

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 TAX RESIDENCY OF THE COMPANY AND ITS SUBSIDIARIES (THE "GROUP"), ITS 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 THE GROUP WRITES; THE PREMIUM RATES AVAILABLE AT THE TIME OF SUCH RENEWALS WITHIN THE GROUP'S TARGETED BUSINESS LINES; THE LOW FREQUENCY OF LARGE EVENTS; UNUSUAL LOSS FREQUENCY; THE IMPACT THAT THE GROUP'S FUTURE OPERATING RESULTS, CAPITAL POSITION AND RATING AGENCY AND OTHER CONSIDERATIONS HAVE ON THE EXECUTION OF ANY CAPITAL MANAGEMENT INITIATIVES OR DIVIDENDS; THE POSSIBILITY OF GREATER FREQUENCY OR SEVERITY OF CLAIMS AND LOSS ACTIVITY THAN THE GROUP'S 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 THE GROUP'S LOSS LIMITATION METHODS; LOSS OF KEY PERSONNEL; A DECLINE IN THE GROUP'S 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 THE GROUP'S INVESTMENT PORTFOLIO; CHANGES IN GOVERNMENTAL REGULATIONS OR TAX LAWS IN JURISDICTIONS WHERE THE GROUP CONDUCTS BUSINESS; LANCASHIRE HOLDINGS LIMITED OR ITS BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED STATES OR THE BERMUDIAN SUBSIDIARY BECOMING SUBJECT TO INCOME TAXES IN THE UNITED KINGDOM; THE INAPPLICABILITY TO THE GROUP OF SUITABLE EXCLUSIONS FROM THE NEW UK CFC REGIME; ANY CHANGE IN THE UK GOVERNMENT OR THE UK GOVERNMENT POLICY WHICH IMPACTS THE NEW CFC REGIME; AND THE NEGATIVE IMPACT IN ANY MATERIAL WAY OF THE CHANGE IN TAX RESIDENCE OF LANCASHIRE HOLDINGS LIMITED ON ITS STAKEHOLDERS.

THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE 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.

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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; 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**

	<u>q2</u> <u>2013</u>	<u>q2</u> <u>2012</u>	<u>% change</u> <u>q2-13 vs.</u> <u>q2-12</u>	<u>ytd</u> <u>2013</u>	<u>ytd</u> <u>2012</u>	<u>% change</u> <u>ytd-13 vs.</u> <u>ytd-12</u>
<b>highlights</b>						
gross premiums written	\$ 209.0	\$ 280.8	(26%)	\$ 423.9	\$ 514.8	(18%)
net premiums written	189.1	233.5	(19%)	307.7	365.6	(16%)
net premiums earned	126.7	150.2	(16%)	260.5	291.7	(11%)
net insurance losses	38.3	41.9	(9%)	61.3	92.4	(34%)
net investment income	6.5	8.4	(23%)	12.6	17.1	(26%)
net realised gains (losses) and impairments	4.2	3.7	14%	12.1	4.9	147%
profit after tax	56.2	58.5	(4%)	134.1	103.7	29%
change in net unrealised gains / losses on investments	(25.0)	0.5	(5,100%)	(36.6)	11.5	(418%)
comprehensive income	31.2	59.0	(47%)	97.5	115.2	(15%)
net operating income <sup>(1)</sup>	\$ 54.2	\$ 59.7	(9%)	\$ 121.5	\$ 102.6	18%
total investments and cash	\$ 2,036.6	\$ 2,094.8	(3%)			
total shareholders' equity	\$ 1,266.3	\$ 1,421.8	(11%)			
<b>per share data</b>						
net operating income per share - diluted <sup>(2)</sup>	\$ 0.29	\$ 0.33		\$ 0.67	\$ 0.57	
profit after tax per share - diluted <sup>(2)</sup>	\$ 0.30	\$ 0.32		\$ 0.74	\$ 0.57	
fully converted book value per share	\$ 7.19	\$ 8.06		\$ 7.19	\$ 8.06	
change in FCBVS adj for dividends <sup>(3)</sup>	2.0%	3.6%		7.0%	7.1%	
fully diluted book value per share	\$ 6.88	\$ 7.76		\$ 6.88	\$ 7.76	
change in FDBVS adj for dividends <sup>(4)</sup>	2.5%	4.3%		7.2%	7.3%	
<b>financial ratios</b>						
net loss ratio	30.2%	27.9%		23.5%	31.7%	
net acquisition cost ratio	23.0%	21.4%		22.1%	21.3%	
administrative expense ratio	13.7%	11.4%		13.2%	14.2%	
combined ratio	<u>66.9%</u>	<u>60.7%</u>		<u>58.8%</u>	<u>67.2%</u>	
net return on total investments	(0.6%)	0.6%		(0.5%)	1.7%	

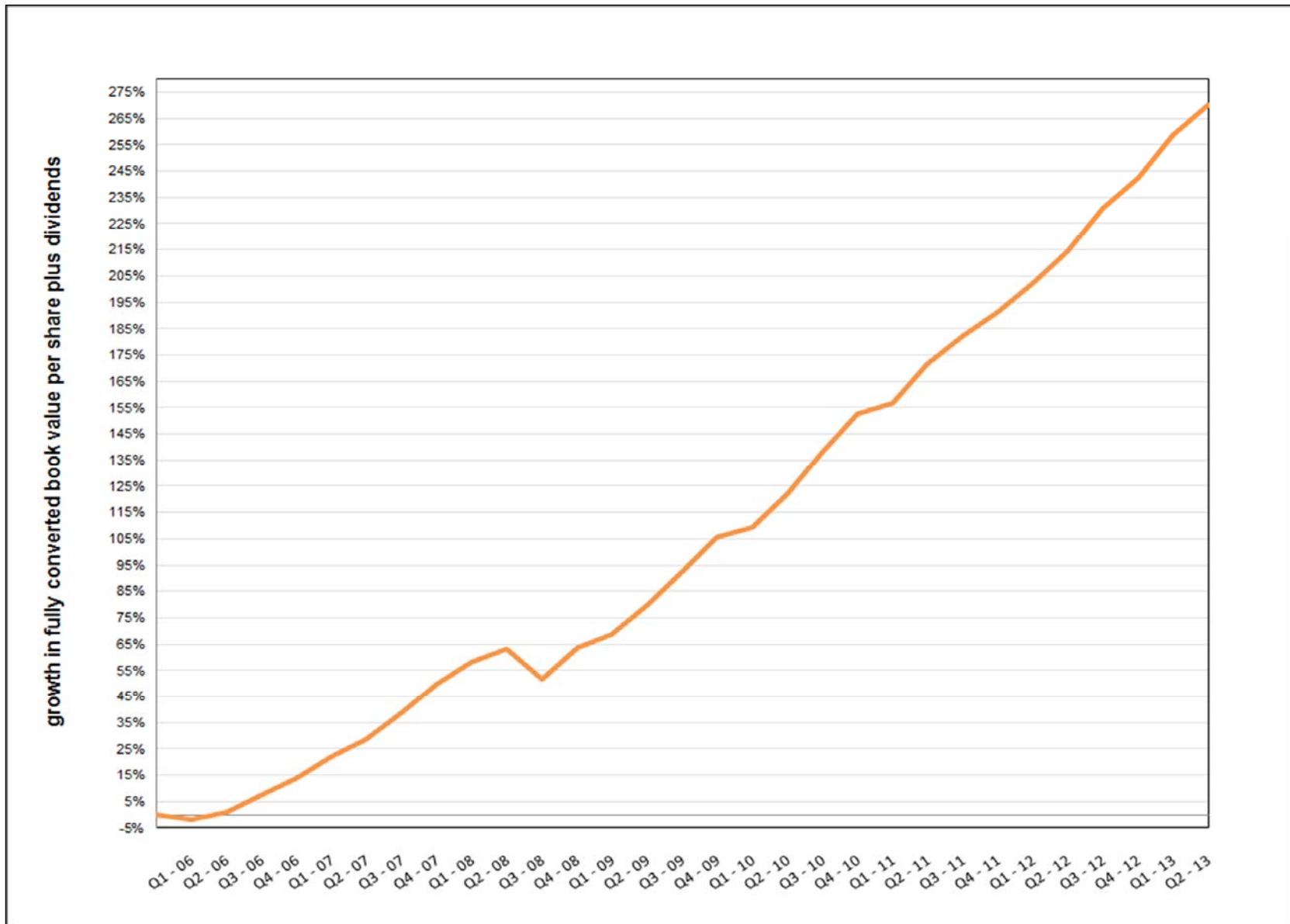
<sup>(1)</sup> excludes realised gains and losses, tax and foreign exchange gains and losses

<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



	q2 2013	q1 2013	q4 2012	q3 2012	q2 2012	ytd 2013	ytd 2012	full year 2012
gross premiums written	\$ 209.0	\$ 214.9	\$ 96.0	\$ 113.5	\$ 280.8	\$ 423.9	\$ 514.8	\$ 724.3
outwards reinsurance premiums	(19.9)	(96.3)	4.7	(3.7)	(47.3)	(116.2)	(149.2)	(148.2)
<b>net premiums written</b>	<b>189.1</b>	<b>118.6</b>	<b>100.7</b>	<b>109.8</b>	<b>233.5</b>	<b>307.7</b>	<b>365.6</b>	<b>576.1</b>
change in unearned premiums	(49.4)	(47.4)	82.4	65.2	(88.7)	(96.8)	(143.8)	3.8
change in unearned premiums on premiums ceded	(13.0)	62.6	(36.0)	(31.2)	5.4	49.6	69.9	2.7
<b>net premiums earned</b>	<b>126.7</b>	<b>133.8</b>	<b>147.1</b>	<b>143.8</b>	<b>150.2</b>	<b>260.5</b>	<b>291.7</b>	<b>582.6</b>
net investment income	6.5	6.1	8.0	7.4	8.4	12.6	17.1	32.5
net other investment income (losses)	4.4	(0.6)	-	0.2	(0.2)	3.8	0.5	0.7
net realised gains (losses) and impairments	4.2	7.9	3.1	3.8	3.7	12.1	4.9	11.8
share of profit (loss) of associate	3.3	2.9	3.3	2.9	(1.4)	6.2	1.5	7.7
other income	0.3	0.3	-	-	-	0.6	-	-
net foreign exchange (losses) gains	(0.1)	3.7	5.0	(0.3)	(2.8)	3.6	(0.4)	4.3
<b>total net revenue</b>	<b>145.3</b>	<b>154.1</b>	<b>166.5</b>	<b>157.8</b>	<b>157.9</b>	<b>299.4</b>	<b>315.3</b>	<b>639.6</b>
insurance losses	66.5	39.2	38.1	14.0	85.1	105.7	164.8	216.9
insurance losses recoverable	(28.2)	(16.2)	22.6	7.0	(43.2)	(44.4)	(72.4)	(42.8)
net insurance acquisition expenses	29.2	28.5	29.1	28.3	32.1	57.7	62.0	119.4
equity based compensation	3.7	3.5	3.9	6.6	2.5	7.2	5.9	16.4
other operating expenses	17.3	17.0	15.9	21.0	17.1	34.3	41.5	78.4
<b>total expenses</b>	<b>88.5</b>	<b>72.0</b>	<b>109.6</b>	<b>76.9</b>	<b>93.6</b>	<b>160.5</b>	<b>201.8</b>	<b>388.3</b>
<b>profit before tax and finance costs</b>	<b>56.8</b>	<b>82.1</b>	<b>56.9</b>	<b>80.9</b>	<b>64.3</b>	<b>138.9</b>	<b>113.5</b>	<b>251.3</b>
financing gains (expenses)	1.5	(3.2)	(5.2)	(2.9)	(3.7)	(1.7)	(6.4)	(14.5)
<b>profit before tax</b>	<b>58.3</b>	<b>78.9</b>	<b>51.7</b>	<b>78.0</b>	<b>60.6</b>	<b>137.2</b>	<b>107.1</b>	<b>236.8</b>
tax	(2.1)	(1.0)	0.7	0.8	(2.1)	(3.1)	(3.4)	(1.9)
<b>profit after tax</b>	<b>\$ 56.2</b>	<b>\$ 77.9</b>	<b>\$ 52.4</b>	<b>\$ 78.8</b>	<b>\$ 58.5</b>	<b>\$ 134.1</b>	<b>\$ 103.7</b>	<b>\$ 234.9</b>
change in net unrealised gains / losses on investments	(25.0)	(11.6)	(4.0)	10.3	0.5	(36.6)	11.5	17.8
<b>comprehensive income</b>	<b>\$ 31.2</b>	<b>\$ 66.3</b>	<b>\$ 48.4</b>	<b>\$ 89.1</b>	<b>\$ 59.0</b>	<b>\$ 97.5</b>	<b>\$ 115.2</b>	<b>\$ 252.7</b>
net loss ratio	30.2%	17.2%	41.3%	14.6%	27.9%	23.5%	31.7%	29.9%
net acquisition cost ratio	23.0%	21.3%	19.8%	19.7%	21.4%	22.1%	21.3%	20.5%
administrative expense ratio	13.7%	12.7%	10.8%	14.6%	11.4%	13.2%	14.2%	13.5%
combined ratio	<b>66.9%</b>	<b>51.2%</b>	<b>71.9%</b>	<b>48.9%</b>	<b>60.7%</b>	<b>58.8%</b>	<b>67.2%</b>	<b>63.9%</b>
net return on total investments	(0.6%)	0.1%	0.3%	1.1%	0.6%	(0.5%)	1.7%	3.1%
basic earnings per share	\$ 0.34	\$ 0.48	\$ 0.32	\$ 0.49	\$ 0.37	\$ 0.84	\$ 0.65	\$ 1.47
diluted earnings per share	\$ 0.30	\$ 0.42	\$ 0.28	\$ 0.42	\$ 0.32	\$ 0.74	\$ 0.57	\$ 1.29

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

	q2 2013	q1 2013	q4 2012	q3 2012	q2 2012	ytd 2013	ytd 2012	full year 2012
<b>gross premiums written</b>								
property retrocession	\$ 6.8	\$ 67.6	\$ 1.7	\$ 8.6	\$ 22.9	\$ 74.4	\$ 114.1	\$ 124.4
property cat excess of loss	36.5	31.3	2.6	16.8	46.5	67.8	77.4	96.8
terrorism	19.2	21.3	13.6	9.8	17.5	40.5	39.5	62.9
property political risk	18.1	7.3	10.7	7.8	17.2	25.4	22.6	41.1
property direct and facultative	2.4	2.2	3.0	2.5	11.6	4.6	20.1	25.6
other property	3.8	2.3	2.0	0.9	2.3	6.1	2.8	5.7
<b>total property</b>	<b>86.8</b>	<b>132.0</b>	<b>33.6</b>	<b>46.4</b>	<b>118.0</b>	<b>218.8</b>	<b>276.5</b>	<b>356.5</b>
worldwide offshore energy	65.2	36.2	22.1	31.5	62.9	101.4	95.3	148.9
gulf of mexico offshore energy	22.5	5.4	1.5	3.8	54.7	27.9	60.2	65.5
construction energy	2.5	3.4	1.7	9.4	2.5	5.9	6.8	17.9
energy liabilities	5.0	-	-	-	-	5.0	-	-
onshore energy	1.3	0.3	-	2.3	2.2	1.6	3.3	5.6
energy excess of loss	-	-	-	-	-	-	0.8	0.8
other energy	1.1	0.2	-	0.8	1.2	1.3	1.4	2.2
<b>total energy</b>	<b>97.6</b>	<b>45.5</b>	<b>25.3</b>	<b>47.8</b>	<b>123.5</b>	<b>143.1</b>	<b>167.8</b>	<b>240.9</b>
marine hull and total loss	7.6	10.3	8.1	4.0	12.1	17.9	16.8	28.9
marine P&I clubs	(0.9)	10.7	0.4	0.5	2.6	9.8	9.7	10.6
marine hull war	3.7	4.5	2.9	3.9	5.2	8.2	12.0	18.8
marine builders risk	2.1	3.2	3.2	2.6	7.3	5.3	10.6	16.4
other marine	0.2	0.9	0.8	0.7	3.2	1.1	4.8	6.3
<b>total marine</b>	<b>12.7</b>	<b>29.6</b>	<b>15.4</b>	<b>11.7</b>	<b>30.4</b>	<b>42.3</b>	<b>53.9</b>	<b>81.0</b>
AV 52	5.9	2.8	14.7	6.8	7.9	8.7	15.3	36.8
aviation satellite	4.8	3.9	5.6	-	-	8.7	-	5.6
other aviation	1.2	1.1	1.4	0.8	1.0	2.3	1.3	3.5
<b>total aviation</b>	<b>11.9</b>	<b>7.8</b>	<b>21.7</b>	<b>7.6</b>	<b>8.9</b>	<b>19.7</b>	<b>16.6</b>	<b>45.9</b>
<b>total gross premiums written</b>	<b>\$ 209.0</b>	<b>\$ 214.9</b>	<b>\$ 96.0</b>	<b>\$ 113.5</b>	<b>\$ 280.8</b>	<b>\$ 423.9</b>	<b>\$ 514.8</b>	<b>\$ 724.3</b>



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

**six months ending 30 june 2013**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 218.8	\$ 143.1	\$ 42.3	\$ 19.7	\$ 423.9
net premiums written	154.1	106.0	31.7	15.9	307.7
net premiums earned	106.6	102.3	30.4	21.2	260.5
net insurance losses	(3.5)	6.9	40.5	17.4	61.3
net insurance acquisition expenses	14.5	26.8	11.3	5.1	57.7
other operating expenses <sup>(1)</sup>	34.3				34.3
	<u>\$ 95.6</u>	<u>\$ 68.6</u>	<u>\$ (21.4)</u>	<u>\$ (1.3)</u>	<u>\$ 107.2</u>
net loss ratio	(3.3%)	6.7%	133.2%	82.1%	23.5%
net acquisition cost ratio	13.6%	26.2%	37.2%	24.1%	22.1%
administrative expense ratio <sup>(1)</sup>					13.2%
combined ratio	<u>10.3%</u>	<u>32.9%</u>	<u>170.4%</u>	<u>106.2%</u>	<u>58.8%</u>

**six months ending 30 june 2012**

	<b>property</b>	<b>energy</b>	<b>marine</b>	<b>aviation</b>	<b>consolidated</b>
gross premiums written	\$ 276.5	\$ 167.8	\$ 53.9	\$ 16.6	\$ 514.8
net premiums written	176.3	142.3	34.3	12.7	365.6
net premiums earned	141.1	105.4	22.6	22.6	291.7
net insurance losses	44.9	18.6	29.0	(0.1)	92.4
net insurance acquisition expenses	17.4	26.7	12.5	5.4	62.0
other operating expenses <sup>(1)</sup>	41.5				41.5
	<u>\$ 78.8</u>	<u>\$ 60.1</u>	<u>\$ (18.9)</u>	<u>\$ 17.3</u>	<u>\$ 95.8</u>
net loss ratio	31.8%	17.6%	128.3%	(0.4%)	31.7%
net acquisition cost ratio	12.3%	25.3%	55.3%	23.9%	21.3%
administrative expense ratio <sup>(1)</sup>					14.2%
combined ratio	<u>44.1%</u>	<u>42.9%</u>	<u>183.6%</u>	<u>23.5%</u>	<u>67.2%</u>

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

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

	<u>q2</u> <u>2013</u>	<u>q1</u> <u>2013</u>	<u>q4</u> <u>2012</u>	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>full year</u> <u>2012</u>
<b>underwriting income (loss)</b>						
gross premiums written	\$ 86.8	\$ 132.0	\$ 33.6	\$ 46.4	\$ 118.0	\$ 356.5
outwards reinsurance premiums	1.1	(65.8)	4.5	(1.4)	(29.0)	(97.1)
<b>net premiums written</b>	<b><u>87.9</u></b>	<b><u>66.2</u></b>	<b><u>38.1</u></b>	<b><u>45.0</u></b>	<b><u>89.0</u></b>	<b><u>259.4</u></b>
change in unearned premiums	(16.2)	(54.3)	58.9	44.9	(16.9)	18.7
change in unearned premiums on premiums ceded	(19.7)	42.7	(26.1)	(22.8)	0.7	1.0
<b>net premiums earned</b>	<b><u>\$ 52.0</u></b>	<b><u>\$ 54.6</u></b>	<b><u>\$ 70.9</u></b>	<b><u>\$ 67.1</u></b>	<b><u>\$ 72.8</u></b>	<b><u>\$ 279.1</u></b>
<b>underwriting expenses</b>						
net insurance losses	5.2	(8.7)	64.4	3.4	29.5	112.7
net insurance acquisition expenses	7.6	6.9	8.3	8.3	8.7	34.0
<b>total underwriting expenses</b>	<b><u>12.8</u></b>	<b><u>(1.8)</u></b>	<b><u>72.7</u></b>	<b><u>11.7</u></b>	<b><u>38.2</u></b>	<b><u>146.7</u></b>
<b>net underwriting income (loss)</b>	<b><u>\$ 39.2</u></b>	<b><u>\$ 56.4</u></b>	<b><u>\$ (1.8)</u></b>	<b><u>\$ 55.4</u></b>	<b><u>\$ 34.6</u></b>	<b><u>\$ 132.4</u></b>
net loss ratio (% of net premiums earned)	10.0%	(15.9%)	90.8%	5.1%	40.5%	40.4%
net acquisition cost ratio (% of net premiums earned)	14.6%	12.6%	11.7%	12.4%	12.0%	12.2%
	<u>24.6%</u>	<u>(3.3%)</u>	<u>102.5%</u>	<u>17.5%</u>	<u>52.5%</u>	<u>52.6%</u>

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

	<u>q2</u> <u>2013</u>	<u>q1</u> <u>2013</u>	<u>q4</u> <u>2012</u>	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>full year</u> <u>2012</u>
<b>underwriting income</b>						
gross premiums written	\$ 97.6	\$ 45.5	\$ 25.3	\$ 47.8	\$ 123.5	\$ 240.9
outwards reinsurance premiums	(15.9)	(21.2)	1.0	(2.2)	(12.2)	(26.7)
<b>net premiums written</b>	<b><u>81.7</u></b>	<b><u>24.3</u></b>	<b><u>26.3</u></b>	<b><u>45.6</u></b>	<b><u>111.3</u></b>	<b><u>214.2</u></b>
change in unearned premiums	(36.7)	11.1	32.0	11.4	(64.6)	(8.1)
change in unearned premiums on premiums ceded	8.3	13.6	(7.2)	(5.7)	4.8	1.7
<b>net premiums earned</b>	<b><u>\$ 53.3</u></b>	<b><u>\$ 49.0</u></b>	<b><u>\$ 51.1</u></b>	<b><u>\$ 51.3</u></b>	<b><u>\$ 51.5</u></b>	<b><u>\$ 207.8</u></b>
<b>underwriting expenses</b>						
net insurance losses	(4.2)	11.1	(4.8)	13.0	21.5	26.8
net insurance acquisition expenses	14.3	12.5	12.6	12.7	14.1	52.0
<b>total underwriting expenses</b>	<b><u>10.1</u></b>	<b><u>23.6</u></b>	<b><u>7.8</u></b>	<b><u>25.7</u></b>	<b><u>35.6</u></b>	<b><u>78.8</u></b>
<b>net underwriting income</b>	<b><u>\$ 43.2</u></b>	<b><u>\$ 25.4</u></b>	<b><u>\$ 43.3</u></b>	<b><u>\$ 25.6</u></b>	<b><u>\$ 15.9</u></b>	<b><u>\$ 129.0</u></b>
net loss ratio (% of net premiums earned)	(7.9%)	22.7%	(9.4%)	25.3%	41.7%	12.9%
net acquisition cost ratio (% of net premiums earned)	26.8%	25.5%	24.7%	24.8%	27.4%	25.0%
	<u>18.9%</u>	<u>48.2%</u>	<u>15.3%</u>	<u>50.1%</u>	<u>69.1%</u>	<u>37.9%</u>

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

	<u>q2</u> <u>2013</u>	<u>q1</u> <u>2013</u>	<u>q4</u> <u>2012</u>	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>full year</u> <u>2012</u>
<b>underwriting (loss) income</b>						
gross premiums written	\$ 12.7	\$ 29.6	\$ 15.4	\$ 11.7	\$ 30.4	\$ 81.0
outwards reinsurance premiums	(4.0)	(6.6)	(0.8)	(0.1)	(5.0)	(20.5)
<b>net premiums written</b>	<b><u>8.7</u></b>	<b><u>23.0</u></b>	<b><u>14.6</u></b>	<b><u>11.6</u></b>	<b><u>25.4</u></b>	<b><u>60.5</u></b>
change in unearned premiums	4.2	(8.3)	3.2	4.7	(10.0)	(7.2)
change in unearned premiums on premiums ceded	(1.7)	4.5	(1.7)	(1.7)	(0.3)	-
<b>net premiums earned</b>	<b><u>\$ 11.2</u></b>	<b><u>\$ 19.2</u></b>	<b><u>\$ 16.1</u></b>	<b><u>\$ 14.6</u></b>	<b><u>\$ 15.1</u></b>	<b><u>\$ 53.3</u></b>
<b>underwriting expenses</b>						
net insurance losses	37.1	3.4	(1.0)	4.6	(9.0)	32.6
net insurance acquisition expenses	4.7	6.6	5.8	4.8	6.3	23.1
<b>total underwriting expenses</b>	<b><u>41.8</u></b>	<b><u>10.0</u></b>	<b><u>4.8</u></b>	<b><u>9.4</u></b>	<b><u>(2.7)</u></b>	<b><u>55.7</u></b>
<b>net underwriting (loss) income</b>	<b><u>\$ (30.6)</u></b>	<b><u>\$ 9.2</u></b>	<b><u>\$ 11.3</u></b>	<b><u>\$ 5.2</u></b>	<b><u>\$ 17.8</u></b>	<b><u>\$ (2.4)</u></b>
net loss ratio (% of net premiums earned)	331.3%	17.7%	(6.2%)	31.5%	(59.6%)	61.2%
net acquisition cost ratio (% of net premiums earned)	42.0%	34.4%	36.0%	32.9%	41.7%	43.3%
	<b><u>373.3%</u></b>	<b><u>52.1%</u></b>	<b><u>29.8%</u></b>	<b><u>64.4%</u></b>	<b><u>(17.9%)</u></b>	<b><u>104.5%</u></b>

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

	<u>q2</u> <u>2013</u>	<u>q1</u> <u>2013</u>	<u>q4</u> <u>2012</u>	<u>q3</u> <u>2012</u>	<u>q2</u> <u>2012</u>	<u>full year</u> <u>2012</u>
<b>underwriting income (loss)</b>						
gross premiums written	\$ 11.9	\$ 7.8	\$ 21.7	\$ 7.6	\$ 8.9	\$ 45.9
outwards reinsurance premiums	(1.1)	(2.7)	-	-	(1.1)	(3.9)
<b>net premiums written</b>	<b><u>10.8</u></b>	<b><u>5.1</u></b>	<b><u>21.7</u></b>	<b><u>7.6</u></b>	<b><u>7.8</u></b>	<b><u>42.0</u></b>
change in unearned premiums	(0.7)	4.1	(11.7)	4.2	2.8	0.4
change in unearned premiums on premiums ceded	0.1	1.8	(1.0)	(1.0)	0.2	-
<b>net premiums earned</b>	<b><u>\$ 10.2</u></b>	<b><u>\$ 11.0</u></b>	<b><u>\$ 9.0</u></b>	<b><u>\$ 10.8</u></b>	<b><u>\$ 10.8</u></b>	<b><u>\$ 42.4</u></b>
<b>underwriting expenses</b>						
net insurance losses	0.2	17.2	2.1	-	(0.1)	2.0
net insurance acquisition expenses	2.6	2.5	2.4	2.5	3.0	10.3
<b>total underwriting expenses</b>	<b><u>2.8</u></b>	<b><u>19.7</u></b>	<b><u>4.5</u></b>	<b><u>2.5</u></b>	<b><u>2.9</u></b>	<b><u>12.3</u></b>
<b>net underwriting income (loss)</b>	<b><u>\$ 7.4</u></b>	<b><u>\$ (8.7)</u></b>	<b><u>\$ 4.5</u></b>	<b><u>\$ 8.3</u></b>	<b><u>\$ 7.9</u></b>	<b><u>\$ 30.1</u></b>
net loss ratio (% of net premiums earned)	2.0%	156.4%	23.3%	-	(0.9%)	4.7%
net acquisition cost ratio (% of net premiums earned)	<u>25.5%</u>	<u>22.7%</u>	<u>26.7%</u>	<u>23.1%</u>	<u>27.8%</u>	<u>24.3%</u>
	<u>27.5%</u>	<u>179.1%</u>	<u>50.0%</u>	<u>23.1%</u>	<u>26.9%</u>	<u>29.0%</u>

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

<b>cash flows</b>	<u>q2 2013</u>	<u>q1 2013</u>	<u>q4 2012</u>	<u>q3 2012</u>	<u>q2 2012</u>	<u>ytd 2013</u>	<u>ytd 2012</u>	<u>full year 2012</u>
net cash flows from operating activities	\$ 70.5	\$ 7.0	\$ 7.4	\$ 125.7	\$ 11.1	\$ 77.5	\$ 60.2	\$ 193.3
net cash flows from (used in) investing activities	63.1	220.3	(76.2)	(34.1)	54.4	283.4	(9.7)	(120.0)
net cash flows used in financing activities	(226.4)	(6.2)	(43.9)	(11.7)	(21.3)	(232.6)	(30.0)	(85.6)
<b>net (decrease) increase in cash and cash equivalents</b>	<b>(92.8)</b>	<b>221.1</b>	<b>(112.7)</b>	<b>79.9</b>	<b>44.2</b>	<b>128.3</b>	<b>20.5</b>	<b>(12.3)</b>
cash and cash equivalents, opening	507.6	295.8	412.4	328.1	287.1	295.8	311.8	311.8
effect of exchange rate fluctuations	(1.2)	(9.3)	(3.9)	4.4	(3.2)	(10.5)	(4.2)	(3.7)
<b>cash and cash equivalents, closing</b>	<b>\$ 413.6</b>	<b>\$ 507.6</b>	<b>\$ 295.8</b>	<b>\$ 412.4</b>	<b>\$ 328.1</b>	<b>\$ 413.6</b>	<b>\$ 328.1</b>	<b>\$ 295.8</b>

**Lancashire Holdings Limited**  
summary consolidated balance sheets



	30 june 2013	31 march 2013	31 december 2012	30 september 2012	30 june 2012
<b>assets</b>					
cash and cash equivalents	\$ 413.6	\$ 507.6	\$ 295.8	\$ 412.4	\$ 328.1
accrued interest receivable	7.5	8.5	9.3	8.9	9.0
investments					
- fixed income securities - available for sale	1,614.9	1,689.0	1,874.5	1,824.0	1,767.0
- other investments	8.1	0.8	0.1	(0.2)	(0.3)
reinsurance assets					
- unearned premiums on premiums ceded	61.1	74.1	11.5	47.5	78.7
- reinsurance recoveries	87.2	77.6	73.0	101.3	108.7
- other receivables	0.8	4.6	4.5	1.4	0.6
deferred acquisition costs	81.2	75.5	68.0	78.2	83.0
inwards premiums receivable from insureds and cedants	276.6	270.8	207.0	259.9	335.3
investment in associates	53.6	55.3	82.1	46.4	43.5
other assets	12.0	25.5	13.2	15.1	29.2
<b>total assets</b>	<b>\$ 2,616.6</b>	<b>\$ 2,789.3</b>	<b>\$ 2,639.0</b>	<b>\$ 2,794.9</b>	<b>\$ 2,782.8</b>
<b>liabilities</b>					
insurance contracts					
- losses and loss adjustment expenses	\$ 513.8	\$ 500.3	\$ 537.4	\$ 546.9	\$ 576.6
- unearned premiums	440.1	390.7	343.3	425.7	490.9
- other payables	24.8	35.8	23.5	26.6	23.6
amounts payable to reinsurers	43.7	74.3	30.6	53.2	69.9
deferred acquisition costs ceded	3.9	6.1	0.8	3.6	5.5
other payables	65.7	288.6	57.3	102.7	67.6
long-term debt	258.3	257.8	258.7	127.9	126.9
<b>total liabilities</b>	<b>1,350.3</b>	<b>1,553.6</b>	<b>1,251.6</b>	<b>1,286.6</b>	<b>1,361.0</b>
<b>shareholders' equity</b>					
share capital	84.3	84.3	84.3	84.3	84.3
own shares	(47.3)	(62.7)	(57.1)	(65.8)	(68.2)
share premium	2.4	2.4	2.4	2.4	2.4
contributed surplus	652.6	662.9	654.4	659.1	659.7
accumulated other comprehensive income	(1.2)	23.8	35.4	39.4	29.1
other reserves	51.1	56.8	57.1	57.8	52.6
dividends	(220.6)	(220.6)	(201.4)	(28.8)	(19.2)
retained earnings	745.0	688.8	812.3	759.9	681.1
<b>total shareholders' equity</b>	<b>\$ 1,266.3</b>	<b>\$ 1,235.7</b>	<b>\$ 1,387.4</b>	<b>\$ 1,508.3</b>	<b>\$ 1,421.8</b>
<b>total liabilities and shareholders' equity</b>	<b>\$ 2,616.6</b>	<b>\$ 2,789.3</b>	<b>\$ 2,639.0</b>	<b>\$ 2,794.9</b>	<b>\$ 2,782.8</b>
basic book value per share	\$ 7.76	\$ 7.63	\$ 8.59	\$ 9.41	\$ 8.88
fully converted book value per share	\$ 7.19	\$ 7.05	\$ 7.83	\$ 8.47	\$ 8.06
fully diluted book value per share	\$ 6.88	\$ 6.71	\$ 7.76	\$ 8.39	\$ 7.98
debt to total capital ratio	16.9%	17.3%	15.7%	7.8%	8.2%

Lancashire Holdings Limited  
composition of investment portfolio



	30 june 2013	%	31 march 2013	%	31 december 2012	%	30 september 2012	%	30 june 2012	%
<b>type of investment</b>										
short term investments	\$ 61.1	3.1%	\$ 93.2	4.4%	\$ 114.8	5.4%	\$ 105.1	4.9%	\$ 59.3	2.9%
U.S. treasuries	244.6	12.3%	178.2	8.3%	214.9	10.2%	259.5	12.1%	280.7	13.7%
other government bonds	105.1	5.3%	118.0	5.5%	150.9	7.2%	143.6	6.7%	150.1	7.3%
U.S. municipal bonds	29.0	1.4%	27.5	1.3%	28.6	1.4%	29.5	1.4%	27.5	1.3%
U.S. government agency debt	101.9	5.1%	116.3	5.4%	131.6	6.2%	111.9	5.2%	128.3	6.3%
asset backed securities	84.8	4.2%	96.0	4.5%	73.9	3.5%	61.0	2.8%	67.3	3.3%
U.S. government agency mortgage backed securities	320.7	16.1%	334.8	15.7%	403.1	19.1%	445.8	20.7%	411.8	20.1%
non-agency mortgage backed securities	7.1	0.3%	8.0	0.4%	8.5	0.4%	9.3	0.4%	6.2	0.3%
agency commercial mortgage backed securities	1.4	0.1%	1.5	0.1%	1.6	0.1%	1.7	0.1%	4.2	0.2%
non-agency commercial mortgage backed securities	19.0	0.9%	20.9	1.0%	29.6	1.4%	28.5	1.3%	27.9	1.4%
bank loans	74.3	3.7%	59.6	2.8%	37.4	1.8%	8.5	0.4%	-	-
corporate bonds - non FDIC guaranteed	565.9	28.4%	635.0	29.7%	679.6	32.2%	610.5	28.4%	583.3	28.5%
corporate bonds - FDIC guaranteed	-	-	-	-	-	-	9.1	0.4%	20.4	1.0%
<b>total fixed income securities - available for sale</b>	<b>1,614.9</b>	<b>80.9%</b>	<b>1,689.0</b>	<b>79.1%</b>	<b>1,874.5</b>	<b>88.9%</b>	<b>1,824.0</b>	<b>84.8%</b>	<b>1,767.0</b>	<b>86.3%</b>
other investments	8.1	0.4%	0.8	-	0.1	-	(0.2)	-	(0.3)	-
managed cash	371.8	18.7%	446.6	20.9%	233.3	11.1%	327.2	15.2%	279.3	13.7%
<b>total investments</b>	<b>\$ 1,994.8</b>	<b>100.0%</b>	<b>\$ 2,136.4</b>	<b>100.0%</b>	<b>\$ 2,107.9</b>	<b>100.0%</b>	<b>\$ 2,151.0</b>	<b>100.0%</b>	<b>\$ 2,046.0</b>	<b>100.0%</b>
<b>credit quality of fixed income securities</b>										
AAA	\$ 246.4	15.3%	\$ 312.6	18.5%	\$ 367.1	19.6%	\$ 358.1	19.6%	\$ 306.2	17.3%
AA+, AA, AA-	831.3	51.5%	775.3	45.9%	875.7	46.7%	951.0	52.1%	958.9	54.3%
A+, A, A-	285.7	17.7%	333.1	19.7%	367.8	19.6%	316.9	17.4%	320.9	18.2%
BBB+, BBB, BBB-	145.4	9.0%	169.2	10.0%	189.0	10.1%	160.1	8.8%	147.0	8.3%
other	106.1	6.5%	98.8	5.9%	74.9	4.0%	37.9	2.1%	34.0	1.9%
	<b>\$ 1,614.9</b>	<b>100.0%</b>	<b>\$ 1,689.0</b>	<b>100.0%</b>	<b>\$ 1,874.5</b>	<b>100.0%</b>	<b>\$ 1,824.0</b>	<b>100.0%</b>	<b>\$ 1,767.0</b>	<b>100.0%</b>
<b>corporate bonds &amp; bank loans</b>										
industrials	\$ 368.0	57.5%	\$ 374.1	53.9%	\$ 379.9	53.0%	\$ 309.3	49.2%	\$ 286.6	47.5%
financials - non FDIC guaranteed	233.2	36.4%	281.5	40.5%	297.9	41.5%	266.9	42.5%	250.8	41.5%
utilities	36.6	5.7%	38.1	5.5%	37.8	5.3%	40.3	6.4%	39.6	6.6%
supranationals	2.4	0.4%	0.9	0.1%	1.4	0.2%	2.5	0.4%	6.3	1.0%
financials - FDIC guaranteed	-	-	-	-	-	-	9.1	1.5%	20.4	3.4%
	<b>\$ 640.2</b>	<b>100.0%</b>	<b>\$ 694.6</b>	<b>100.0%</b>	<b>\$ 717.0</b>	<b>100.0%</b>	<b>\$ 628.1</b>	<b>100.0%</b>	<b>\$ 603.7</b>	<b>100.0%</b>
quarterly net return on total investments		(0.6%)		0.1%		0.3%		1.1%		0.6%
rolling 12 months net return on total investments		0.9%		2.1%		3.1%		3.5%		1.8%
average book yield of fixed income and managed cash		1.5%		1.6%		1.8%		1.7%		1.8%
average market yield of fixed income and managed cash		1.4%		1.1%		1.1%		0.9%		1.2%
average duration of fixed income and managed cash		1.8 years		1.7 years		2.0 years		1.7 years		1.8 years
average duration of fixed income, managed cash and derivative instruments		1.3 years		1.3 years		1.8 years		1.6 years		1.7 years
average credit quality of fixed income and managed cash		AA-		AA-		AA-		AA		AA-
average credit quality of fixed income only		AA-		AA-		AA-		AA		AA



Lancashire Holdings Limited  
investment portfolio - sector detail

30 june 2013					
	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	\$ 61.1	0.1%	0.1%	0.5	AAA
U.S. treasuries	244.6	0.3%	0.4%	1.8	AA+
other government bonds	105.1	3.4%	3.5%	3.4	A+
U.S. municipal bonds	29.0	2.5%	2.1%	2.7	AA-
U.S. government agency debt	101.9	1.0%	1.2%	3.7	AA+
asset backed securities	84.8	1.2%	0.9%	0.2	AA+
U.S. government agency mortgage backed securities	320.7	2.0%	2.1%	3.4	AA+
non-agency mortgage backed securities	7.1	2.9%	2.2%	0.9	AA-
agency commercial mortgage backed securities	1.4	0.6%	0.4%	0.1	AA+
non-agency commercial mortgage backed securities	19.0	4.3%	2.0%	2.8	AAA
bank loans	74.3	4.1%	4.0%	-	BB-
corporate bonds - non FDIC guaranteed	565.9	2.2%	1.6%	2.2	A
<b>total fixed income securities - available for sale</b>	<b>1,614.9</b>	<b>1.9%</b>	<b>1.7%</b>	<b>2.3</b>	<b>AA-</b>
managed cash <sup>(1)</sup>	371.8	0.1%	0.1%	-	AA
<b>total fixed income securities and managed cash</b>	<b>\$ 1,986.7</b>	<b>1.5%</b>	<b>1.4%</b>	<b>1.8</b>	<b>AA-</b>

31 december 2012					
	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	\$ 114.8	0.1%	0.1%	0.3	AAA
U.S. treasuries	214.9	0.5%	0.4%	2.7	AA+
other government bonds	150.9	3.6%	2.8%	4.0	A
U.S. municipal bonds	28.6	3.7%	1.7%	3.3	A
U.S. government agency debt	131.6	1.0%	0.7%	3.7	AA+
asset backed securities	73.9	1.2%	0.8%	0.3	AA+
U.S. government agency mortgage backed securities	403.1	2.1%	1.3%	2.0	AA+
non-agency mortgage backed securities	8.5	2.6%	1.7%	0.8	AA
agency commercial mortgage backed securities	1.6	0.6%	0.6%	-	AA+
non-agency commercial mortgage backed securities	29.6	4.0%	1.2%	3.3	AAA
bank loans	37.4	4.7%	4.7%	-	BB-
corporate bonds - non FDIC guaranteed	679.6	2.3%	1.2%	2.3	A
<b>total fixed income securities - available for sale</b>	<b>1,874.5</b>	<b>2.0%</b>	<b>1.2%</b>	<b>2.3</b>	<b>AA-</b>
managed cash <sup>(1)</sup>	233.3	0.2%	0.2%	-	AA-
<b>total fixed income securities and managed cash</b>	<b>\$ 2,107.8</b>	<b>1.8%</b>	<b>1.1%</b>	<b>2.0</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. If it is not available, the S&P equivalent rating of other nationally recognised rating agencies is used.

**Lancashire Holdings Limited**  
**emerging market debt**

**30 june 2013**

	sovereign	agency	corporate	total
<b>top ten country exposures</b>				
Brazil	\$ 4.7	\$ 4.7	\$ 7.1	\$ 16.5
Russia	-	6.6	7.3	13.9
Mexico	2.1	4.9	1.8	8.8
United Arab Emirates	-	6.4	-	6.4
Qatar	-	3.6	-	3.6
Indonesia	1.6	1.6	0.2	3.4
China	-	1.2	1.7	2.9
Kazakhstan	-	2.0	0.8	2.8
South Korea	-	2.3	0.2	2.5
Peru	0.1	-	1.9	2.0
Other	7.7	3.0	5.9	16.6
	<u>\$ 16.2</u>	<u>\$ 36.3</u>	<u>\$ 26.9</u>	<u>\$ 79.4</u>

**30 june 2013**

**ratings distribution**

AA	\$ 4.2
AA-	0.6
A+	5.4
A	2.5
A-	6.4
BBB+	2.2
BBB	23.7
BBB-	10.0
BB+	6.2
BB	5.4
BB-	6.5
B+	2.3
B	3.6
B-	0.4
avg BBB	<u>\$ 79.4</u>

Lancashire Holdings Limited  
corporate & global bond holdings

	30 june 2013				
	par value	estimated	accrued	unrealised	credit
	units	fair value	interest	gain (loss)	quality <sup>(1)</sup>
<b>top twenty corporate holdings by issuer</b>					
General Electric Co	16.1	\$ 16.1	\$ -	\$ -	AA+
DNB ASA	15.1	15.4	0.1	-	AAA
Bank of America Corp	13.9	14.3	0.1	0.1	A-
Bank of Nova Scotia	11.8	12.0	0.1	0.1	AAA
Nordea Bank AB	10.5	10.6	0.1	0.1	AAA
Sparebank 1 Boligkreditt AS	10.0	9.8	-	(0.2)	AAA
BP Plc	9.3	9.6	0.1	0.2	A
Australia & New Zealand Banking Group Ltd	9.4	9.4	0.1	-	AA
JPMorgan Chase & Co	8.8	8.8	0.1	-	A
Swedbank AB	8.2	8.3	-	-	AAA
Wal-Mart Stores Inc	8.0	8.1	-	0.1	AA
Anheuser-Busch InBev NV	7.7	7.8	-	0.1	A
Citigroup Inc	7.0	7.4	0.1	0.2	A-
Verizon Communications Inc	7.3	7.4	0.1	-	A-
ING Group NV	7.2	7.3	-	0.1	A+
Total SA	7.1	7.1	-	-	AA-
Toronto-Dominion Bank	6.9	7.0	-	0.1	AAA
Morgan Stanley	6.7	6.8	0.1	-	A-
Abbie Inc	6.9	6.8	-	(0.1)	A
Apple Inc	6.4	6.3	-	-	AA+
		<u>\$ 186.3</u>	<u>\$ 1.0</u>	<u>\$ 0.8</u>	<u>AA-</u>
<b>top twenty holdings as a % of corporate bonds</b>		<u>32.9%</u>			

	30 june 2013			
	financials	other industries	total corporate bonds and bank loans	other government bonds
<b>bonds by country</b>				
United States	\$ 91.6	\$ 282.5	\$ 374.1	\$ -
Canada	35.6	18.1	53.7	34.8
Norway	34.8	0.8	35.6	-
United Kingdom	5.2	29.1	34.3	1.5
France	4.2	20.3	24.5	1.7
Australia	11.4	8.6	20.0	10.5
Sweden	17.6	-	17.6	0.2
Netherlands	10.3	2.7	13.0	2.1
Switzerland	8.0	3.9	11.9	-
Belgium	-	7.8	7.8	-
Germany	-	4.5	4.5	1.8
Spain	2.6	1.2	3.8	-
Hong Kong	-	3.5	3.5	-
Supranational	2.4	-	2.4	-
Japan	0.5	1.7	2.2	-
Italy	-	1.5	1.5	-
New Zealand	1.3	-	1.3	-
Denmark	-	0.7	0.7	-
Singapore	-	0.5	0.5	-
Luxembourg	-	0.4	0.4	-
Emerging market corporates	10.1	16.8	26.9	-
Emerging market sovereign	-	-	-	16.2
Emerging market agency	-	-	-	36.3
	<u>\$ 235.6</u>	<u>\$ 404.6</u>	<u>\$ 640.2</u>	<u>\$ 105.1</u>

<sup>(1)</sup> credit quality is calculated based on the weighted average credit ratings of the underlying debt securities. Primary rating source is S&P. If it is not available, the S&P equivalent rating of other nationally recognised rating agencies is used.

Lancashire Holdings Limited  
net losses and loss ratios



<b>total</b>	<b>q2 2013</b>	<b>q1 2013</b>	<b>q4 2012</b>	<b>q3 2012</b>	<b>q2 2012</b>
net reserves: start	\$ 422.7	\$ 464.4	\$ 445.6	\$ 467.9	\$ 495.6
paid losses	32.1	53.4	31.7	48.6	69.4
change in prior year AY <sup>(1)</sup>	9.6	(16.9)	15.1	1.0	(22.9)
current year incurred losses	28.7	39.9	45.6	20.0	64.8
foreign exchange	(2.3)	(11.3)	(10.2)	5.3	(0.2)
net reserves: end	\$ 426.6	\$ 422.7	\$ 464.4	\$ 445.6	\$ 467.9
net premiums earned	\$ 126.7	\$ 133.8	\$ 147.1	\$ 143.8	\$ 150.2
net loss ratio	30.2%	17.2%	41.3%	14.6%	27.9%
IBNR as % of net reserves	33.7%	30.7%	28.1%	29.2%	29.6%

<b>property</b>	<b>q2 2013</b>	<b>q1 2013</b>	<b>q4 2012</b>	<b>q3 2012</b>	<b>q2 2012</b>
net reserves: start	\$ 204.7	\$ 250.2	\$ 213.4	\$ 222.6	\$ 213.6
paid losses	6.1	26.1	16.7	16.9	21.9
change in prior year AY <sup>(1)</sup>	0.7	(13.5)	25.7	1.8	9.8
current year incurred losses	4.5	4.8	38.7	1.6	19.7
foreign exchange	(2.9)	(10.7)	(10.9)	4.3	1.4
net reserves: end	\$ 200.9	\$ 204.7	\$ 250.2	\$ 213.4	\$ 222.6
net premiums earned	\$ 52.0	\$ 54.6	\$ 70.9	\$ 67.1	\$ 72.8
net loss ratio	10.0%	(15.9%)	90.8%	5.1%	40.5%

<b>energy</b>	<b>q2 2013</b>	<b>q1 2013</b>	<b>q4 2012</b>	<b>q3 2012</b>	<b>q2 2012</b>
net reserves: start	\$ 160.0	\$ 159.8	\$ 174.2	\$ 188.8	\$ 176.8
paid losses	14.1	10.9	10.0	28.2	8.8
change in prior year AY <sup>(1)</sup>	(19.6)	(1.9)	(7.6)	(1.2)	(14.0)
current year incurred losses	15.4	13.0	2.8	14.2	35.5
foreign exchange	(0.2)	-	0.4	0.6	(0.7)
net reserves: end	\$ 141.5	\$ 160.0	\$ 159.8	\$ 174.2	\$ 188.8
net premiums earned	\$ 53.3	\$ 49.0	\$ 51.1	\$ 51.3	\$ 51.5
net loss ratio	(7.9%)	22.7%	(9.4%)	25.3%	41.7%

<b>marine</b>	<b>q2 2013</b>	<b>q1 2013</b>	<b>q4 2012</b>	<b>q3 2012</b>	<b>q2 2012</b>
net reserves: start	\$ 53.6	\$ 52.1	\$ 57.7	\$ 56.1	\$ 104.7
paid losses	8.3	1.4	4.9	3.4	38.7
change in prior year AY <sup>(1)</sup>	28.6	(3.0)	(3.0)	0.4	(18.6)
current year incurred losses	8.5	6.4	2.0	4.2	9.6
foreign exchange	0.7	(0.5)	0.3	0.4	(0.9)
net reserves: end	\$ 83.1	\$ 53.6	\$ 52.1	\$ 57.7	\$ 56.1
net premiums earned	\$ 11.2	\$ 19.2	\$ 16.1	\$ 14.6	\$ 15.1
net loss ratio	331.3%	17.7%	(6.2%)	31.5%	(59.6%)

<b>aviation</b>	<b>q2 2013</b>	<b>q1 2013</b>	<b>q4 2012</b>	<b>q3 2012</b>	<b>q2 2012</b>
net reserves: start	\$ 4.4	\$ 2.3	\$ 0.3	\$ 0.4	\$ 0.5
paid losses	3.6	15.0	0.1	0.1	-
change in prior year AY <sup>(1)</sup>	(0.1)	1.5	-	-	(0.1)
current year incurred losses	0.3	15.7	2.1	-	-
foreign exchange	0.1	(0.1)	-	-	-
net reserves: end	\$ 1.1	\$ 4.4	\$ 2.3	\$ 0.3	\$ 0.4
net premiums earned	\$ 10.2	\$ 11.0	\$ 9.0	\$ 10.8	\$ 10.8
net loss ratio	2.0%	156.4%	23.3%	-	(0.9%)

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

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

<b>gross losses</b>								
<b>accident year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
estimate of ultimate liability:								
at end of accident year	39.1	154.8	444.6	163.3	297.4	397.0	250.3	-
one year later	34.7	131.2	417.4	107.8	209.4	371.9	-	-
two years later	32.0	103.5	377.5	73.1	204.2	-	-	-
three years later	27.6	94.8	345.1	66.0	-	-	-	-
four years later	27.2	83.5	340.8	-	-	-	-	-
five years later	24.4	81.0	-	-	-	-	-	-
six years later	24.0	-	-	-	-	-	-	-
as at 31 december 2012	<u>\$ 24.0</u>	<u>\$ 81.0</u>	<u>\$ 340.8</u>	<u>\$ 66.0</u>	<u>\$ 204.2</u>	<u>\$ 371.9</u>	<u>\$ 250.3</u>	<u>\$ -</u>
as at 30 june 2013	<u>\$ 25.3</u>	<u>\$ 81.8</u>	<u>\$ 342.9</u>	<u>\$ 65.0</u>	<u>\$ 204.1</u>	<u>\$ 343.3</u>	<u>\$ 299.6</u>	<u>\$ 68.3</u>
payments made	(22.2)	(75.3)	(313.2)	(51.3)	(161.9)	(146.9)	(130.4)	(15.3)
<b>total gross liability</b>	<b><u>\$ 3.1</u></b>	<b><u>\$ 6.5</u></b>	<b><u>\$ 29.7</u></b>	<b><u>\$ 13.7</u></b>	<b><u>\$ 42.2</u></b>	<b><u>\$ 196.4</u></b>	<b><u>\$ 169.2</u></b>	<b><u>\$ 53.0</u></b>
accident year gross loss ratio <sup>(1)</sup>	8.4%	11.7%	50.4%	10.0%	31.1%	54.0%	41.1%	20.9%
<b>net losses</b>								
<b>accident year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
estimate of ultimate liability:								
at end of accident year	39.1	151.2	403.9	161.7	263.6	340.8	201.4	-
one year later	34.7	125.0	370.3	106.5	185.8	319.3	-	-
two years later	32.0	99.5	334.4	72.4	180.1	-	-	-
three years later	27.6	91.3	304.2	65.3	-	-	-	-
four years later	27.2	80.2	302.7	-	-	-	-	-
five years later	24.4	77.9	-	-	-	-	-	-
six years later	24.0	-	-	-	-	-	-	-
as at 31 december 2012	<u>\$ 24.0</u>	<u>\$ 77.9</u>	<u>\$ 302.7</u>	<u>\$ 65.3</u>	<u>\$ 180.1</u>	<u>\$ 319.3</u>	<u>\$ 201.4</u>	<u>\$ -</u>
as at 30 june 2013	<u>\$ 25.3</u>	<u>\$ 78.7</u>	<u>\$ 304.1</u>	<u>\$ 64.4</u>	<u>\$ 180.3</u>	<u>\$ 299.0</u>	<u>\$ 198.3</u>	<u>\$ 68.3</u>
payments made	(22.2)	(72.2)	(278.6)	(50.7)	(139.3)	(140.8)	(72.7)	(15.3)
<b>total net liability</b>	<b><u>\$ 3.1</u></b>	<b><u>\$ 6.5</u></b>	<b><u>\$ 25.5</u></b>	<b><u>\$ 13.7</u></b>	<b><u>\$ 41.0</u></b>	<b><u>\$ 158.2</u></b>	<b><u>\$ 125.6</u></b>	<b><u>\$ 53.0</u></b>
accident year net loss ratio <sup>(1)</sup>	10.4%	12.9%	50.1%	10.8%	29.4%	52.0%	34.0%	26.2%
initial accident year net loss ratio	16.1%	24.7%	66.5%	27.2%	42.9%	59.3%	34.6%	n/a
reduction in net loss ratio post accident year end	5.7%	11.8%	16.4%	16.4%	13.5%	7.3%	0.6%	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 july 2013		1 july 2013	
		100 year return period		250 year return period	
		estimated gross loss	estimated net loss	estimated gross loss	estimated net loss
gulf of mexico <sup>(1)</sup>	hurricane	\$ 348.0	\$ 242.6	\$ 491.3	\$ 366.7
california	earthquake	157.7	77.7	337.6	195.1
pacific northwest	earthquake	16.1	16.1	205.6	139.7
pan-european	windstorm	293.8	169.6	393.7	263.0
japan	earthquake	236.3	134.8	421.3	254.7
japan	typhoon	178.9	104.8	370.0	245.0

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**

	<u>q2 2013</u>	<u>q2 2012</u>	<u>ytd 2013</u>	<u>ytd 2012</u>	<u>full year 2012</u>
<b>basic earnings per share:</b>					
profit after tax	\$ 56.2	\$ 58.5	\$ 134.1	\$ 103.7	\$ 234.9
net operating income	\$ 54.2	\$ 59.7	\$ 121.5	\$ 102.6	\$ 220.3
<b>dilutive shares</b>					
weighted average shares outstanding - basic	163,236,234	159,585,539	159,420,916	158,661,126	159,575,802
dilutive effect of warrants	17,887,885	19,214,542	18,261,979	18,875,269	18,194,380
dilutive effect of stock options	-	112,999	-	112,437	123,444
dilutive effect of restricted stock	3,238,115	3,533,472	3,284,420	3,477,721	4,278,094
weighted average & equivalent shares outstanding - diluted	<u>184,362,234</u>	<u>182,446,552</u>	<u>180,967,315</u>	<u>181,126,553</u>	<u>182,171,720</u>
<b>basic earnings per share</b>	<u>\$ 0.34</u>	<u>\$ 0.37</u>	<u>\$ 0.84</u>	<u>\$ 0.65</u>	<u>\$ 1.47</u>
<b>diluted earnings per share</b>	<u>\$ 0.30</u>	<u>\$ 0.32</u>	<u>\$ 0.74</u>	<u>\$ 0.57</u>	<u>\$ 1.29</u>
<b>diluted operating earnings per share</b>	<u>\$ 0.29</u>	<u>\$ 0.33</u>	<u>\$ 0.67</u>	<u>\$ 0.57</u>	<u>\$ 1.21</u>

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

	<u>30 june 2013</u>	<u>31 march 2013</u>	<u>31 december 2012</u>	<u>30 september 2012</u>	<u>30 june 2012</u>
numerator (\$ in millions):					
shareholders' equity	\$ 1,266.3	\$ 1,235.7	\$ 1,387.4	\$ 1,508.3	\$ 1,421.8
proceeds from assumed exercise of outstanding dilutive warrants	144.7	145.6	145.6	153.4	155.2
proceeds from assumed exercise of outstanding dilutive options	-	-	0.1	0.2	0.3
book value numerator	<u>\$ 1,411.0</u>	<u>\$ 1,381.3</u>	<u>\$ 1,533.1</u>	<u>\$ 1,661.9</u>	<u>\$ 1,577.3</u>
denominator (in shares):					
common voting shares outstanding	163,236,234	162,029,276	161,471,358	160,368,425	160,062,270
shares issuable upon exercise of outstanding dilutive warrants	29,671,477	29,845,477	29,845,477	31,429,757	31,797,705
shares issuable upon exercise of outstanding dilutive options	-	21,127	133,837	133,837	133,837
shares relating to dilutive restricted stock	3,212,525	4,063,685	4,285,813	4,201,398	3,666,459
fully converted book value denominator	<u>196,120,236</u>	<u>195,959,565</u>	<u>195,736,485</u>	<u>196,133,417</u>	<u>195,660,271</u>
<b>basic book value per share</b>	<u>\$ 7.76</u>	<u>\$ 7.63</u>	<u>\$ 8.59</u>	<u>\$ 9.41</u>	<u>\$ 8.88</u>
<b>fully converted book value per share</b>	<u>\$ 7.19</u>	<u>\$ 7.05</u>	<u>\$ 7.83</u>	<u>\$ 8.47</u>	<u>\$ 8.06</u>
dividend per common share <sup>(1)</sup>	\$ -	\$ 1.15	\$ 0.90	\$ 0.05	\$ -
change in FCBVS adj for dividends <sup>(2)</sup> - quarter	2.0%	4.7%	3.1%	5.7%	3.6%
change in FCBVS adj for dividends <sup>(2)</sup> - rolling 12 months	16.8%	19.7%	16.7%	15.4%	14.0%
compound annual change in FCBVS adj for dividends <sup>(2)</sup>	19.1%	19.3%	19.2%	19.4%	19.3%
compound annual change in FCBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.6%	17.8%	17.7%	17.8%	17.6%
change in FCBVS adj for dividends <sup>(2)</sup> - since inception	270.0%	258.6%	242.7%	230.9%	214.3%

<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>30 june 2013</u>	<u>31 march 2013</u>	<u>31 december 2012</u>	<u>30 september 2012</u>	<u>30 june 2012</u>
shareholders' equity	\$ 1,266.3	\$ 1,235.7	\$ 1,387.4	\$ 1,508.3	\$ 1,421.8
weighted average exercise price per share of dilutive warrants	\$ 4.88	\$ 4.88	\$ 4.88	\$ 4.88	\$ 4.88
weighted average exercise price per share of dilutive options	\$ -	\$ 0.50	\$ 0.97	\$ 1.87	\$ 1.92
denominator (in shares):					
common voting shares outstanding	163,236,234	162,029,276	161,471,358	160,368,425	160,062,270
unvested restricted shares and restricted share units	3,212,525	4,063,685	4,285,813	4,201,398	3,562,847
dilutive warrants outstanding	29,671,477	29,845,477	29,845,477	31,429,757	31,797,705
proforma warrants bought back	<u>(12,010,803)</u>	<u>(11,843,901)</u>	<u>(11,553,275)</u>	<u>(11,525,675)</u>	<u>(12,404,710)</u>
proforma net shares issued	17,660,674	18,001,576	18,292,202	19,904,082	19,392,995
dilutive options outstanding	-	21,127	133,837	133,837	133,837
proforma options bought back	<u>-</u>	<u>(859)</u>	<u>(10,305)</u>	<u>(18,812)</u>	<u>(20,542)</u>
proforma net shares issued	-	20,268	123,532	115,025	113,295
proforma dilutive shares outstanding	<u>184,109,433</u>	<u>184,114,805</u>	<u>184,172,905</u>	<u>184,588,930</u>	<u>183,131,407</u>
<b>basic book value per common share</b>	<b><u>\$ 7.76</u></b>	<b><u>\$ 7.63</u></b>	<b><u>\$ 8.59</u></b>	<b><u>\$ 9.41</u></b>	<b><u>\$ 8.88</u></b>
<b>diluted book value per common share</b>	<b><u>\$ 6.88</u></b>	<b><u>\$ 6.71</u></b>	<b><u>\$ 7.53</u></b>	<b><u>\$ 8.17</u></b>	<b><u>\$ 7.76</u></b>
dividend per common share <sup>(1)</sup>	\$ -	\$ 1.15	\$ 0.90	\$ 0.05	\$ -
change in FDBVS adj for dividends <sup>(2)</sup> - quarter	2.5%	4.4%	3.2%	5.9%	4.3%
change in FDBVS adj for dividends <sup>(2)</sup> - rolling 12 months	17.4%	19.0%	17.3%	15.8%	19.7%
compound annual change in FDBVS adj for dividends <sup>(2)</sup>	18.7%	18.9%	18.9%	19.0%	18.8%
compound annual change in FDBVS adj for dividends <sup>(2)</sup> - above 3 month treasury	17.3%	17.4%	17.3%	17.4%	17.2%
change in FDBVS adj for dividends <sup>(2)</sup> - since inception	261.9%	249.8%	235.0%	223.3%	206.8%

<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