
financial - non FDIC guaranteed	238.8	37.3%	278.0	37.6%	310.9	40.6%	297.4	39.6%	272.8	35.0%
utility	43.2	6.8%	46.1	6.2%	51.1	6.7%	52.1	6.9%	64.6	8.3%
supranationals	1.5	0.2%	1.5	0.2%	1.5	0.2%	0.5	0.1%	11.9	1.5%
foreign agencies	29.5	4.6%	34.2	4.6%	27.9	3.6%	25.2	3.4%	34.3	4.4%
financial - FDIC guaranteed	49.2	7.7%	76.7	10.4%	80.6	10.5%	83.3	11.1%	95.5	12.3%
	\$ 639.7	100.0%	\$ 739.2	100.0%	\$ 766.2	100.0%	\$ 750.3	100.0%	\$ 779.4	100.0%
quarterly net return on total investments		0.6%		(0.6%)		1.1%		0.6%		(0.4%)
rolling 12 months net return on total investments		1.8%		0.8%		3.3%		3.6%		4.2%
average book yield of fixed income and managed cash		1.9%		2.0%		2.2%		2.2%		2.4%
average market yield of fixed income and managed cash		1.5%		1.5%		1.6%		1.7%		1.9%
average duration of fixed income and managed cash		1.8 years		1.7 years		1.8 years		1.8 years		2.2 years
average credit quality of fixed income and managed cash		AA-		AA		AA		AA		AA



Lancashire Holdings Limited  
investment portfolio - sector detail



31 december 2011					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating <sup>(2)</sup>
<b>type of investment</b>					
short term investments	\$ 78.9	0.1%	0.1%	0.2	AAA
U.S. treasuries	351.1	0.7%	0.4%	2.7	AA+
other government bonds	159.1	3.7%	3.5%	3.3	A
U.S. municipal bonds	27.7	3.5%	2.7%	3.6	A+
U.S. government agency debt	83.0	0.7%	0.4%	1.6	AA+
asset backed securities	69.6	1.2%	1.3%	0.2	AAA
U.S. government agency mortgage backed securities	260.3	2.9%	1.4%	1.5	AA+
non-agency mortgage backed securities	13.1	2.3%	2.3%	0.4	AA+
non-agency commercial mortgage backed securities	31.5	3.5%	2.5%	3.4	AAA
corporate bonds - non FDIC guaranteed	590.5	2.9%	2.4%	2.0	A
corporate bonds - FDIC guaranteed	49.2	1.8%	0.3%	0.7	AA+
<b>total fixed income securities - available for sale</b>	<b>1,714.0</b>	<b>2.2%</b>	<b>1.7%</b>	<b>2.0</b>	<b>AA-</b>
managed cash <sup>(1)</sup>	260.4	0.1%	0.1%	-	AA-
<b>total fixed income securities and managed cash</b>	<b>\$ 1,974.4</b>	<b>1.9%</b>	<b>1.5%</b>	<b>1.8</b>	<b>AA-</b>

31 december 2010					
	estimated fair value	weighted average book yield	weighted average market yield	weighted average duration	weighted average rating <sup>(2)</sup>
<b>type of investment</b>					
short term investments	\$ 12.1	0.5%	0.4%	0.1	AAA
U.S. treasuries	300.5	1.1%	1.4%	3.5	AAA
other government bonds	181.4	3.9%	3.4%	2.6	A
U.S. municipal bonds	10.9	5.9%	6.0%	7.7	A
U.S. government agency debt	34.4	2.2%	1.6%	3.4	AAA
asset backed securities	19.7	1.4%	1.3%	0.2	AAA
U.S. government agency mortgage backed securities	337.5	3.5%	2.7%	2.9	AAA
non-agency mortgage backed securities	16.5	2.5%	2.9%	1.4	AAA
non-agency commercial mortgage backed securities	26.7	3.9%	3.7%	3.8	AAA
corporate bonds - non FDIC guaranteed	683.9	3.4%	2.4%	2.9	A
corporate bonds - FDIC guaranteed	95.5	2.1%	0.6%	1.3	AAA
<b>total fixed income securities, available for sale</b>	<b>1,719.1</b>	<b>2.9%</b>	<b>2.3%</b>	<b>2.9</b>	<b>AA</b>
managed cash <sup>(1)</sup>	481.8	0.3%	0.3%	-	AA+
<b>total fixed income securities and managed cash</b>	<b>\$ 2,200.9</b>	<b>2.4%</b>	<b>1.9%</b>	<b>2.2</b>	<b>AA</b>

<sup>(1)</sup> managed cash includes money market funds, t-bills, agency discount notes, and repurchase agreements. Where book yields are not available, book yield is assumed to be equal to market yield.

<sup>(2)</sup> Primary rating source is S&P unless it is not available, otherwise the debt is rated using other nationally recognised rating agencies.

**Lancashire Holdings Limited  
emerging market debt**

<b>31 december 2011</b>				
	<b>sovereign</b>	<b>agency</b>	<b>corporate</b>	<b>total</b>
<b>top ten country exposures</b>				
Russia	\$ 10.1	\$ 1.1	\$ 9.4	\$ 20.6
Brazil	8.7	0.7	7.1	16.5
Indonesia	9.4	-	3.7	13.1
Mexico	7.1	1.9	3.2	12.2
Turkey	8.0	-	0.2	8.2
Qatar	3.2	3.4	0.8	7.4
United Arab Emirates	-	-	6.7	6.7
Philippines	5.5	-	0.5	6.0
Venezuela	3.8	0.7	0.9	5.4
Colombia	3.9	-	1.2	5.1
other emerging markets	12.1	4.1	7.9	24.1
	<u>\$ 71.8</u>	<u>\$ 11.9</u>	<u>\$ 41.6</u>	<u>\$ 125.3</u>

<b>31 december 2011</b>	
<b>ratings distribution</b>	
AA	\$ 10.0
AA-	0.2
A+	1.1
A	6.2
A-	3.3
BBB+	4.3
BBB	40.6
BBB-	19.8
BB+	10.6
BB	19.1
BB-	1.9
B+	8.2
avg BBB	<u>\$ 125.3</u>

Lancashire Holdings Limited  
corporate & global bond holdings

31 december 2011					
	par value units	estimated fair value	accrued interest	unrealised gain (loss)	credit quality <sup>(1)</sup>
<b>top twenty corporate holdings by issuer</b>					
JP Morgan Chase & Company	15.4	\$ 15.7	\$ 0.2	\$ -	A
Citigroup Incorporated	14.3	13.3	0.1	(0.9)	A-
Nordea Bank AB	12.7	12.7	0.1	(0.1)	AA+
Verizon Communications Inc	11.6	12.4	0.2	0.9	A-
Bank of America Corporation	12.6	12.3	0.1	(0.8)	A-
Bank of Nova Scotia	12.1	12.2	0.1	-	AA-
Morgan Stanley	12.4	11.8	0.1	(1.0)	A-
Oracle Corporation	11.0	11.7	0.1	0.3	A
International Business Machines Corporation	11.2	11.6	0.1	0.3	A+
Philip Morris International Incorporated	10.2	10.9	0.1	0.4	A
Hewlett Packard Company	10.1	10.0	-	(0.2)	BBB+
Wal-Mart Stores Incorporated	9.2	9.5	-	0.3	AA
Wells Fargo & Company	9.3	9.2	0.1	(0.1)	A+
National Bank of Canada	9.0	9.1	0.1	-	AAA
BP PLC	8.5	9.0	0.1	0.3	A
Sparebank Boligkreditt	8.5	8.4	-	(0.1)	AAA
Canadian Imperial Bank of Commerce	8.3	8.3	-	-	AAA
US BanCorp	8.1	8.1	-	0.1	A
France Telecom SA	7.5	7.9	0.2	0.4	A-
Vodafone Group PLC	7.4	7.6	0.1	0.2	A-
		<u>\$ 211.7</u>	<u>\$ 1.8</u>	<u>\$ -</u>	<u>average A+</u>
<b>top twenty holdings as a % of non FDIC guaranteed corporate bonds</b>		<u>35.9%</u>			

31 december 2011				
	financials	other industries	total non FDIC guaranteed corporates	other government bonds
<b>bonds by country</b>				
United States	\$ 127.0	\$ 216.9	\$ 343.9	\$ -
Canada	40.5	11.5	52.0	23.8
United Kingdom	16.8	23.6	40.4	15.8
Norway	21.5	-	21.5	1.9
France	1.7	15.0	16.7	-
Sweden	13.3	-	13.3	-
Netherlands	3.5	8.9	12.4	10.5
Switzerland	4.3	7.0	11.3	-
Australia	4.7	5.0	9.7	14.4
Belgium	-	7.2	7.2	-
Germany	-	5.0	5.0	-
Hong Kong	-	4.5	4.5	-
Spain	-	3.0	3.0	-
Luxembourg	-	1.6	1.6	-
Supranationals	1.5	-	1.5	-
New Zealand	1.5	-	1.5	-
Japan	1.0	0.5	1.5	-
Italy	-	1.4	1.4	-
Singapore	-	0.5	0.5	-
Denmark	-	-	-	9.0
Emerging market corporates	3.0	38.6	41.6	-
Emerging market sovereign	-	-	-	71.8
Emerging market agency	-	-	-	11.9
	<u>\$ 240.3</u>	<u>\$ 350.2</u>	<u>\$ 590.5</u>	<u>\$ 159.1</u>

<sup>(1)</sup> Credit quality is calculated based on the weighted average credit ratings of the underlying debt securities.

Lancashire Holdings Limited  
net losses and loss ratios



<u>total</u>	q4 2011		q3 2011		q2 2011		q1 2011		q4 2010		full year 2011	full year 2010		
net reserves: start	\$	514.5	\$	530.6	\$	535.6	\$	471.6	\$	521.7	\$	471.6	\$	453.1
paid losses		63.3		32.1		20.0		39.5		38.8		154.9		145.4
change in prior AY <sup>(1)</sup>		(37.3)		(21.1)		(46.1)		(50.8)		(21.8)		(155.3)		(100.1)
current year incurred losses		91.7		39.2		58.6		148.1		12.7		337.6		265.8
foreign exchange		(4.1)		(2.1)		2.5		6.2		(2.2)		2.5		(1.8)
<b>net reserves: end</b>	<b>\$</b>	<b>501.5</b>	<b>\$</b>	<b>514.5</b>	<b>\$</b>	<b>530.6</b>	<b>\$</b>	<b>535.6</b>	<b>\$</b>	<b>471.6</b>	<b>\$</b>	<b>501.5</b>	<b>\$</b>	<b>471.6</b>
net premiums earned		138.2		148.8		142.3		145.2		149.4		574.5		614.2
net loss ratio		39.4%		12.2%		8.8%		67.0%		(6.1%)		31.7%		27.0%
IBNR as % of net reserves		33.5%		31.9%		29.9%		46.5%		40.6%		33.5%		40.6%

<u>property</u>		q4 2011	q3 2011	q2 2011	q1 2011	q4 2010	full year 2011	full year 2010	<u>energy</u>		q4 2011	q3 2011	q2 2011	q1 2011	q4 2010	full year 2011	full year 2010												
net reserves: start	\$	232.4	\$	233.8	\$	251.1	\$	165.0	\$	173.3	\$	165.0	\$	85.0	net reserves: start	\$	212.9	\$	221.7	\$	207.9	\$	210.2	\$	247.3	\$	210.2	\$	272.5
paid losses		22.2		10.5		5.1		14.7		7.2		52.5		27.0	paid losses		36.5		17.2		10.8		15.0		28.4		79.5		99.6
change in prior AY <sup>(1)</sup>		(23.3)		(4.9)		(26.7)		(8.6)		5.1		(63.5)		(28.8)	change in prior AY <sup>(1)</sup>		(10.3)		(11.6)		(12.7)		(22.7)		(20.0)		(57.3)		(47.6)
current year incurred losses		62.8		14.4		12.0		104.5		(4.4)		193.7		137.5	current year incurred losses		18.0		20.7		37.5		34.9		11.3		111.1		84.6
foreign exchange		(2.8)		(0.4)		2.5		4.9		(1.8)		4.2		(1.7)	foreign exchange		(0.7)		(0.7)		(0.2)		0.5		-		(1.1)		0.3
net reserves: end	\$	246.9	\$	232.4	\$	233.8	\$	251.1	\$	165.0	\$	246.9	\$	165.0	net reserves: end	\$	183.4	\$	212.9	\$	221.7	\$	207.9	\$	210.2	\$	183.4	\$	210.2
net premiums earned	\$	55.4	\$	64.2	\$	65.4	\$	71.4	\$	72.1	\$	256.4	\$	311.7	net premiums earned	\$	52.4	\$	52.3	\$	46.2	\$	45.0	\$	49.7	\$	195.9	\$	183.3
net loss ratio		71.3%		14.8%		(22.5%)		134.3%		1.0%		50.8%		34.9%	net loss ratio		14.7%		17.4%		53.7%		27.1%		(17.5%)		27.5%		20.2%
<u>marine</u>		q4 2011	q3 2011	q2 2011	q1 2011	q4 2010	full year 2011	full year 2010	<u>aviation</u>		q4 2011	q3 2011	q2 2011	q1 2011	q4 2010	full year 2011	full year 2010												
net reserves: start	\$	68.5	\$	74.2	\$	75.3	\$	89.9	\$	94.0	\$	89.9	\$	83.0	net reserves: start	\$	0.7	\$	0.9	\$	1.3	\$	6.5	\$	7.1	\$	6.5	\$	12.6
paid losses		4.5		4.4		4.0		9.8		3.2		22.7		18.8	paid losses		0.1		-		0.1		-		-		0.2		-
change in prior AY <sup>(1)</sup>		(3.4)		(4.5)		(6.6)		(14.1)		(6.3)		(28.6)		(17.7)	change in prior AY <sup>(1)</sup>		(0.3)		(0.1)		(0.1)		(5.4)		(0.6)		(5.9)		(6.0)
current year incurred losses		10.8		4.1		9.2		8.6		5.8		32.7		43.5	current year incurred losses		0.1		-		(0.1)		0.1		-		0.1		0.2
foreign exchange		(0.7)		(0.9)		0.3		0.7		(0.4)		(0.6)		(0.1)	foreign exchange		0.1		(0.1)		(0.1)		0.1		-		-		(0.3)
net reserves: end	\$	70.7	\$	68.5	\$	74.2	\$	75.3	\$	89.9	\$	70.7	\$	89.9	net reserves: end	\$	0.5	\$	0.7	\$	0.9	\$	1.3	\$	6.5	\$	0.5	\$	6.5
net premiums earned	\$	22.5	\$	19.1	\$	18.1	\$	17.6	\$	15.6	\$	77.3	\$	66.8	net premiums earned	\$	7.9	\$	13.2	\$	12.6	\$	11.2	\$	12.0	\$	44.9	\$	52.4
net loss ratio		32.9%		(2.1%)		14.4%		(31.3%)		(3.2%)		5.3%		38.6%	net loss ratio		(2.5%)		(0.8%)		(1.6%)		(47.3%)		(5.0%)		(12.9%)		(11.1%)

<sup>(1)</sup> AY = accident year

**Lancashire Holdings Limited**  
**losses by accident year**

**gross losses**

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
estimate of ultimate liability:						
at end of accident year	39.1	154.8	444.6	163.3	297.4	397.0
one year later	34.7	131.2	417.4	107.8	209.4	-
two years later	32.0	103.5	377.5	73.1	-	-
three years later	27.6	94.8	345.1	-	-	-
four years later	27.2	83.5	-	-	-	-
five years later	24.4	-	-	-	-	-
as at 31 december 2011	<u>\$ 24.4</u>	<u>\$ 83.5</u>	<u>\$ 345.1</u>	<u>\$ 73.1</u>	<u>\$ 209.4</u>	<u>\$ 397.0</u>
payments made	(21.7)	(72.4)	(284.4)	(42.5)	(106.4)	(33.9)
<b>total gross liability</b>	<b><u>\$ 2.7</u></b>	<b><u>\$ 11.1</u></b>	<b><u>\$ 60.7</u></b>	<b><u>\$ 30.6</u></b>	<b><u>\$ 103.0</u></b>	<b><u>\$ 363.1</u></b>
accident year gross loss ratio <sup>(1)</sup>	8.1%	12.0%	50.7%	11.2%	31.9%	62.4%

**net losses**

<u>accident year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
estimate of ultimate liability:						
at end of accident year	39.1	151.2	403.9	161.7	263.6	340.8
one year later	34.7	125.0	370.3	106.5	185.8	-
two years later	32.0	99.5	334.4	72.4	-	-
three years later	27.6	91.3	304.2	-	-	-
four years later	27.2	80.2	-	-	-	-
five years later	24.4	-	-	-	-	-
as at 31 december 2011	<u>\$ 24.4</u>	<u>\$ 80.2</u>	<u>\$ 304.2</u>	<u>\$ 72.4</u>	<u>\$ 185.8</u>	<u>\$ 340.8</u>
payments made	(21.7)	(69.3)	(250.5)	(42.0)	(88.9)	(33.9)
<b>total net liability</b>	<b><u>\$ 2.7</u></b>	<b><u>\$ 10.9</u></b>	<b><u>\$ 53.7</u></b>	<b><u>\$ 30.4</u></b>	<b><u>\$ 96.9</u></b>	<b><u>\$ 306.9</u></b>
accident year net loss ratio <sup>(1)</sup>	10.0%	13.1%	50.1%	12.2%	30.3%	59.3%
initial accident year net loss ratio	16.1%	24.7%	66.5%	27.2%	42.9%	n/a
reduction in net loss ratio post accident year end	6.1%	11.6%	16.4%	15.0%	12.6%	n/a

<sup>(1)</sup> accident year loss ratio is calculated using the ultimate liability revalued at the current balance sheet date

**Lancashire Holdings Limited**  
**estimated exposures to peak zone elemental losses**

zones	perils	1 january 2012 100 year return period		1 january 2012 250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico <sup>(1)</sup>	hurricane	\$ 536.3	\$ 328.7	\$ 682.9	\$ 449.7
california	earthquake	175.5	99.0	402.5	231.3
pacific northwest	earthquake	91.2	60.8	286.3	186.1
pan-european	windstorm	375.3	202.5	451.2	268.2
japan	earthquake	228.2	172.5	410.2	293.8
japan	typhoon	253.5	143.6	422.2	294.1

THE GROUP HAS DEVELOPED THE ESTIMATES OF LOSSES EXPECTED FROM CERTAIN CATASTROPHES FOR ITS PORTFOLIO OF PROPERTY AND ENERGY CONTRACTS USING COMMERCIALY AVAILABLE CATASTROPHE MODELS, WHICH ARE APPLIED AND ADJUSTED BY THE GROUP. THESE ESTIMATES INCLUDE ASSUMPTIONS REGARDING THE LOCATION, SIZE AND MAGNITUDE OF AN EVENT, THE FREQUENCY OF EVENTS, THE CONSTRUCTION TYPE AND DAMAGEABILITY OF PROPERTY IN A ZONE, AND THE COST OF REBUILDING PROPERTY IN A ZONE, AMONG OTHER ASSUMPTIONS. RETURN PERIOD REFERS TO THE FREQUENCY WITH WHICH LOSSES OF A GIVEN AMOUNT OR GREATER ARE EXPECTED TO OCCUR.

GROSS LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND GROSS OF OUTWARD REINSURANCE, BEFORE INCOME TAX. NET LOSS ESTIMATES ARE NET OF REINSTATEMENT PREMIUMS AND NET OF OUTWARD REINSURANCE, BEFORE INCOME TAX.

THE ESTIMATES OF LOSSES ABOVE ARE BASED ON ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES. IN PARTICULAR, MODELED LOSS ESTIMATES DO NOT NECESSARILY ACCURATELY PREDICT ACTUAL LOSSES, AND MAY SIGNIFICANTLY DEVIATE FROM ACTUAL LOSSES. SUCH ESTIMATES, THEREFORE, SHOULD NOT BE CONSIDERED AS A REPRESENTATION OF ACTUAL LOSSES AND INVESTORS SHOULD NOT RELY ON THE ESTIMATED EXPOSURE INFORMATION WHEN CONSIDERING INVESTMENT IN THE GROUP. THE GROUP UNDERTAKES NO DUTY TO UPDATE OR REVISE SUCH INFORMATION TO REFLECT THE OCCURRENCE OF FUTURE EVENTS.

<sup>(1)</sup> landing hurricane from florida to texas

**Lancashire Holdings Limited**  
**earnings per share**



	<b>q4</b> <b>2011</b>	<b>q4</b> <b>2010</b>	<b>full year</b> <b>2011</b>	<b>full year</b> <b>2010</b>
<b>basic earnings per share:</b>				
profit after tax	\$ 39.0	\$ 131.8	\$ 212.2	\$ 330.8
net operating income	\$ 38.1	\$ 123.4	\$ 219.0	\$ 306.5
<b>dilutive shares</b>				
weighted average shares outstanding - basic	155,859,689	151,852,512	154,339,421	158,806,410
dilutive effect of warrants	18,942,775	17,197,369	17,754,552	14,214,198
dilutive effect of stock options	274,564	672,045	269,355	500,310
dilutive effect of restricted stock	5,206,856	4,224,981	5,088,005	3,990,315
weighted average & equivalent shares outstanding - diluted	<u>180,283,884</u>	<u>173,946,907</u>	<u>177,451,333</u>	<u>177,511,233</u>
<b>basic earnings per share</b>	<b>\$ 0.25</b>	<b>\$ 0.87</b>	<b>\$ 1.38</b>	<b>\$ 2.08</b>
<b>diluted earnings per share</b>	<b>\$ 0.22</b>	<b>\$ 0.76</b>	<b>\$ 1.20</b>	<b>\$ 1.86</b>
<b>diluted operating earnings per share</b>	<b>\$ 0.21</b>	<b>\$ 0.71</b>	<b>\$ 1.23</b>	<b>\$ 1.73</b>

**Lancashire Holdings Limited**  
**basic and fully converted book value per share**

	<u>31 december 2011</u>	<u>30 september 2011</u>	<u>30 june 2011</u>	<u>31 march 2011</u>	<u>31 december 2010</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,326.8	\$ 1,432.5	\$ 1,380.4	\$ 1,282.1	\$ 1,286.9
proceeds from assumed exercise of outstanding dilutive warrants	162.2	169.0	169.7	173.3	177.7
proceeds from assumed exercise of outstanding dilutive options	0.7	2.3	2.5	3.5	2.3
book value numerator	<u>\$ 1,489.7</u>	<u>\$ 1,603.8</u>	<u>\$ 1,552.6</u>	<u>\$ 1,458.9</u>	<u>\$ 1,466.9</u>
denominator (in shares):					
common voting shares outstanding	156,770,726	155,373,165	155,050,457	152,898,018	152,367,003
shares issuable upon exercise of outstanding dilutive warrants	33,200,626	34,669,587	34,809,587	35,602,930	36,498,390
shares issuable upon exercise of outstanding dilutive options	337,067	833,762	892,780	1,292,991	863,644
shares relating to dilutive restricted stock	5,189,111	4,606,481	4,181,469	4,677,310	4,122,964
fully converted book value denominator	<u>195,497,530</u>	<u>195,482,995</u>	<u>194,934,293</u>	<u>194,471,249</u>	<u>193,852,001</u>
<b>basic book value per share</b>	<u><b>\$ 8.46</b></u>	<u><b>\$ 9.22</b></u>	<u><b>\$ 8.90</b></u>	<u><b>\$ 8.39</b></u>	<u><b>\$ 8.45</b></u>
<b>fully converted book value per share</b>	<u><b>\$ 7.62</b></u>	<u><b>\$ 8.20</b></u>	<u><b>\$ 7.96</b></u>	<u><b>\$ 7.50</b></u>	<u><b>\$ 7.57</b></u>
dividend per common share <sup>(1)</sup>	\$ 0.80	\$ 0.05	\$ -	\$ 0.10	\$ 1.40
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	2.7%	3.6%	6.1%	0.4%	6.4%
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	13.4%	18.0%	23.1%	23.7%	23.3%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	19.5%	19.8%	19.9%	19.7%	20.3%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.7%	17.9%	17.9%	17.6%	18.2%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	191.2%	182.0%	171.3%	156.8%	152.4%

<sup>(1)</sup> warrants and restricted stock contain anti-dilution provisions in regards to dividends; the exercise price of options may be adjusted for dividend payments

<sup>(2)</sup> change in fully converted book value per share ("FCBVS") adjusted for dividends is the internal rate of return of the change in fully converted book value per share in the period plus dividends accrued



**Lancashire Holdings Limited**  
**basic and fully diluted book value per share**



	<u>31 december 2011</u>	<u>30 september 2011</u>	<u>30 june 2011</u>	<u>31 march 2011</u>	<u>31 december 2010</u>
shareholders' equity	\$ 1,326.8	\$ 1,432.5	\$ 1,380.4	\$ 1,282.1	\$ 1,286.9
weighted average exercise price per share of dilutive warrants	\$ 4.89	\$ 4.87	\$ 4.87	\$ 4.87	\$ 4.87
weighted average exercise price per share of dilutive options	\$ 2.11	\$ 2.72	\$ 2.79	\$ 2.72	\$ 2.65
denominator (in shares):					
common voting shares outstanding	156,770,726	155,373,165	155,050,457	152,898,018	152,367,003
unvested restricted shares and restricted share units	5,189,111	4,606,481	4,181,469	4,677,310	4,122,964
dilutive warrants outstanding	33,200,626	34,669,587	34,809,587	35,602,930	36,498,390
proforma warrants bought back	(19,165,724)	(18,328,504)	(19,059,509)	(20,664,075)	(21,034,819)
proforma net shares issued	14,034,902	16,341,083	15,750,078	14,938,855	15,463,571
dilutive options outstanding	337,067	833,762	892,780	1,292,991	863,644
proforma options bought back	(84,017)	(245,965)	(279,826)	(419,098)	(271,039)
proforma net shares issued	253,050	587,797	612,954	873,893	592,605
proforma dilutive shares outstanding	176,247,789	176,908,526	175,594,958	173,388,076	172,546,143
<b>basic book value per common share</b>	<b>\$ 8.46</b>	<b>\$ 9.22</b>	<b>\$ 8.90</b>	<b>\$ 8.39</b>	<b>\$ 8.45</b>
<b>diluted book value per common share</b>	<b>\$ 7.53</b>	<b>\$ 8.10</b>	<b>\$ 7.86</b>	<b>\$ 7.39</b>	<b>\$ 7.46</b>
dividend per common share <sup>(1)</sup>	\$ 0.80	\$ 0.05	\$ -	\$ 0.10	\$ 1.40
change in FDBVS adj for dividends <sup>(2)</sup> - quarter	2.8%	3.7%	6.4%	0.4%	6.8%
change in FDBVS adj for dividends <sup>(2)</sup> - rolling 12 months	13.8%	17.9%	23.4%	23.6%	23.4%
compound annual change in FDBVS adj for dividends <sup>(2)</sup>	19.4%	19.6%	19.7%	19.5%	20.1%
compound annual change in FDBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.6%	17.7%	17.7%	17.4%	17.9%
change in FDBVS adj for dividends <sup>(2)</sup> - since inception	189.1%	179.7%	169.0%	154.3%	149.9%

<sup>(1)</sup> warrants and restricted stock contain anti-dilution provisions in regards to dividends; the exercise price of options may be adjusted for dividend payments

<sup>(2)</sup> change in fully diluted book value per share ("FDBVS") adjusted for dividends is the internal rate of return of the change in fully diluted book value per share in the period plus dividends accrued