LLOYD'S

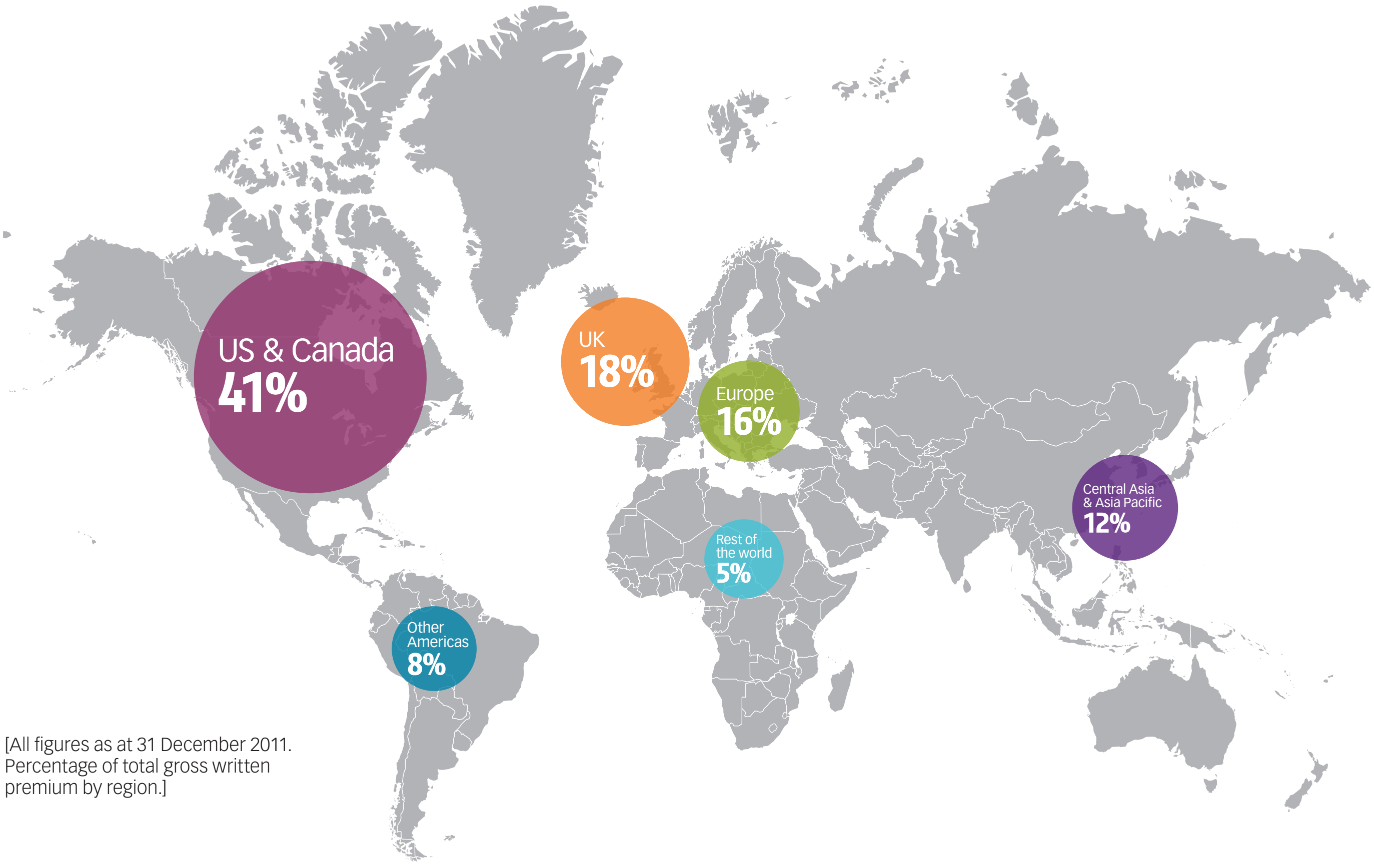
LLOYD'S INTERIM REPORT

SIX MONTHS ENDED 30 JUNE 2012

OUR BUSINESS

LLOYD'S ACCEPTS BUSINESS FROM OVER 200 COUNTRIES AND TERRITORIES WORLDWIDE

Our licenses in over 75 jurisdictions, supported by a network of local offices, ensure access to insurance markets large and small.



[All figures as at 31 December 2011. Percentage of total gross written premium by region.]

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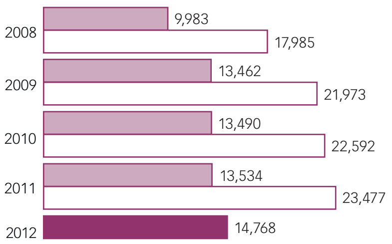
HIGHLIGHTS

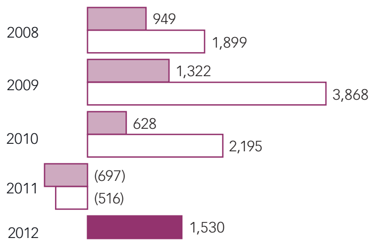
- Lloyd’s reported a profit before tax of £1,530m (June 2011: loss of £697m) and a combined ratio of 88.7% (June 2011: 113.3%)
- Capital, reserves and subordinated loan notes stand at £20,055m (June 2011: £17,357m)
- Lloyd’s financial strength ratings were reaffirmed by A.M. Best ‘A’ (Excellent), Standard & Poor’s ‘A+’ (Strong) and Fitch Ratings ‘A+’ (Strong)

GROSS WRITTEN PREMIUM
£m



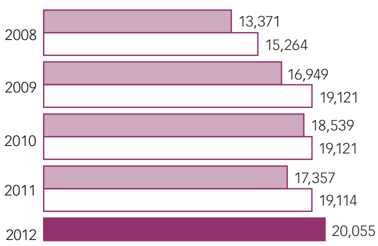
£14,768m (June 2011: £13,534m)

RESULT BEFORE TAX
£m



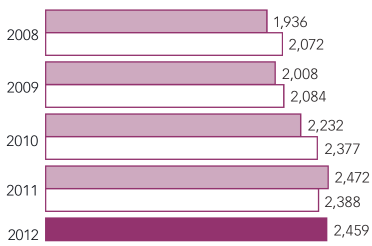
£1,530m (June 2011: loss £697m)

CAPITAL, RESERVES AND SUBORDINATED DEBT AND SECURITIES
£m



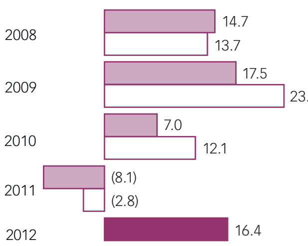
£20,055m (June 2011: £17,357m)

CENTRAL ASSETS
£m



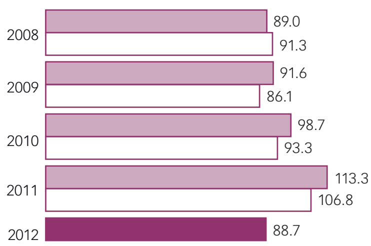
£2,459m (June 2011: £2,472m)

RETURN ON CAPITAL (ANNUALISED)
%



16.4% (June 2011: (8.1)%)

COMBINED RATIO
%



88.7% (June 2011: 113.3%)

Half year
Full year
Current Half year

CHAIRMAN'S STATEMENT

In the first six months of 2012, the Lloyd's market recorded a profit of £1.53bn with a combined ratio of 88.7%. Whilst these results mark a positive return to profitability following the challenges of 2011 – I am highly conscious that I am writing this during the Atlantic windstorm season. Nevertheless, this is our most profitable first six months for five years.

The strong figures for the first half of this year are largely the result of a benign claims climate, with just a few major events – such as the Costa Concordia tragedy – and limited exposure to events such as US tornadoes and UK floods. However, we cannot count on an extended period of low claims activity lasting until the end of 2012. This is particularly the case whilst interest rates remain at historically low levels, meaning we cannot rely on investment income to make up for underwriting deficits.

This is why an emphasis on underwriting discipline has remained the top priority throughout the first six months of 2012, particularly as rates on many classes remain marginal despite the exceptional level of claims in 2011. The fact that we are, first and foremost, underwriters, rather than investment managers, means that we have focused on underwriting profits and this has served us well in the difficult investment climate.

There are a number of solid achievements to note in the first half of this year. First, I am pleased that our capital security remains at record levels of over £20bn. Second is the continued steady, but sure, progress by the Corporation and the market towards meeting all the obligations for the Solvency II regime – in particular the work towards internal model approval for the market. We remain on track.

I am also delighted that the market has agreed a longer term strategy – Vision 2025 – which we launched with the Prime Minister in May. The Vision focuses on the growth opportunities for this market in the emerging economies in Asia, Latin America and certain other high growth territories. It sets out that we will grow in these countries, and, as importantly, that this will be sustainable, profitable, carefully managed over the length of the underwriting cycle.

When I took up this appointment, I was convinced that a strong opportunity existed to reinforce Lloyd's and London EC3's position as the global hub for specialist insurance and reinsurance. I am grateful for the work which the Lloyd's market, the Council and the Franchise Board has undertaken in delineating this ambition. That work continues but it is clear that the Lloyd's market with its record capital security and high reputation is well poised to take advantage of the predictions of growth (by some estimates well over 250%) in the emerging economies of the world, over the next 20 years. This will require a focus on innovation, modernisation and increasing the national diversity of the market. Some of these areas, such as the work on improving claims processing, and other back office processes, are already in full stride and we are determined to take forward the other parts of this agenda.

It is indeed a tribute to the Lloyd's market that in a six month period characterised by yet more uncertainty in the Eurozone, by slow growth in our established markets and by continued challenges here in the City of London, we are thinking about our long term growth. To paraphrase the Prime Minister, this market has huge potential to go further and faster. That will require us to avoid complacency, and to make the improvements necessary to compete for specialist business in new territories. If we can do this, while managing the impact of the insurance cycle, the investment climate and the catastrophes which befall the world with tragic monotony, we will have laid strong foundations in 2012.

JOHN NELSON
Chairman

25 September 2012

CHIEF EXECUTIVE OFFICER'S STATEMENT

After 2011's catastrophes, the first six months of this year have provided a welcome respite from high claims activity. The Lloyd's market has delivered strong half-year results, whilst the Corporation has made good progress on its strategic priorities.

Of course, disasters do not respect calendars and we do not yet know what the second half of the year will bring. However, the importance we place on market oversight and the conservative management of our capital will ensure we remain ready and able to respond promptly to our policyholders.

While premium income has risen by 9%, a significant portion of this rise has been driven by: movements in foreign exchange rates; prices hardening in some lines of business; and inflationary increases in insured values. I am confident this growth is consistent with the market taking a prudent approach to underwriting in current conditions.

At the end of July, Lloyd's, on behalf of the entire market, submitted its Solvency II internal model to the FSA for approval. The submission, which ran to thousands of pages, is the culmination of three years of hard work by both the market and the Corporation and, in particular, a testament to the tenacity of Luke Savage, the Corporation's Director of Finance, Risk Management and Operations. We will be working with the FSA over the coming months to review the market's readiness for Solvency II implementation when it arrives.

Recent events in the City have underlined the need for our industry to demonstrate the value of the insurance model. We also need to ensure that we have the right regulation for the market, and there have been a number of changes in this area. The Financial Services Authority (FSA) moved to a 'twin peaks' operating model in April. The Bank of England and the FSA released a draft memorandum of understanding (MoU) defining how this model will operate in the future. Throughout, Lloyd's worked successfully with them to ensure the MoU specifically recognises the Society of Lloyd's supervisory role in overseeing the market.

Good progress has been made to improve market efficiency. The Claims Transformation Programme (CTP) to improve further the speed and accuracy of claims processes passed two further milestones this year. New claims standards across all classes were brought in at the start of the year and July saw the roll out of the CTP process for handling standard claims extended to all classes of business.

Our drive to modernise the market's technology has also delivered further results. The Exchange went live for all classes of business in March and over 1.2 million messages had passed across it by the end of July.

Project Darwin is a programme to deliver the re-platforming of the market's central services. The first phase, to establish a new governance structure which will allow us to manage better both technology and suppliers, is now complete. The second phase will involve close consultation with the Lloyd's and London market to provide recommendations for a future IT strategy, technology roadmap and technical implementation, before agreeing contracts with relevant suppliers. While Darwin will require investment, it is investment which will ensure the Lloyd's market remains a highly competitive and efficient place to do business in the decades to come.

As the economic world order continues to move to emerging economies, the launch of our strategy – Vision 2025 – to attract a greater diversity of business, capital and people from growth economies, will enable us to capitalise on our global reputation and strength. Developing this Vision further remains a priority for the rest of this year.

As we move into the second half of 2012, we will build on these achievements to ensure that Lloyd's is even better placed to fulfil its responsibilities to the market and to policyholders alike.

RICHARD WARD
Chief Executive Officer

25 September 2012

MARKET COMMENTARY

The pre tax result for the first six months of 2012 is a profit of £1,530m (June 2011: loss of £697m). This result reflects the low number of natural catastrophes in the first half of 2012, compared to the unprecedented level of major catastrophe claims during the first six months of 2011.

Gross written premiums for the six months to June 2012 were £14,768m (June 2011: £13,534m), an increase of 9.1%. In underlying currency, the increase is closer to 7.5% as the depreciation in sterling has increased the reported value in converted sterling of premium written, with income translated using average rates during the period (June 2012: US$1.58, June 2011: US$1.62). Risk adjusted rates in aggregate are up 3% compared to 1% up for the same period in 2011. This is mainly due to increases in the property cat line. All lines are showing growth with the exception of UK Motor.

The Lloyd's market recorded an accident year combined ratio for the six months to June 2012 of 96.0% (June 2011: 118.8%). A prior year reserve release of 7.3% (June 2011: 5.5%) reduced this to an overall combined ratio of 88.7% (June 2011: 113.3%).

The first half of the year saw a significant reduction of major catastrophe activity compared with 2011. However the capsizing of the Costa Concordia has affected primarily the marine hull and liability market, a significant amount of which is insured in Lloyd's.

A number of tornadoes, hailstorms and convective storms have hit large areas of mainland USA, but these have not been on the same scale as those of last year. There has been no material change to the net reserves held for the Asian, New Zealand and Australian catastrophes recorded in 2011. The impact of crop losses from the drought in the US will be known in the second half of the year but is not expected to be material. Primary markets have been affected by floods in the UK and earthquakes in Northern Italy but reinsurers have emerged largely unscathed.

Property cat has been the strongest line in terms of rate increase, reaching double digits. However it appears that this upward momentum slackened towards the end of the half year. There has been a negative rate change in several specialty lines with considerable uncertainty as to how the main casualty lines will develop.

Nearly all markets, with few exceptions, are facing an increasingly competitive environment with rate increases faltering as the year progresses.

INVESTMENT REVIEW

Investments at Lloyd's fall in to three areas: insurance premiums invested by the syndicates, members' capital (or funds at Lloyd's) and Lloyd's central assets (principally the Central Fund, which holds the mutual assets which underpin the operation of the market). Investment responsibility for these belongs respectively to managing agents, members and the Society. Investment dispositions vary significantly across these assets, but overall they are invested conservatively, primarily in cash and fixed interest investments of high credit quality with little exposure to equities and other volatile asset classes. Exposures to peripheral European sovereign issuers are negligible.

Financial markets remain volatile against a backdrop of fragile global economic growth and uncertainty about the future of the euro zone. The first six months of 2012 saw yields on many sovereign bonds continue to fall against a worsening outlook for growth. At the same time, credit spreads on some corporate debt securities narrowed overall as investor concerns about the Eurozone crisis declined. These developments helped returns on the fixed interest assets typically utilised by Lloyd's, generating capital gains in the period and adding to the very low yields generally available on such securities.

Investments at Lloyd's produced a return of £619m or 1.2% in the six months to June 2012 (June 2011: £548m, 1.1%). Although modest by historic standards, this return is higher than predicted by prevailing yield levels, helped by capital gains on fixed interest securities during the period.

Investment conditions remain challenging. Since June, sovereign yields have continued to fall, to the point where some shorter maturity bonds now offer negative yields. The outlook, both for the Eurozone and the global economy as a whole, remains highly uncertain, and much depends on unpredictable political developments. In this environment, preservation of capital value is a more pressing consideration than the generation of significant investment returns.

STATEMENT OF COUNCIL'S RESPONSIBILITIES AND LLOYD'S INTERIM REPORT

STATEMENT OF COUNCIL'S RESPONSIBILITIES

The interim pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared with general insurance companies.

The Council of Lloyd's is responsible for the preparation and approval of the PFFS.

INTERIM PRO FORMA FINANCIAL STATEMENTS (PFFS)

The Lloyd's interim report presents the financial results of the Society of Lloyd's and its members. Lloyd's is not an insurance company. It is a Society of members, both corporate and individual, which underwrite insurance in syndicates. These syndicates can comprise one single corporate member or any number of corporate and individual members, underwriting severally for their own account. In view of Lloyd's unique structure, the interim report includes two sets of financial statements.

The PFFS include the interim results of the syndicates as reported in the syndicate interim returns, members' funds at Lloyd's (FAL) and the Society of Lloyd's group interim financial statements (as below).

The syndicate interim returns provide the results for all syndicates which transacted business during the six months to 30 June 2012 and include the syndicate level assets, which represent the first link in the Lloyd's chain of security.

The capital provided by members is mainly held centrally as FAL, not at syndicate level, and is not, therefore, reported in the syndicate interim returns. FAL represent the second link in the chain of security. The non-technical account of the PFFS includes a notional return on FAL.

The Society of Lloyd's group interim financial statements report the central resources of the Society, which form the third link in Lloyd's chain of security.

The profit and loss account in the PFFS aggregates the syndicate results, the notional investment return on members' capital and the results of the Society. The balance sheet in the PFFS aggregates the assets held at syndicate level, members' assets held as FAL, and the central resources of the Society. Overall, the PFFS aggregate the results and resources of the Society and its members and reflect all the links in the Lloyd's chain of security. The PFFS may, therefore, be used as a reasonable presentation of the pre-tax results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS

The group interim financial statements of the Society of Lloyd's (the 'Society') comprise the group interim financial statements of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund and the Society's interest in associates.

PRO FORMA PROFIT AND LOSS ACCOUNT
for the six months ended 30 June 2012

	Six months ended 30 June 2012		Six months ended 30 June 2011		Full year 2011	
	£m	£m	£m	£m	£m	£m
Technical account						
Gross written premiums						
– Continuing operations		**14,755**		13,531		23,419
– Discontinued operations		**13**		3		58
		14,768		13,534		23,477
Outward reinsurance premiums		**(4,302)**		(3,589)		(5,005)
Premiums written, net of reinsurance		**10,466**		9,945		18,472
Change in the gross provision for unearned premiums	**(3,228)**		(2,670)		(473)	
Change in the provision for unearned premiums, reinsurers' share	**1,664**		1,271		101	
		(1,564)		(1,399)		(372)
Earned premiums, net of reinsurance		**8,902**		8,546		18,100
Allocated investment return transferred from the non-technical account		**448**		383		711
		9,350		8,929		18,811
Claims paid						
Gross amount	**6,622**		5,123		12,159	
Reinsurers' share	**(1,435)**		(920)		(2,343)	
		5,187		4,203		9,816
Change in provision for claims						
Gross amount	**(672)**		4,122		4,960	
Reinsurers' share	**69**		(1,628)		(1,876)	
		(603)		2,494		3,084
Claims incurred, net of reinsurance		**4,584**		6,697		12,900
Acquisition costs	**3,011**		2,758		5,066	
Change in deferred acquisition costs	**(529)**		(458)		(116)	
Administrative expenses	**797**		683		1,468	
Loss/(profit) on exchange	**35**		4		19	
Net operating expenses		**3,314**		2,987		6,437
Balance on the technical account for general business		**1,452**		(755)		(526)
Attributable to:						
– Continuing operations		**1,443**		(744)		(461)
– Discontinued operations		**9**		(11)		(65)
Total		**1,452**		(755)		(526)
Non-technical account						
Balance on the technical account for general business		**1,452**		(755)		(526)
Investment return on syndicate assets	**487**		395		791	
Notional investment return on funds at Lloyd's	**81**		86		69	
Investment return on Society assets	**51**		67		95	
	619		548		955	
Allocated investment return transferred to the technical account	**(448)**		(383)		(711)	
		171		165		244
Other income		**27**		33		80
Other expenses		**(120)**		(140)		(314)
Profit/(loss) on ordinary activities before tax		**1,530**		(697)		(516)
Statement of the total recognised gains and losses						
Result for the financial period		**1,530**		(697)		(516)
Other recognised gains and losses		**(4)**		4		(46)
Total recognised gains and losses		**1,526**		(693)		(562)

PRO FORMA BALANCE SHEET

as at 30 June 2012

	Note	Six months ended 30 June 2012 £m	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Six months ended 30 June 2011 £m	Full year 2011 £m	Full year 2011 £m
Financial investments							
Shares and other variable yield securities		**4,006**		4,281		4,182	
Debt securities and other fixed income securities		**29,003**		27,958		30,066	
Participation in investment pools		**1,543**		1,496		1,639	
Loans and deposits with credit institutions		**6,449**		5,411		5,461	
Other investments		**28**		19		22	
Total investments			**41,029**		39,165		41,370
Deposits with ceding undertakings			**9**		11		8
Reinsurers' share of technical provisions							
Provision for unearned premiums		**3,224**		2,702		1,556	
Claims outstanding		**10,376**		10,204		10,597	
			13,600		12,906		12,153
Debtors							
Debtors arising out of direct insurance operations		**6,199**		5,962		5,172	
Debtors arising out of reinsurance operations		**5,546**		4,686		3,958	
Other debtors		**1,032**		969		1,032	
			12,777		11,617		10,162
Other assets							
Tangible assets		**45**		43		43	
Cash at bank and in hand	9	**10,224**		9,310		10,046	
Other		**5**		53		8	
			10,274		9,406		10,097
Prepayments and accrued income							
Accrued interest and rent		**55**		62		81	
Deferred acquisition costs		**3,007**		2,809		2,478	
Other prepayments and accrued income		**291**		291		199	
			3,353		3,162		2,758
Total assets			**81,042**		76,267		76,548
Capital and reserves							
Members' funds at Lloyd's		**16,160**		14,470		15,171	
Members' balances		**1,436**		415		1,555	
Members' assets (held severally)		**17,596**		14,885		16,726	
Central reserves (mutual assets)		**1,567**		1,540		1,490	
			19,163		16,425		18,216
Subordinated debt			**502**		526		509
Subordinated perpetual capital securities			**390**		406		389
Capital, reserves and subordinated debt and securities			**20,055**		17,357		19,114
Technical provisions							
Provision for unearned premiums		**13,767**		12,677		10,605	
Claims outstanding		**40,194**		39,899		41,313	
			53,961		52,576		51,918
Deposits received from reinsurers			**75**		81		87
Creditors							
Creditors arising out of direct insurance operations		**939**		806		724	
Creditors arising out of reinsurance operations		**4,229**		3,694		3,030	
Other creditors including taxation		**1,411**		1,362		1,346	
			6,579		5,862		5,100
Accruals and deferred income			**372**		391		329
Total liabilities			**81,042**		76,267		76,548

PRO FORMA CASH FLOW STATEMENT

for the six months ended 30 June 2012

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Full year 2011 £m
Pro forma result for the period/year before tax	**1,530**	(697)	(516)
Depreciation	**3**	3	8
Realised and unrealised losses/(gains) and foreign exchange	**415**	14	(45)
Net sale/(purchase) of investments	**12**	694	(1,415)
Notional return on funds at Lloyd's	**(81)**	(86)	(69)
Increase in technical provisions	**605**	3,529	3,650
(Increase) in debtors	**(3,213)**	(3,077)	(1,206)
Increase in creditors	**1,605**	1,255	437
Cash generated from operations	**876**	1,635	844
Tax paid	**(7)**	(61)	(84)
Net cash from operating activities	**869**	1,574	760
Cash flow from financing activities			
Net profits paid to members	**(1,966)**	(1,858)	(1,579)
Net movement in funds at Lloyd's	**989**	638	1,339
Capital transferred into syndicate premium trust funds	**319**	349	964
Purchase of debt securities	**–**	(10)	(23)
Interest paid	**(33)**	(33)	(65)
Net increase/(decrease) in cash holdings	**178**	660	1,396
Cash holdings at beginning of period	**10,046**	8,650	8,650
Cash holdings at 30 June/31 December	**10,224**	9,310	10,046

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS
as at 30 June 2012

1. INTRODUCTION
Lloyd's is not an insurance company. It is a Society of members which underwrite insurance (each for their own account) as members of syndicates. The interim pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared with general insurance companies.

2. BASIS OF PREPARATION
GENERAL
The PFFS include the aggregate results as reported separately by all syndicates in returns to Lloyd's, members' funds at Lloyd's (FAL) and the financial statements of the Society of Lloyd's on pages 13 to 32. The syndicate returns include the syndicate level assets, which represent the first link in the chain of security.

The syndicate returns have not been audited but have been subject to review by the syndicate auditors. The reports by syndicate auditors on the syndicate returns are required to state whether they are aware of any material modifications that should be made to the financial information as presented in those returns.

The capital provided by members is generally held centrally as FAL and represents the second link in the chain of security. The non-technical account of the PFFS includes a notional investment return on FAL.

The Society of Lloyd's group interim financial statements report the central resources of the Society, which forms the third link in Lloyd's chain of security.

The profit and loss account in the PFFS aggregates the syndicate interim underwriting results, the notional investment return on members' capital and the results of the Society of Lloyd's. The balance sheet in the PFFS aggregates the assets held at syndicate level, members' assets held as FAL and the central resources of the Society. Overall, therefore, the PFFS aggregate the results and resources of the Society and its members and reflect all the links in Lloyd's chain of security. The PFFS may, therefore, be used as a reasonable presentation of the results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

TAXATION
The PFFS report the market's result before tax. Members are directly responsible for tax payable on their syndicate results and investment income on FAL. For consistency the results of the Society are also included pre-tax in the profit and loss account. The balance sheet includes the tax provisions in the Society group interim financial statements.

FUNDS AT LLOYD'S
FAL comprise the capital provided by members to support their underwriting, and are the equivalent of capital shown in insurance companies' accounts. The valuation of FAL has been included in the pro forma balance sheet.

FAL are available to meet cash calls made on the member in respect of a syndicate. The assets in FAL must be readily realisable, may include letters of credit and bank and other guarantees, and must be at least equivalent to the aggregate of the member's economic capital assessment (ECA) requirement and certain liabilities in respect of its underwriting business. Each member's ECA to support its underwriting at Lloyd's is determined using Lloyd's Individual Capital Assessment (ICA) capital setting methodology.

A notional investment return on FAL has been calculated, which is the equivalent of insurance companies generating investment return on the capital that they hold to support their underwriting. Where Lloyd's is the investment manager for FAL, the actual return achieved has been included. For other assets the notional investment return, net of management fees, is calculated on the average value of FAL during the period, based on indices yields on each type of asset held. The typical investment return on bank deposits has been applied to FAL provided as letters of credit or bank guarantees. The actual return achieved on FAL investments will differ from the notional return due to individual stocks held, daily cash flows and transactional charges.

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS
The PFFS include the results and assets reported in the group interim financial statements of the Society of Lloyd's, comprising the financial statements of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund and the Society's interest in associates.

TRANSACTIONS BETWEEN SYNDICATES AND THE SOCIETY
Transactions between the syndicates and the Society which have been reported in the syndicate returns and the Society of Lloyd's group interim financial statements have been eliminated (note 8):

(1) Central Fund contributions, members' subscriptions and other market charges levied by the Society are reported as net operating expenses in the syndicate returns and as income in the Society's group interim financial statements.

(2) Central Fund claims and provisions to discharge the liability of members where they have unpaid cash calls and do not have the resources to meet those calls are reported as a profit and loss charge and balance sheet liability in the Society group interim financial statements. The Central Fund's other income includes recoveries from insolvent members. The syndicate returns include those members' results and balances.

(3) Loans funding statutory overseas deposits are reported as assets within the syndicate returns and as liabilities in the Society group interim financial statements.

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS CONTINUED

2. BASIS OF PREPARATION CONTINUED

THE SUBORDINATED DEBT AND SECURITIES

In accordance with the terms of the subordinated debt and securities, the capital raised is available for payment to policyholders in advance of repayment to the note holders and is included in the 'capital, reserves and subordinated debt and securities' in the pro forma balance sheet.

3. ACCOUNTING POLICIES NOTES

A. SYNDICATE RETURNS

The syndicate level information within the PFFS has been prepared in accordance with UK GAAP. These accounting policies are consistent with those adopted for the PFFS in the 2011 Annual Report. These policies, as regards underwriting transactions, are consistent with the recommendations of the Statements of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers, modified to reflect the unique structure of Lloyd's.

B. FUNDS AT LLOYD'S

Funds at Lloyd's are valued in accordance with their market value at the period end, and using period end exchange rates.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Members that only participate on one syndicate may hold the capital supporting their underwriting in their syndicate's premium trust fund. Where a member takes advantage of this facility, the capital held in the premium trust fund is reported within members' balances and the investment return retained within the non-technical account.

These policies are consistent with those adopted in the 2011 Annual Report.

C. SOCIETY OF LLOYD'S

The accounting policies adopted in the Society of Lloyd's financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those adopted in the 2011 Annual Report. There are no material adjustments required to the Society information to present it on a basis consistent with the syndicate results in the PFFS.

4. VARIABILITY

Movements in reserves are based upon best estimates as at 30 June 2012 taking into account all available information as at the balance sheet date. These estimates are subject to variability until the date at which the underlying claims are settled. Such changes in best estimates are reflected in the technical account of the period in which they occur.

5. DISCONTINUED OPERATIONS

Continuing/discontinued operations represent the analysis reported in the syndicate returns between business that they are continuing to underwrite and business that they have ceased to underwrite. It is quite possible, however, that business discontinued by one syndicate continues to be written at Lloyd's by one or more other syndicates. Where business has been reported as discontinued in 2012, the results for that business have also been reported as discontinued in the 2011 comparative figures.

6. MEMBERS' FUNDS AT LLOYD'S

The valuation of members' FAL in the balance sheet totals £16,160m (June 2011: £14,470m, December 2011: £15,171m). The notional investment return on FAL included in the non-technical profit and loss account totals £81m (June 2011: £86m, December 2011: £69m).

7. SOCIETY OF LLOYD'S

The results of the group interim financial statements of the Society included in the profit and loss account are a net profit of £148m (June 2011: £149m, December 2011: £266m) in the technical account and a net loss of £42m (June 2011: £40m, December 2011: £141m) in the non-technical account.

8. AGGREGATION OF RESULTS AND NET ASSETS

A reconciliation between the results, statement of total recognised gains and losses and net assets reported in the syndicate returns, members' funds at Lloyd's and the Society financial statements is set out below:

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Full year 2011 £m
Result per syndicate returns	**1,343**	(892)	(710)
Result of the Society	**80**	89	89
Central Fund claims and provisions charged in Society financial statements	**26**	16	15
Central Fund recoveries from insolvent members	**–**	(3)	(4)
Taxation charge in Society financial statements	**24**	29	29
Notional investment return on members' funds at Lloyd's	**81**	86	69
Society income not accrued in syndicate returns	**(24)**	(22)	(4)
Result on ordinary activities pre-tax	**1,530**	(697)	(516)

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Full year 2011 £m
Result for the period	**1,530**	(697)	(516)
Other recognised gains and losses per syndicate returns	**(1)**	(1)	–
Other recognised gains and losses per Society financial statements	**(3)**	5	(46)
Total recognised gains and losses	**1,526**	(693)	(562)

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Full year 2011 £m
Net assets per syndicate returns	**1,462**	457	1,581
'Equity' of the Society	**1,567**	1,540	1,490
Central Fund claims and provisions in Society group financial statements	**31**	8	8
Members' funds at Lloyd's	**16,160**	14,470	15,171
Unpaid cash calls reanalysed from debtors to members' balances	**(17)**	(15)	(17)
Society income receivable not accrued in syndicate annual accounts	**(40)**	(35)	(17)
Capital and reserves per PFFS	**19,163**	16,425	18,216

Transactions between syndicates and the Society which have been reported within both the syndicate returns and the Society group interim financial statements have been eliminated in the PFFS as set out in note 2.

9. CASH AT BANK AND IN HAND

Cash at bank and in hand includes letters of credit and bank guarantees held in trust within members' funds at Lloyd's to meet policyholder claims as required totalling £8,209m (June 2011: £7,127m, December 2011: £8,100m).

REPORT OF ERNST & YOUNG LLP TO THE COUNCIL OF LLOYD'S ON THE INTERIM PRO FORMA FINANCIAL STATEMENTS

INTRODUCTION

In accordance with instructions issued to us by the Council of Lloyd's (the Instructions), we have examined the interim pro forma financial statements (the PFFS) for the six months ended 30 June 2012, which comprise the pro forma profit and loss account, the pro forma statement of total recognised gains and losses, the pro forma balance sheet and the pro forma cash flow statement and the related notes 1 to 9, which have been prepared on the basis set out in note 2.

This report is made solely to the Council of Lloyd's in accordance with the Instructions. Our examination has been undertaken so that we might state to the Council those matters which we are required to state in this report in accordance with the Instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressee of this report, for our work, for this report, or for the conclusions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL OF LLOYD'S AND ERNST & YOUNG LLP

The Council of Lloyd's is responsible for the preparation and approval of the PFFS. Our responsibility is to express a conclusion on this interim pro forma financial information based upon our examination.

SCOPE OF EXAMINATION

Our examination, which has been carried out in accordance with International Standard on Assurance Engagements, ISAE 3000, 'Assurance Engagements other than audits or reviews of Historical Financial Information', consisted principally of making enquiries of the Council of Lloyd's and applying analytical procedures to the financial information and underlying financial data. It excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions as included in the PFFS. An examination is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

The PFFS have been compiled in part from an aggregation of financial information extracted from syndicate returns prepared by the managing agent of each syndicate, as described in note 2. These returns have been submitted to the Council of Lloyd's and the auditors of each syndicate have given a review opinion, in accordance with International Standard on Review Engagements, ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Those auditors' review reports are also substantially less in scope than an audit performed in accordance with International Auditing Standards and indicate that they are not aware of any material modifications that should be made to the financial information reported in the syndicate returns. We have relied absolutely on those auditors' review reports. We have not audited those returns or those extractions. Our work is solely intended to enable us to make this report.

CONCLUSION

On the basis of our examination, and in accordance with the Instructions issued to us, we are not aware of any material modifications that should be made to the PFFS as presented for the six months ended 30 June 2012.

ERNST & YOUNG LLP
London

25 September 2012

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS

SOCIETY OF LLOYD'S GROUP INTERIM REVIEW

FINANCIAL REVIEW

OPERATING SURPLUS

The Society of Lloyd's achieved an operating surplus for the period of £75m (June 2011: £94m). The operating surplus by business segment is set out below:

	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Insurance activities £m	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m
Total income	**98**	**95**	**4**	**197**	201
Central Fund claims and provisions	**–**	**(26)**	**–**	**(26)**	(16)
Net insurance claims	**–**	**–**	**–**	**–**	5
Other group operating expenses	**(88)**	**(4)**	**(4)**	**(96)**	(96)
Operating surplus	**10**	**65**	**–**	**75**	94

CORPORATION OF LLOYD'S

Total income for the Corporation of Lloyd's decreased to £98m (June 2011: £103m). Subscription income increased in line with the level of written premium, the rate itself remained unchanged at 0.5%. This was offset by the decision to waive the performance and risk management charges during 2012. In aggregate other income streams showed a marginal decrease compared to the prior period: cost reductions on the overseas levy and the freeze on service charges were offset by increased rental income on additional box capacity and user pays charges where costs incurred on behalf of specific managing agents are recharged directly to the individual agent.

Underlying group operating expenses showed a 5% decrease compared to the prior period as a result of the cost saving initiatives announced at the end of 2011. This was offset by the impact of the 2011 catastrophes on the Lloyd's Performance Plan awards and also the pension charge benefitted from the surplus position of the Scheme at the start of 2011. This arose due to the Scheme's sensitivity to fluctuations in market conditions that determine the assumptions used in the actuarial valuations. Furthermore, in 2012 the Corporation incurred additional costs in respect of services provided to specific managing agents which are recharged on a user pays basis (as noted above).

LLOYD'S CENTRAL FUND

Total income for the Central Fund remained stable at £95m (June 2011: £95m). Contribution income increased in line with written premium offset by a similar decrease in legacy debt recoveries. The Central Fund contributions rate also remained unchanged for 2012.

Central Fund claims and provisions is a net charge for the period of £26m (June 2011: £16m). Undertakings to meet the liabilities of insolvent members to policyholders are approved, on an annual basis, at the discretion of the Council and are normally based on anticipated cash flow requirements of insolvent members in the following 12 months. During the period, payments made in respect of insolvent corporate members were £3m (June 2011: £17m).

Other group operating expenses are in line with the prior period.

INSURANCE ACTIVITIES

During the period Centrewrite completed the novation of its reinsurance to close portfolio. This, combined with the impact of syndicates closing on the Estate Protection Plan and Exeat portfolios, means that insurance activities now principally relate to Lloyd's Insurance Company (China) Limited (LICCL) for which there is 100% risk transfer to the participating Lloyd's syndicates. As a result net claims are nil for the period. Other group operating expenses have increased marginally, representing the impact of foreign exchange and the increased costs incurred in association with the operation of the direct licence, in particular expenditure incurred on behalf of specific managing agents which is recharged on a user pays basis.

INVESTMENT PERFORMANCE

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m
Finance income	**51**	66
Finance costs	**(31)**	(33)
Unrealised exchange gains/(loss) on borrowings	**7**	(12)
	27	21
Surplus on subordinated debt purchase	**–**	1
	27	22

The Society's investments returned £51m, or 2.0% during the period (June 2011: £66m, 2.7%). Most of the Society's investments are held within the Central Fund. Of these assets, the majority are invested in fixed interest securities of high credit quality. Low yields on bond investments have been supplemented by capital gains arising as yields on the highest quality bonds continued to decline during this period. Equity exposures also saw modest gains. The investment return was adversely impacted by foreign exchange losses of £7m, arising on assets held to match borrowing exposures and off-set by the £7m foreign exchange gain arising on the relevant borrowings. The disposition of the Society's financial investments is set out in note 8 on pages 29 to 30.

Finance costs of £31m during the period (June 2011: £33m) predominately relate to interest on the subordinated notes and subordinated capital securities. The decrease in the level of finance costs is driven by the reduced level of outstanding debt securities following the repurchase during 2011 and the impact of foreign exchange movements.

Unrealised exchange gains on borrowings reflect the impact of foreign exchange movements on the Society's outstanding debt securities. The exposure to movements in the euro is naturally hedged through euro-denominated investments held.

Adjusting for interest costs and foreign exchange movements results in a net investment return during the period of £27m (June 2011: £21m).

During the six months ended 30 June 2011, the Society of Lloyd's repurchased a principal amount of £11m of its 2007 perpetual subordinated capital securities at a cost of £10m. The Society additionally paid accrued interest on the purchased securities. The profit on the repurchase was £1m.

RESULTS SUMMARY

Overall, the surplus after tax for the six months to June was £80m (June 2011: a surplus of £89m). The net assets of the Society of Lloyd's (the 'Society') increased by £77m in the six months to June 2012 to £1,567m.

COUNCIL OF LLOYD'S STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties, and the way in which they are managed, are set out on page 25 of the Society of Lloyd's 2011 Annual Report under the heading 'Risk Management' within the strategic overview. The principal risks and uncertainties, which have not changed materially since the date of that report are: the insurance cycle; the unstable economic and financial climate; Lloyd's internal model not being approved under the Solvency II regime; changing UK and EU regulatory environment; maintenance and modernisation of Lloyd's market operations.

COUNCIL OF LLOYD'S STATEMENT OF RESPONSIBILITIES

We confirm that to the best of our knowledge:

> The condensed set of financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.
> The Chairman and Chief Executive's statements and the Society of Lloyd's group interim review (constituting the interim management report) include a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements.
> The statement of principal risks and uncertainties is a fair review of the principal risks and uncertainties for the remaining six months of the financial year.
> The financial statements include a fair review of the related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Society during that period, as well as any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

On behalf of the Council of Lloyd's:

JOHN NELSON
Chairman

RICHARD WARD
Chief Executive Officer

25 September 2012

GROUP INCOME STATEMENT

for the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Operating income		**101,440**	104,047	215,085
Central Fund contributions	3(I)	**94,969**	91,180	94,693
General insurance net premium income		**22**	393	523
Other group income		**417**	4,882	6,598
Total income		**196,848**	200,502	316,899
Central Fund claims and provisions incurred	3(II)	**(26,497)**	(15,733)	(15,283)
Gross insurance claims (incurred)/released		**(6,996)**	16,675	22,717
Insurance claims recoverable/(payable to) from reinsurers		**6,986**	(11,851)	1,492
Other group operating expenses		**(95,765)**	(95,841)	(248,582)
Operating surplus		**74,576**	93,752	77,243
Finance costs	4(I)	**(31,008)**	(32,638)	(64,370)
Finance income				
– Surplus on subordinated debt repurchase	4(II)	**–**	707	4,248
– Other	4(II)	**51,099**	66,495	90,369
Unrealised exchange gains/(loss) on borrowings		**6,604**	(11,641)	5,428
Share of profits of associates		**2,463**	1,681	4,927
Surplus before tax		**103,734**	118,356	117,845
Tax charge	5	**(24,176)**	(29,700)	(28,495)
Surplus for the period/year		**79,558**	88,656	89,350

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012

	Note	**Six months ended 30 June 2012 £000**	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Surplus for the period/year		**79,558**	88,656	89,350
Other comprehensive income				
Actuarial gain/(loss) on pension asset/liabilities				
– UK	6	**34**	7,553	(56,671)
– Overseas		**–**	–	(216)
– Associates		**(636)**	125	(1,273)
Tax (charge)/credit relating to components of comprehensive income	5	**(1,677)**	(3,268)	11,963
Net other comprehensive income for the period/year		**(2,279)**	4,410	(46,197)
Total comprehensive income for the period/year		**77,279**	93,066	43,153

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	30 June 2012 £000	30 June 2011 £000	31 December 2011 (Audited) £000
Assets				
Intangible assets		**430**	419	622
Lloyd's Collection		**12,019**	12,019	12,019
Plant and equipment		**33,270**	31,185	31,408
Deferred tax asset		**2,676**	–	2,264
Investment in associates		**3,576**	4,021	5,220
Insurance contract assets		**31,113**	51,843	40,572
Pension asset	6	**9**	36,932	9
Loans recoverable		**44,384**	52,612	45,956
Financial investments	8	**2,720,774**	2,732,724	2,684,285
Inventories		**187**	198	198
Trade and other receivables due within one year		**75,008**	86,003	99,604
Prepayments and accrued income		**26,152**	27,774	33,727
Forward currency contracts		**33,103**	27,018	45,255
Cash and cash equivalents		**305,598**	231,744	127,282
Total assets		**3,288,299**	3,294,492	3,128,421
Equity and liabilities				
Equity				
Accumulated reserve		**1,555,019**	1,527,653	1,477,740
Revaluation reserve		**12,019**	12,019	12,019
Total equity		**1,567,038**	1,539,672	1,489,759
Liabilities				
Subordinated notes and perpetual subordinated capital securities	4(III)	**892,322**	931,804	898,416
Insurance contract liabilities		**32,122**	83,784	49,479
Pension liabilities	6	**23,724**	863	25,016
Deferred tax liabilities		**–**	13,091	–
Provisions		**43,742**	20,188	20,460
Loans funding statutory insurance deposits		**431,630**	363,004	352,318
Trade and other payables		**159,984**	190,218	188,328
Accruals and deferred income		**96,443**	98,737	45,374
Tax payable		**22,112**	25,924	2,632
Forward currency contracts		**19,182**	27,207	56,639
Total liabilities		**1,721,261**	1,754,820	1,638,662
Total equity and liabilities		**3,288,299**	3,294,492	3,128,421

Approved and authorised for issue by the Council of Lloyd's on 25 September 2012 and signed on their behalf by:

JOHN NELSON
Chairman

RICHARD WARD
Chief Executive Officer

GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012

	Accumulated reserve £000	Revaluation reserve £000	Total equity £000
At 1 January 2011	1,434,587	12,019	1,446,606
Total comprehensive income for the period	93,066	–	93,066
At 30 June 2011	1,527,653	12,019	1,539,672
Total comprehensive deficit for the period	(49,913)	–	(49,913)
At 31 December 2011	1,477,740	12,019	1,489,759
Total comprehensive income for the period	**77,279**	**–**	**77,279**
At 30 June 2012	**1,555,019**	**12,019**	**1,567,038**

GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June 2012

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Surplus before tax	**103,734**	118,356	117,845
Finance income – surplus on subordinated note repurchase	**–**	(707)	(4,248)
Net finance income – other	**(20,091)**	(33,857)	(25,999)
Unrealised exchange (gains)/loss on borrowings	**(6,604)**	11,641	(5,428)
Share of profits of associates	**(2,463)**	(1,681)	(4,927)
Operating surplus	**74,576**	93,752	77,243
Central Fund claims and provisions incurred	**26,497**	15,733	15,283
Operating surplus before Central Fund claims and provisions	**101,073**	109,485	92,526
Adjustments for:			
Depreciation of plant and equipment	**2,571**	2,844	5,938
Amortisation of intangible assets	**170**	56	221
Impairment losses	**–**	–	716
Loss on sale and revaluation of fixed assets	**113**	418	1,111
Operating surplus before working capital changes and claims paid	**103,927**	112,803	100,512
Changes in pension obligations	**(1,258)**	(3,379)	(6,743)
Decrease in receivables	**54,529**	48,807	17,129
Decrease in inventories	**11**	2	2
(Decrease)/increase in payables	**(30,706)**	109,879	50,614
(Decrease)/increase in provisions other than for Central Fund claims	**(171)**	65	788
Cash generated from operations before claims paid	**126,332**	268,177	162,302
Claims paid in respect of corporate/insolvent members	**(3,044)**	(16,910)	(16,910)
Tax and interest payments in respect of corporate/insolvent members	**–**	(2)	(2)
Claims paid in respect of individual members	**–**	(2)	(2)
Claims paid in respect of Limited Financial Assistance Agreements	**–**	1	(1)
Cash generated from operations	**123,288**	251,264	145,387
Tax paid	**(6,954)**	(61,164)	(83,747)
Net cash generated from operating activities	**116,334**	190,100	61,640
Cash flows from investing activities			
Purchase of plant, equipment and intangible assets	**(4,542)**	(2,454)	(7,577)
Proceeds from the sale of plant, equipment and intangible assets	**17**	–	30
Purchase of financial investments	**(1,019,342)**	(1,976,725)	(3,756,363)
Receipts from the sale of financial investments	**963,906**	1,842,316	3,637,135
Decrease/(increase) in short term deposits	**9,063**	(348)	26,982
Reclassifications to cash and cash equivalents	**15,437**	–	–
Gain/(loss) on investments including unrealised movements of forward currency contracts	**18,707**	21,187	(1,685)
Dividends received from associates	**3,639**	4,077	5,096
Interest received	**30,191**	26,037	66,301
Dividends received	**1,873**	1,719	3,145
Realised loss on settlement of forward currency contracts	**(8,670)**	(14,014)	(10,140)
Net cash generated/(used) in investing activities	**10,279**	(98,205)	(37,076)
Cash flows from financing activities			
Repurchase of subordinated notes	**–**	(9,820)	(23,120)
Interest paid on subordinated notes	**(29,090)**	(31,110)	(64,381)
Other interest paid	**(4,027)**	(1,804)	(1,025)
Increase in borrowings for statutory insurance deposits	**85,531**	38,343	46,973
Net cash generated/(used) from financing activities	**52,414**	(4,391)	(41,553)
Net increase/(decrease) in cash and cash equivalents	**179,027**	87,504	(16,989)
Effect of exchange rates on cash and cash equivalents	**(711)**	(1,330)	(1,299)
Cash and cash equivalents at 1 January	**127,282**	145,570	145,570
Cash and cash equivalents at 30 June/31 December	**305,598**	231,744	127,282

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS
as at 30 June 2012

1. THE GROUP INTERIM FINANCIAL STATEMENTS
The group interim financial statements of the Society were approved by the Council of Lloyd's on 25 September 2012. The group interim financial statements comprise the consolidation of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund, and the group's interest in associates as at each statement of financial position date. The group interim financial statements for the six months ended 30 June 2012 and 30 June 2011 are unaudited. The independent review report to the Society of Lloyd's, for the six months ended 30 June 2012, is set out on page 32.

The auditors gave an unqualified report on the financial statements for the year ended 31 December 2011 prepared under IFRS as adopted by the European Union. Their report was included in the Annual Report 2011 which was published on 29 March 2012 and is available on www.lloyds.com. Copies may also be obtained from the Secretary to the Council.

2. PRINCIPAL ACCOUNTING POLICIES AND CONFORMITY WITH IAS 34 'INTERIM FINANCIAL REPORTING'
The accounting policies are consistent with those adopted for the Society of Lloyd's Annual Report 2011, which was approved on 29 March 2012.

These group interim financial statements have been prepared on the going concern basis and in conformity with IAS 34 'Interim Financial Reporting' (as adopted by the European Union) which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

3. SEGMENTAL ANALYSIS
The Society's primary business segments are as follows:

(a) Corporation of Lloyd's and non-insurance related subsidiary undertakings: the main corporate purposes are to facilitate the carrying on of insurance business by members of Lloyd's and the advancement and protection of their interests in this context. The activities of authorised insurance company subsidiary undertakings are excluded from this business segment.

(b) Lloyd's Central Fund: these funds comprising the New Central Fund and 'Old' Central Fund are assets of the Society and are held and administered at the discretion of the Council, primarily as funds available for the protection of policyholders. Unless the approval of members is obtained, the New Central Fund may not be used for the purposes of extinguishing or reducing liabilities which have been reinsured by Equitas.

(c) Insurance activities: the Society has three insurance company subsidiary undertakings, Centrewrite Limited, Lloyd's Insurance Company (China) Limited (previously Lloyd's Reinsurance Company (China) Limited) and Lioncover Insurance Company Limited (see note 7). Centrewrite provides Exeat insurance to resigned members participating only on run-off syndicates allowing an early exit from Lloyd's and Estate Protection Plan insurance to members. Centrewrite has also reinsured the members of syndicates 535 and 1204 for outstanding claims in respect of certain years of account, these contracts have been successfully novated from 1 January 2012. Lloyd's Insurance Company (China) Limited underwrites onshore reinsurance business in China and direct insurance risks in the Shanghai municipality. Following the completion of Phase 2 of the Equitas-Berkshire Hathaway transaction, as described in note 7, Lioncover no longer has reinsurance liabilities to any person nor any entitlement to any reinsurance recoveries.

3. SEGMENTAL ANALYSIS CONTINUED

A) INFORMATION BY BUSINESS SEGMENT	Note	Six months ended 30 June 2012 Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
Segment income					
Total income		**98,215**	**94,974**	**3,659**	**196,848**
Segment operating expenses					
Central Fund claims and provisions incurred	3(II)	**–**	**(26,497)**	**–**	**(26,497)**
Gross insurance claims incurred		**–**	**–**	**(6,996)**	**(6,996)**
Insurance claims recoverable from reinsurers		**–**	**–**	**6,986**	**6,986**
Other group operating expenses:					
– Employment (including pension costs)		**(43,787)**	**–**	**(1,675)**	**(45,462)**
– Premises		**(19,725)**	**–**	**(321)**	**(20,046)**
– Legal and professional		**(5,172)**	**(392)**	**(27)**	**(5,591)**
– Systems and communications		**(9,996)**	**–**	**(271)**	**(10,267)**
– Other		**(9,750)**	**(3,434)**	**(1,215)**	**(14,399)**
Total other group operating expenses		**(88,430)**	**(3,826)**	**(3,509)**	**(95,765)**
Total segment operating expenses		**(88,430)**	**(30,323)**	**(3,519)**	**(122,272)**
Total segment operating surplus		**9,785**	**64,651**	**140**	**74,576**
Finance costs	4(I)	**(22)**	**(30,986)**	**–**	**(31,008)**
Finance income:					
– Surplus on subordinated debt repurchase	4(II)	**–**	**–**	**–**	**–**
– Other	4(II)	**342**	**50,150**	**607**	**51,099**
Unrealised exchange gains on borrowings		**–**	**6,604**	**–**	**6,604**
Share of profits of associates		**2,463**	**–**	**–**	**2,463**
Segment surplus before tax		**12,568**	**90,419**	**747**	**103,734**
Tax charge					**(24,176)**
Surplus for the period					**79,558**
Segment assets and liabilities					
Investment in associates		**3,576**	**–**	**–**	**3,576**
Other assets		**656,437**	**2,444,420**	**181,190**	**3,282,047**
Segment assets		**660,013**	**2,444,420**	**181,190**	**3,285,623**
Tax assets					**2,676**
Total assets					**3,288,299**
Segment liabilities		**(634,658)**	**(980,014)**	**(84,477)**	**(1,699,149)**
Tax liabilities					**(22,112)**
Total liabilities					**(1,721,261)**

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

A) INFORMATION BY BUSINESS SEGMENT CONTINUED	Note	Six months ended 30 June 2011 Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
Segment income					
Total income		103,282	94,717	2,503	200,502
Segment operating expenses					
Central Fund claims and provisions incurred	3(II)	–	(15,733)	–	(15,733)
Gross insurance claims released		–	–	16,675	16,675
Insurance claims payable to reinsurers		–	–	(11,851)	(11,851)
Other group operating expenses:					
– Employment (including pension costs)		(39,223)	–	(1,463)	(40,686)
– Premises		(20,570)	–	(342)	(20,912)
– Legal and professional		(7,489)	(642)	(105)	(8,236)
– Systems and communications		(11,385)	–	(156)	(11,541)
– Other		(9,805)	(3,766)	(895)	(14,466)
Total other group operating expenses		(88,472)	(4,408)	(2,961)	(95,841)
Total segment operating expenses		(88,472)	(20,141)	1,863	(106,750)
Total segment operating surplus		14,810	74,576	4,366	93,752
Finance costs	4(I)	(44)	(32,594)	–	(32,638)
Finance income:					
– Surplus on subordinated debt repurchase	4(II)	–	707	–	707
– Other	4(II)	646	65,320	529	66,495
Unrealised exchange losses on borrowings		–	(11,641)	–	(11,641)
Share of profits of associates		1,681	–	–	1,681
Segment surplus before tax		17,093	96,368	4,895	118,356
Tax charge					(29,700)
Surplus for the period					88,656
Segment assets and liabilities					
Investment in associates		4,021	–	–	4,021
Other assets		685,910	2,379,162	225,399	3,290,471
Segment assets		689,931	2,379,162	225,399	3,294,492
Tax assets					–
Total assets					3,294,492
Segment liabilities		(574,303)	(999,287)	(142,215)	(1,715,805)
Tax liabilities					(39,015)
Total liabilities					(1,754,820)

3. SEGMENTAL ANALYSIS CONTINUED

A) INFORMATION BY BUSINESS SEGMENT CONTINUED	Note	Full year 2011 (Audited) Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
Segment income					
Total income		211,676	99,739	5,484	316,899
Segment operating expenses					
Central Fund claims and provisions incurred	3(II)	–	(15,283)	–	(15,283)
Gross insurance claims released		–	–	22,717	22,717
Insurance claims recoverable from reinsurers		–	–	1,492	1,492
Other group operating expenses:					
– Employment (including pension costs)		(113,226)	–	(3,189)	(116,415)
– Premises		(43,314)	–	(695)	(44,009)
– Legal and professional		(18,441)	(1,026)	(240)	(19,707)
– Systems and communications		(27,602)	–	(363)	(27,965)
– Other		(28,334)	(6,755)	(5,397)	(40,486)
Total other group operating expenses		(230,917)	(7,781)	(9,884)	(248,582)
Total segment operating expenses		(230,917)	(23,064)	14,325	(239,656)
Total segment operating surplus		(19,241)	76,675	19,809	77,243
Finance costs	4(I)	(62)	(64,308)	–	(64,370)
Finance income:					
– Surplus on subordinated debt repurchase	4(II)	–	4,248	–	4,248
– Other	4(II)	1,283	85,937	3,149	90,369
Unrealised exchange gains on borrowings		–	5,428	–	5,428
Share of profits of associates		4,927	–	–	4,927
Segment surplus before tax		(13,093)	107,980	22,958	117,845
Tax charge					(28,495)
Surplus for the year					89,350
Segment assets and liabilities					
Investment in associates		5,220	–	–	5,220
Other assets		535,681	2,355,433	229,823	3,120,937
Segment assets		540,901	2,355,433	229,823	3,126,157
Tax assets					2,264
Total assets					3,128,421
Segment liabilities		(521,995)	(982,941)	(131,094)	(1,636,030)
Tax liabilities					(2,632)
Total liabilities					(1,638,662)

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

A summary of changes in the Society's net central assets is shown in the table below:

B) NET CENTRAL ASSETS	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Central Fund			
Net assets 1 January	**1,361,110**	1,281,070	1,281,070
Operating surplus	**63,571**	73,392	74,310
Intra-group transactions	**1,082**	1,183	2,367
Net finance income	**25,767**	21,792	31,305
Tax charge	**(21,910)**	(25,054)	(27,942)
Net assets as at 30 June/31 December	**1,429,620**	1,352,383	1,361,110
Corporation of Lloyd's and subsidiary undertakings	**137,418**	187,289	128,649
Net Society assets at 30 June/31 December	**1,567,038**	1,539,672	1,489,759
Subordinated notes	**502,541**	525,633	508,860
Perpetual subordinated capital securities	**389,781**	406,171	389,556
Net central assets excluding subordinated debt liabilities	**2,459,360**	2,471,476	2,388,175

(I) CENTRAL FUND CONTRIBUTIONS FROM MEMBERS AND CORPORATION OF LLOYD'S SUBSCRIPTIONS

During the six months ended 30 June 2012, members paid to the Central Fund (Central Fund contributions) and to the Corporation of Lloyd's (subscriptions) at 0.5% of business plan premium. The ultimate amounts to be retained by the Central Fund and the Corporation of Lloyd's for 2012 will be based on actual 2012 written premiums, of members, the quantification of which will not be known until 2014. The £95m (Central Fund contributions) and £47m (subscriptions) included in the 2012 interim group income statement are based on present best estimates of the ultimate amounts that will be retained by the Central Fund and the Corporation of Lloyd's respectively.

(II) CENTRAL FUND CLAIMS AND PROVISIONS

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Net undertakings granted	**(26,494)**	(15,515)	(15,515)
Provisions (incurred)/released in respect of Limited Financial Assistance Agreements	**(3)**	(214)	236
Claims payable in respect of individual members	**–**	(2)	(2)
Tax and interest payable in respect of insolvent members	**–**	(2)	(2)
Central Fund claims and provisions incurred	**(26,497)**	(15,733)	(15,283)

The Council of Lloyd's has given undertakings with financial limits to certain corporate members to use the New Central Fund to discharge the liability of those members where they have unpaid cash calls and do not have the resources to meet those cash calls. The purpose of these undertakings is primarily to allow valid claims made on policies underwritten by those insolvent members to continue to be paid in full. Undertakings are accounted for when they are approved by the Council and become contractual commitments. These undertakings are granted wholly at the discretion of the Council principally on an annual basis and therefore are not deemed constructive obligations, except for renewals of commitments previously granted.

For those corporate members in provisional liquidation, the Council has also provided supporting commitments to ensure that in no circumstance will an insurance creditor receive less than the amount it would have received in a winding up commencing on the date of the provisional liquidation. As the supporting undertakings are legally enforceable commitments, an estimate of their value, if applicable, has been included within provisions in the group interim financial statements and changes during the period are reflected in the group income statement, shown in the table above.

During the six months to 30 June 2012, undertakings of £3m were paid to corporate members (30 June 2011: £17m; 31 December 2011: £17m).

4. FINANCE

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
(I) Finance costs			
Interest payable on financial liabilities measured at amortised cost	**(30,476)**	(32,077)	(63,268)
Other interest payable and similar charges	**(22)**	(44)	(62)
Amortisation of issue costs and discount	**(510)**	(517)	(1,040)
	(31,008)	(32,638)	(64,370)
(II) Finance income			
Surplus on subordinated debt repurchase	**–**	707	4,248
Interest and similar income	**28,482**	30,822	64,393
Dividends received	**1,873**	1,719	3,145
Gain on investments including unrealised movement of forward currency contracts	**19,858**	33,765	27,763
Movement in loans recoverable	**886**	189	(4,932)
	51,099	67,202	94,617

(III) SUBORDINATED DEBT REPURCHASE

During 2011, the Society of Lloyd's repurchased a principal amount of £27,368,000 of its 2007 perpetual subordinated capital securities at a cost of £23,120,000. The Society additionally paid accrued interest on the purchased securities. The profit on the repurchase was £4,248,000.

There was no repurchase of debt securities during the first half of 2012.

5. TAXATION

A. Analysis of total tax charge	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Current tax:			
Corporation tax based on profits for the period at 24.5% (2011: 26.5%)	**(26,542)**	(30,659)	(30,031)
Adjustments in respect of previous periods	**–**	–	1,719
Foreign tax suffered	**109**	(110)	(1,799)
Total current tax	**(26,433)**	(30,769)	(30,111)
Deferred tax:			
Origination and reversal of timing differences:			
– Current year	**2,248**	1,069	1,944
– Prior year	**9**	–	(328)
Tax charged recognised in the group income statement	**(24,176)**	(29,700)	(28,495)
Analysis of tax charge recognised in the group statement of comprehensive income:			
Deferred tax:			
Tax (charge)/credit on actuarial loss on pension liabilities			
– Group	**(1,845)**	(3,234)	11,626
– Associates	**168**	(34)	337
Tax (charge)/credit recognised in the group statement of comprehensive income	**(1,677)**	(3,268)	11,963
Total tax charge	**(25,853)**	(32,968)	(16,532)

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

5. TAXATION CONTINUED

B. Reconciliation of effective tax rate	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Surplus on ordinary activities before tax	**103,734**	118,356	117,845
Corporation tax at 24.5% (2011: 26.5%)	**(25,415)**	(31,365)	(31,229)
Expenses not deductible for tax purposes	**(1,286)**	(495)	(3,112)
Utilisation of tax credits	**87**	46	50
Overseas tax	**109**	(110)	(788)
Other	**594**	523	1,700
Deferred tax adjustments relating to change in tax rate	**1,726**	1,701	3,494
Deferred tax prior year adjustments	**9**	–	(329)
Adjustments in respect of previous years	**–**	–	1,719
Tax charge	**(24,176)**	(29,700)	(28,495)

The UK corporation tax rate was reduced to 24% from 1 April 2012 and this has been reflected in the amounts recognised at 30 June 2012. The tax rate is due to reduce by a further 1% each year down to 22% in April 2014. These further reductions were not substantively enacted at 30 June 2012 and are therefore not reflected in the amounts recognised at that date. Disclosure is required if the effect is material. It is estimated that these future changes will reduce the net deferred tax asset by £340,000.

6. PENSION ASSETS/LIABILITIES

The Corporation of Lloyd's operates a defined benefit pension scheme with assets held in a separately administered fund, the Lloyd's Pension Scheme. On an IAS 19 'Employee Benefits' valuation basis, the pension scheme deficit at 30 June 2012 was £22m (30 June 2011: surplus £37m; 31 December 2011: deficit £24m) before the allowance of deferred tax. An actuarial gain of £34,000, has been recognised in the six months ended 30 June 2012 (30 June 2011: actuarial gain £8m; 31 December 2011: actuarial loss £57m).

The Corporation of Lloyd's also operates a number of defined benefit plans for qualifying employees based overseas. The total deficit of these pension schemes as at 30 June 2012 is £1m (30 June 2011: £1m; 31 December 2011: £1m).

7. LIONCOVER INSURANCE COMPANY LIMITED

The insurance contract liabilities of Lioncover ('the Company') were wholly reinsured into Equitas in 1997 and the Company does not accept new business.

On 10 November 2006, Equitas Limited, Equitas Holdings Limited and Equitas Management Services Limited entered into an agreement with a Berkshire Hathaway group undertaking, National Indemnity Company ('NICO'). That agreement became effective from 30 March 2007. As part of this transaction, the day to day running of the run-off business, including that of Lioncover, is performed by Resolute Management Services Ltd, a wholly owned subsidiary of NICO.

Following court approval on 25 June 2009, Phase 2 of the transaction was completed on 30 June 2009 when the liabilities of members and former members of Lloyd's in respect of non-life business allocated to the 1992 or prior years of account were transferred to Equitas Insurance Limited, a subsidiary of Equitas Holdings Limited, and Lioncover's reinsurance liabilities were terminated, pursuant to the provisions of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000. The insurance business transfer has resulted in finality for members of the PCW syndicates under the law of each state within the EEA. As a result of this transaction as at 30 June 2009, Lioncover no longer has reinsurance liabilities to any person nor any entitlement to any reinsurance recoveries.

By a letter agreement dated 16 June 2009, Equitas Reinsurance Limited released the Company from all of its residual liabilities under the reinsurance contract dated 18 December 1997 (as regards any misrepresentation or breach of warranty arising from any dishonest misstatement or concealment by certain individuals) on the basis that Lloyd's agree to be substituted as primary obligor.

Equitas Limited paid to the Company a return premium of £1.6m following the conclusion of the first phase of the Equitas/NICO retrocession transaction in 2007. As the Company has no reinsurance liabilities or is entitled to any recoveries, Lloyd's has distributed out of the return premium £750 to each living Names on the PCW syndicates whose liabilities were reinsured by the Company (according to Lloyd's records) and who responded affirmatively by 17 February 2012 to a letter sent to them by the Chairman of Lloyd's dated 30 September 2011. Recipients of the letter could alternatively request that the £750 allocated to them in the distribution was transferred to the Lloyd's Charities Trust.

The Chairman's letter dated 30 September 2011 also stated that if written notification was not received by Lloyd's on or before 31 December 2011 from any relevant PCW Name identifying whether they would prefer to receive the £750 or to transfer it to the Lloyd's Charities Trust then Lloyd's would distribute the money to the Lloyd's Charities Trust. The amount to be transferred to Lloyd's Charities Trust is £500,000.

8. FINANCIAL INVESTMENTS

	30 June 2012 £000	30 June 2011 £000	31 December 2011 (Audited) £000
Statutory insurance deposits	**438,887**	371,091	361,817
Other investments	**2,281,887**	2,361,633	2,322,468
	2,720,774	2,732,724	2,684,285

A) STATUTORY INSURANCE DEPOSITS

	30 June 2012			30 June 2011	31 December 2011
	Securities £000	Deposits £000	Total £000	£000	(Audited) £000
Market value at 1 January	**132,016**	**229,801**	**361,817**	311,756	311,756
Additions at cost	**256,450**	**156,744**	**413,194**	368,403	766,294
Disposal proceeds	**(252,141)**	**(82,756)**	**(334,897)**	(322,873)	(724,274)
(Deficit)/surplus on the sale and revaluation of investments	**(2,618)**	**1,391**	**(1,227)**	13,805	8,041
Market value	**133,707**	**305,180**	**438,887**	371,091	361,817

	30 June 2012		30 June 2011		31 December 2011 (Audited)	
	Cost £000	Valuation £000	Cost £000	Valuation £000	Cost £000	Valuation £000
Analysis of securities at period end:						
Government	**133,994**	**133,707**	150,346	162,046	135,383	132,016
Corporate securities	**–**	**–**	–	–	–	–
Market value	**133,994**	**133,707**	150,346	162,046	135,383	132,016

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

8. FINANCIAL INVESTMENTS CONTINUED

B) OTHER INVESTMENTS

	30 June 2012 Corporation of Lloyd's £000	30 June 2012 Central Fund £000	30 June 2012 Insurance activities £000	30 June 2012 Total £000	30 June 2011 Total £000	31 December 2011 (Audited) Total £000
Market value at 1 January	**13,321**	**2,214,893**	**94,254**	**2,322,468**	2,236,884	2,236,884
Additions at cost	**–**	**557,382**	**48,766**	**606,148**	1,608,322	2,990,069
(Decrease)/increase in short-term deposits	**(3,842)**	**(7,617)**	**2,396**	**(9,063)**	348	(26,982)
Disposal proceeds	**–**	**(569,797)**	**(59,212)**	**(629,009)**	(1,519,443)	(2,912,861)
Surplus/(deficit) on the sale and revaluation of investments	**–**	**7,571**	**(791)**	**6,780**	35,522	35,358
Reclassification to cash and cash equivalents	**–**	**–**	**(15,437)**	**(15,437)**	–	–
Market value	**9,479**	**2,202,432**	**69,976**	**2,281,887**	2,361,633	2,322,468
Analysis of securities at period end:						
Listed securities						
Fixed interest:						
– Government	**–**	**795,575**	**51,755**	**847,330**	812,120	1,057,990
– Corporate securities	**–**	**967,285**	**11,347**	**978,632**	1,049,644	814,882
– Emerging markets	**–**	**48,727**	**–**	**48,727**	52,357	46,172
– High yield	**–**	**41,662**	**–**	**41,662**	34,075	39,280
	–	**1,853,249**	**63,102**	**1,916,351**	1,948,196	1,958,324
Equities						
– Global	**–**	**160,973**	**–**	**160,973**	212,242	152,068
– Emerging markets	**–**	**40,220**	**–**	**40,220**	40,105	37,354
	–	**201,193**	**–**	**201,193**	252,347	189,422
Total listed securities	**–**	**2,054,442**	**63,102**	**2,117,544**	2,200,543	2,147,746
Unlisted securities						
Hedge funds	**–**	**75,643**	**–**	**75,643**	76,146	75,453
Commodities	**–**	**40,149**	**–**	**40,149**	–	41,655
Short-term deposits	**9,479**	**12,198**	**6,874**	**28,551**	64,944	37,614
Security deposits	**–**	**20,000**	**–**	**20,000**	20,000	20,000
Total unlisted securities	**9,479**	**147,990**	**6,874**	**164,343**	161,090	174,722
Market value	**9,479**	**2,202,432**	**69,976**	**2,281,887**	2,361,633	2,322,468

9. RELATED PARTY TRANSACTIONS

The group financial statements include the financial statements of the Society and all of its subsidiary undertakings, the Lloyd's Central Fund and the group's interests in its associates.

Services provided to Ins-sure Holdings Limited group in the period to 30 June 2012 included operating systems support and development, premises and other administrative services. The total value of the services provided was £138,000 (30 June 2011: £152,000; 31 December 2011: £293,000). In addition, Ins-sure Holdings Limited group charged the Society £265,000 for services provided in the same period (30 June 2011: £341,000; 31 December 2011: £922,000).

At 30 June 2012, there was a balance of £22,000 (30 June 2011: £77,000; 31 December 2011: £21,000) owing from Ins-sure Holdings Limited group to the Society. The Society owed £nil to Ins-sure Holdings Limited at the same date (30 June 2011: £20,000; 31 December 2011: £nil).

Services provided to Xchanging Claims Services Limited group in the period to 30 June 2012 included premises and other administrative services. The total value of the services provided was £36,000 (30 June 2011: £32,000; 31 December 2011: £74,000). Xchanging Claims Services Limited group charged the Society £32,000 for services provided in the same period (30 June 2011: £97,000; 31 December 2011: £307,000).

At 30 June 2012, there was a balance of £9,000 (30 June 2011: £3,000; 31 December 2011: £8,000) owing from Xchanging Claims Services Limited group to the Society.

The Message Exchange Limited charged the Society £455,000 for services provided in the period ended 30 June 2012 (30 June 2011: £nil; 31 December 2011: £541,000).

At 30 June 2012, there was a balance of £50,000 (30 June 2011: £nil; 31 December 2011: £35,000) owing from the Society to The Message Exchange Limited.

Transactions with associates are priced on an arm's length basis.

In the normal course of business, the Society may enter into transactions with Lloyd's market businesses in which members of Council and the Franchise Board may have an interest. Such transactions are on an arm's length basis.

10. CONTINGENT LIABILITIES

(a) General average guarantees have been given on behalf of, and secured by, Lloyd's underwriters. It is estimated that the aggregate of the liabilities attaching to these guarantees as at 30 June 2012 amounted to £25.6m (30 June 2011: £23.3m; 31 December 2011: £24.3m).

(b) The Society has taken on the responsibilities of some individual members under hardship and other agreements.

In connection with the statutory transfer to Equitas Insurance Limited on 30 June 2009 of the non-life business underwritten at Lloyd's and allocated to 1992 or prior years of account, the Society has entered into undertakings for the benefit of certain policyholders of Equitas Insurance Limited (former policyholders of PCW syndicates or of members who at the material time still have the benefit of hardship or other agreements with the Society), under which the Society would meet any shortfall in recoveries by such policyholders from Equitas Insurance Limited on the occurrence of an 'Equitas Insolvency Event'.

The Society has also given an unlimited undertaking to its subsidiary undertaking Centrewrite Limited to meet any shortfall in its cashflow or assets (including any shortfall arising from an insufficiency of recoveries from Equitas Reinsurance Limited under its reinsurance of the obligations of Centrewrite to Equitas Insurance Limited).

(c) Uncollateralised bank guarantees and other arrangements have been entered into by the Society and its subsidiary undertaking, Additional Securities Limited, to provide security in connection with the underwriting activities of the members of Lloyd's in the countries shown:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000	Full year 2011 (Audited) £000
Guarantees provided by the Society: USA: US$1,500,000 (2011: US$1,500,000)	**956**	934	965

In respect of all contingent liabilities disclosed as at 30 June 2012, no provision has been made in the Society financial statements.

INDEPENDENT REVIEW REPORT TO THE SOCIETY OF LLOYD'S

INTRODUCTION
We have been engaged by the Council of Lloyd's to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows and the related notes 1 to 10. We have read the other information contained in the Society of Lloyd's group interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Society of Lloyd's in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society of Lloyd's, for our work, for this report, or for the conclusions we have formed.

COUNCIL OF LLOYD'S RESPONSIBILITY
The half-yearly financial report is the responsibility of, and has been approved by, the Council of Lloyd's. The Council of Lloyd's is responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the Society of Lloyd's are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITY
Our responsibility is to express to the Society of Lloyd's a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

ERNST & YOUNG LLP
London

25 September 2012

Since merchants first met to insure their ships at Edward Lloyd's coffee shop over 300 years ago, nearly every aspect of the way we do business has changed. But one constant is the bold confidence proclaimed by our motto, reflected in both our unique appetite for risk and our worldwide reputation for settling valid claims.

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