

CATLIN

Underwriting Ambition

Securing our future



Catlin Group Limited
Half-yearly Report 2009

Catlin Group Limited is an international property and casualty insurer and reinsurer, writing more than 30 classes of business worldwide.

On the cover: Catlin is the title sponsor of the Catlin Arctic Survey, a major scientific project whose aim is to determine when the floating Arctic sea ice could disappear as a result of climate change. More information is available at www.catlinarcticsurvey.com

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Financial and Operational Highlights

- 60 per cent increase in profit before tax to record US\$240 million
- 77 per cent increase in net income to common stockholders to record \$196 million
- 18 per cent annualised return on average equity
- 25 per cent annualised return on net tangible assets
- 9 per cent increase in interim dividend to 8.2 pence (13.8 US cents) per share
- 14 per cent increase in gross premiums written to US\$2.2 billion on constant currency basis
- 9 per cent increase in net premiums earned to US\$1.3 billion on constant currency basis
- 10 per cent increase in dollar net tangible book value per share in first half to US\$5.09
- Average weighted premium rate increase across risk portfolio of 6 per cent
- Growing profitable contribution from Catlin US, international offices

| US\$000 | 30 June 2009 | 30 June 2008 | % change |
|---|------------------|--------------|----------|
| Gross premiums written | 2,217,097 | 2,075,070 | 7% |
| Net premiums written | 1,772,692 | 1,461,426 | 21% |
| Net premiums earned | 1,297,823 | 1,263,444 | 3% |
| Net underwriting contribution ¹ | 246,177 | 309,894 | (21%) |
| Net investment return | 195,022 | 53,941 | 262% |
| Net income before income taxes | 239,771 | 150,206 | 60% |
| Net income to common stockholders | 195,847 | 110,456 | 77% |
| Earnings per share (US dollars) ² | 0.62 | 0.38 | 63% |
| Interim dividend per share (pence) | 8.2 | 7.5 | 9% |
| Interim dividend per share (US cents) | 13.8 | 14.6 | (5%) |
| Loss ratio | 60.3% | 54.6% | |
| Expense ratio | 35.7% | 36.3% | |
| Combined ratio | 96.0% | 90.9% | |
| Net investment return for period | 2.9% | 0.9% | |
| Annualised return on average equity ³ | 18.2% | 9.1% | |
| Annualised return on average net tangible assets ³ | 24.7% | 13.3% | |

| | 30 June 2009 | 31 Dec 2008 | % change |
|---|-------------------|-------------|----------|
| Total assets | 11,985,541 | 9,659,651 | 24% |
| Investments and cash | 7,053,378 | 5,933,413 | 19% |
| Stockholders' equity | 3,006,268 | 2,469,235 | 22% |
| Unearned premiums | 2,153,984 | 1,536,203 | 40% |
| Book value per share (US dollars) ^{2,3} | 6.90 | 6.61 | 4% |
| Book value per share (sterling) ^{2,3} | 4.18 | 4.53 | (8%) |
| Net tangible book value per share (US dollars) ^{2,3} | 5.09 | 4.63 | 10% |
| Net tangible book value per share (sterling) ^{2,3} | 3.09 | 3.17 | (3%) |

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

² Prior periods adjusted for impact of Rights Issue.

³ Returns on average equity and net tangible assets as well as book value and net tangible book value per share exclude preferred shares. Per-share amounts exclude treasury shares.

Half-yearly Results Statement

For the six months ended 30 June 2009

Catlin has performed strongly during the six months ended 30 June 2009. The Group reported record first-half pre-tax profits and net income. Our results included meaningful contributions from Catlin Bermuda, Catlin US and the Group's international offices. The Group also continued to benefit from the embedded growth supplied by the acquisition of Wellington Underwriting plc in December 2006.

Rates improved for nearly all classes of business during the period, with average weighted premium rates rising by 6 per cent compared with a 5 per cent decrease in the first half of 2008. Rates increased strongly for catastrophe-exposed business classes, whilst rate increases were smaller for non-catastrophe classes. Whilst we are pleased with current underwriting conditions, we believe that rates for Casualty and other non-catastrophe classes will increase further over time, although timing remains uncertain.

Despite the rate increases during the period, underwriting contribution decreased by 21 per cent. The attritional loss ratio was in line with the Group's expectations, but large single-risk losses exceeded normal levels. In addition, we released a smaller amount from reserves than we did at this time a year ago. These two factors combined to push the loss ratio to 60 per cent (30 June 2008: 55 per cent). In addition, net premiums earned – which have a significant impact on underwriting contribution – were largely driven during the period by business that was underwritten at lower rates in 2008.

Investment performance rebounded from the poor results in 2008. Net total investment return for the first six months of 2009 was 2.9 per cent or 5.9 per cent on an annualised basis (30 June 2008: 0.9 per cent; 1.8 per cent annualised).

Overall, Catlin has made excellent progress. The investments in Catlin US and the international offices are beginning to show returns, and we expect more growth – in terms of both premium volume and profitability – in periods to come. We raised US\$289 million through the Rights Issue that was concluded in March, and we are already using some of these proceeds to underwrite additional amounts of catastrophe business at the currently attractive rates. We will utilise the rest of the new capital only when rates for non-catastrophe business, especially Casualty business, improve further.

Dividend

Catlin remains committed to providing an attractive return to shareholders through the dividend. Dividend payments are linked to trends in the Group's performance as well as to the Group's future prospects. The Board of Directors has declared an interim dividend of 8.2 pence per share (13.8 US cents), payable on 25 September 2009 to shareholders of record at the close of business on 28 August 2009. The 2009 interim dividend represents a 9 per cent increase over the 2008 interim dividend of 7.5 pence (14.6 US cents) per share, restated to account for the impact of the Rights Issue.

Financial Review

Gross premiums written

Gross premiums written increased by 7 per cent to US\$2.2 billion (30 June 2008: US\$2.1 billion). On a constant currency basis, the increase in gross premiums written was 14 per cent. Gross premiums written by Catlin Bermuda, Catlin US and the Group's international offices increased during the period. Gross premiums written by Catlin's London-based operations (the Catlin Syndicate at Lloyd's and Catlin UK) decreased on a reported basis, as expected, although volume remained broadly constant if exchange movements are excluded.

Reinsurance premiums ceded

Reinsurance premiums ceded decreased by US\$170 million during the period to US\$444 million (30 June 2008: US\$614 million). The decrease was primarily attributable to the cessation at 31 December 2008 of the quota share reinsurance provided to the Catlin Syndicate by some of the third-party Names that had formerly provided capital to Wellington Syndicate 2020. This cessation of the quota share reinsurance reduced reinsurance premiums ceded by US\$123 million during the period.

Net premiums earned

Net premiums earned increased by 3 per cent to US\$1.3 billion (30 June 2008: US\$1.3 billion); the increase was 9 per cent on a constant currency basis. This increase, in line with the Group's expectations, is partly due to the embedded growth resulting from the Wellington acquisition, specifically the lapse of the quota share reinsurance. Whilst the impact of embedded growth on net premiums earned was relatively small in the first half of 2009, net premiums earned are expected to increase by US\$174 million in the second half. The benefits of embedded growth are expected to continue, in line with previously issued projections, increasing net premiums earned by an estimated US\$100 million in 2010.

The anticipated increase in net premiums earned during the second half of 2009 will also be driven by the higher rates on business written in the first half of the year, which will begin to earn in the second half.

Losses and loss expenses

Losses and loss expenses increased by 14 per cent to US\$783 million during the period (30 June 2008: US\$690 million), resulting in a loss ratio of 60.3 per cent (30 June 2008: 54.6 per cent). The increase in the loss ratio was primarily due to an increased level of large single-risk losses.

The Group released US\$39 million from reserves at 30 June 2009 (30 June 2008: US\$72 million), representing 1 per cent of the Group's loss reserves at the beginning of the period (30 June 2008: 2 per cent).

Underwriting results

The Group's net underwriting contribution – defined as net premiums earned less losses and loss expenses and policy acquisition costs – decreased by 21 per cent to US\$246 million (30 June 2008: US\$310 million).

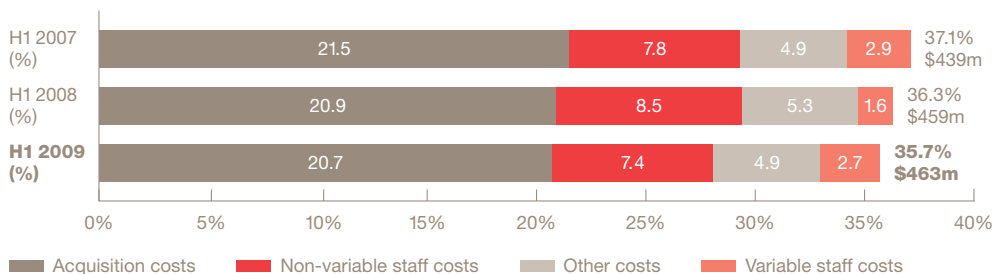
Further analysis of underwriting results can be found in the Underwriting Review on page 7.

Half-yearly Results Statement

For the six months ended 30 June 2009

Policy acquisition costs, administrative and other expenses

The Group's expense ratio decreased to 35.7 per cent (30 June 2008: 36.3 per cent). An analysis of the major components of the expense ratio is shown in the chart below.



'Variable staff costs' include compensation primarily driven by financial results. 'Other costs' include premises, IT hardware, and Lloyd's and other regulatory expenses. Excluded from the expense ratio are financing/amortisation costs, which amounted to 0.6 per cent during the period (30 June 2008: 0.6 per cent; 30 June 2007: 1.0 per cent), and integration costs, which were nil during the period (30 June 2008: 1.0 per cent; 30 June 2007: 2.0 per cent).

Total investment return

Total net return on average investments amounted to 2.9 per cent (5.9 per cent annualised) during the period (30 June 2008: 0.9 per cent; 1.8 per cent annualised). The Group benefited from the recovery in value from its diversified asset holdings (hedge funds and equities). Narrowing spreads on fixed income investments also led to some recovery of unrealised losses sustained during 2008.

A breakdown of total net investment income appears in the table below:

| | 30 June 2009 | | 30 June 2008 | |
|--|--------------|------|--------------|--------|
| | US\$ | % | US\$ | % |
| Net investment income | 99 | 1.5% | 117 | 1.9% |
| Net gains/(losses) on funds | 72 | 1.1% | (14) | (0.2%) |
| Net gains/(losses) on fixed income investments | 24 | 0.3% | (49) | (0.8%) |
| Total net investment return | 195 | 2.9% | 54 | 0.9% |

The Group's investment performance during the first half of 2009 by major asset category is analysed below:

| 30 June 2009 | Average allocation during period | Average allocation during period | Return | Return |
|------------------------|----------------------------------|----------------------------------|--------|--------|
| | US\$m | % | US\$m | % |
| Fixed income | 3,298 | 49.1% | 108 | 3.3% |
| Cash | 2,670 | 39.7% | 25 | 0.9% |
| Equity and hedge funds | 751 | 11.2% | 62 | 8.3% |
| Total | 6,719 | 100.0% | 195 | 2.9% |

Catlin maintained a liquid and defensive investment position during the first half in the light of market uncertainties. Cash and cash equivalents increased to 42 per cent of total investment assets at 30 June 2009 (31 December 2008: 40 per cent). Liquid assets – defined as cash, government securities and fixed income securities with less than six months to maturity – amounted to 59 per cent of investment assets, compared with the Group’s minimum liquidity requirement of 40 per cent (31 December 2008: 60 per cent).

In anticipation of further market volatility, the Group is taking steps to reinforce this defensive position. The company disposed of its equity fund holdings during the first half, whilst it has issued redemption notices for US\$240 million – or approximately one-third – of its hedge funds/fund of funds holdings. In addition, sub-investment grade corporate bond holdings are to be disposed.

The Group’s asset allocation at 30 June 2009 was as follows:

| | 30 June 2009 | 31 Dec 2008 |
|--|--------------|-------------|
| Fixed income investments | 48% | 49% |
| Cash and short-term investments | 42% | 40% |
| Diversified assets (equity funds and hedge funds/funds of funds) | 10% | 11% |
| | 100% | 100% |

Catlin’s fixed income portfolio is of a high quality, with 96 per cent of the portfolio held in government/agency securities or instruments rated ‘A’ or higher. The quality of the Group’s fixed income investments is analysed in the table below.

| 30 June 2009 | Government/ agency | AAA | AA | A | BBB or lower | Allocation |
|---------------------------------------|-----------------------|--------------|-------------|--------------|-----------------|-------------|
| Asset-backed securities | – | 7.2% | 0.1% | 0.3% | 0.8% | 9% |
| Agency mortgage-backed securities | 9.1% | – | – | – | – | 9% |
| Non-agency mortgage-backed securities | – | 3.1% | – | 0.3% | 1.6% | 5% |
| Commercial mortgage-backed securities | – | 6.2% | 0.1% | 0.1% | – | 6% |
| Corporate bonds | – | 1.0% | 5.7% | 12.7% | 1.4% | 21% |
| FDIC-backed corporate bonds | 9.8% | – | – | – | – | 10% |
| Government and agency securities | 40.1% | – | – | – | – | 40% |
| Total | 59.0% | 17.5% | 5.9% | 13.4% | 3.8% | 100% |

Note: Totals may not equal 100% due to rounding.

The duration of the fixed income portfolio at 30 June 2009 was 2.5 years.

Net realised gains on foreign exchange

Net realised gains on foreign exchange amounted to US\$11 million (30 June 2008: US\$7 million). The value of the US dollar weakened against sterling by more than 11 per cent during the period, which created gains on cash and investments held by Catlin Bermuda in sterling and euros. The gains, however, were partially offset by losses on other currency transactions by UK entities.

Half-yearly Results Statement

For the six months ended 30 June 2009

Net income available to common stockholders

The table below analyses the major components of net income available to common shareholders.

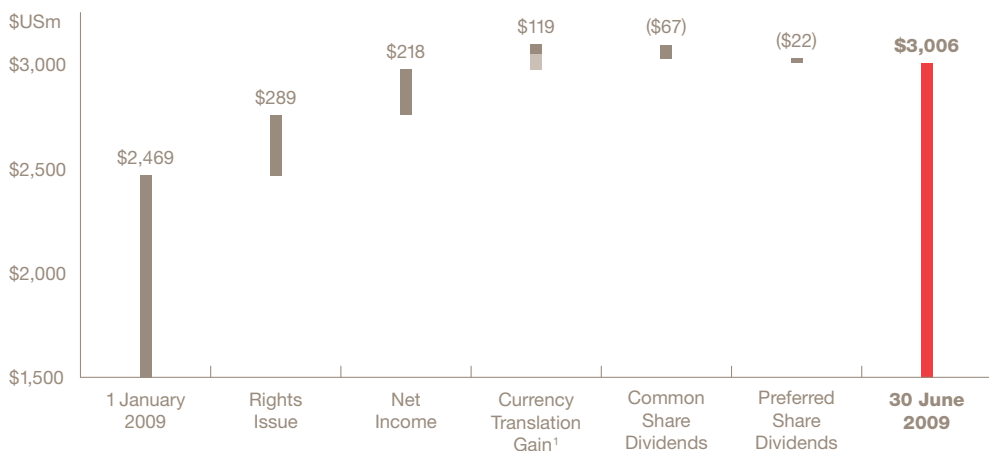
| US\$m | 30 June 2009 | 30 June 2008 | % change |
|---|--------------|--------------|----------|
| Net underwriting contribution | 246 | 310 | (21%) |
| Total investment return | 195 | 54 | 261% |
| Foreign exchange | 11 | 7 | 51% |
| Net other income and expenses | (212) | (221) | 4% |
| Net income before income taxes | 240 | 150 | 60% |
| Income tax expense | (22) | (18) | (23%) |
| Net income | 218 | 132 | 65% |
| Preferred share dividend | (22) | (22) | – |
| Net income available to common stockholders | 196 | 110 | 77% |

The annualised return on average equity amounted to 18 per cent (30 June 2008: 9 per cent). The annualised return on net tangible assets amounted to 25 per cent (30 June 2008: 13 per cent).

Balance sheet

The Group's total assets increased by 24 per cent to US\$12.0 billion (31 December 2008: US\$9.7 billion). Total cash and investments increased by 19 per cent to US\$7.1 billion (31 December 2008: US\$5.9 billion).

Stockholders' equity increased by 22 per cent to US\$3.0 billion (31 December 2008: US\$2.5 billion). The chart below shows the main components of the change in stockholders' equity during the period.



¹ Currency Translation Gain:

■ Tangible – \$47 million ■ Intangible – \$72 million

The currency translation gain of US\$119 million was split into two categories:

| US\$m | |
|--|-----|
| Foreign exchange effect excluding intangible assets | 47 |
| Intangible assets – revaluation gains on sterling balances | 72 |
| | 119 |

Book value per share increased by 4 per cent to US\$6.90 (31 December 2008: US\$6.61). Net tangible assets per share increased by 10 per cent to US\$5.09 (31 December 2008: US\$4.63).

The table below shows the denomination of the Group's net assets at 30 June 2009, split between tangible and intangible assets.

| US\$m | Amount | US\$ | Sterling | Other | Total |
|----------------------------------|--------|------|----------|-------|-------|
| Net tangible assets ¹ | 1,782 | 47% | 46% | 7% | 100% |
| Intangible assets | 634 | 2% | 98% | – | 100% |
| Net assets ¹ | 2,416 | 35% | 60% | 5% | 100% |

¹ Excludes preferred shares

The capital available to the Group for underwriting increased by 25 per cent during the period and is analysed in the table below.

| US\$m | 30 June 2009 | 31 Dec 2008 | % change |
|--|--------------|-------------|----------|
| Stockholders' equity | | | |
| Common stock | 2,416 | 1,879 | 29% |
| Preferred stock | 590 | 590 | – |
| | 3,006 | 2,469 | 22% |
| Intangible assets and goodwill (net of deferred tax) | (634) | (564) | 12% |
| Capital available for underwriting | 2,372 | 1,905 | 25% |

Underwriting Review

The table below shows the development of the Group's gross premiums written on a regional basis during prior periods as well as estimated gross premiums written for the full year 2009.

| US\$m | London/UK- originating business | Bermuda- originating business | US- originating business | International- originating business | Group total |
|----------------------|---------------------------------------|-------------------------------------|--------------------------------|---|----------------|
| H1 2008 | 1,469 | 288 | 160 | 158 | 2,075 |
| H1 2009 | 1,431 | 332 | 267 | 187 | 2,217 |
| FY 2006 | 2,660 | 199 | 305 | 95 | 3,259 |
| FY 2007 | 2,605 | 312 | 297 | 147 | 3,361 |
| FY 2008 | 2,429 | 392 | 348 | 268 | 3,437 |
| FY 2009 ¹ | 2,305 | 410 | 550 | 335 | 3,600 |

¹ Estimate

Half-yearly Results Statement

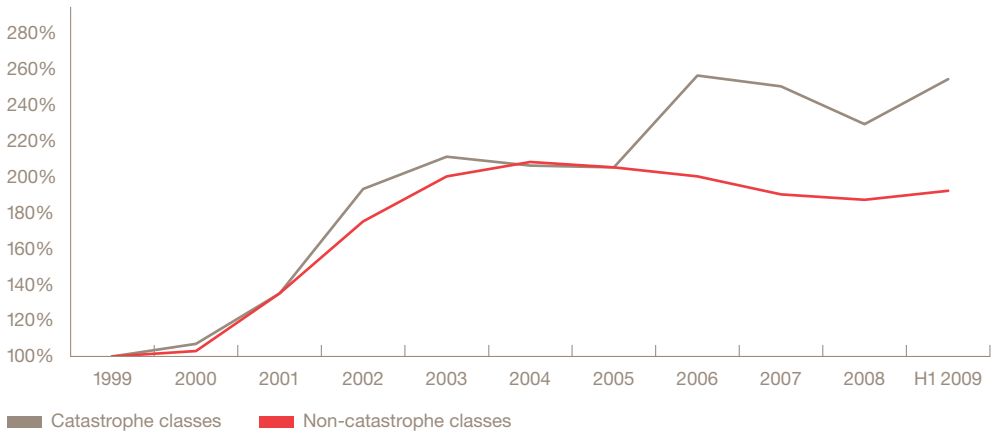
For the six months ended 30 June 2009

London/UK-originating business includes London wholesale business written by the Catlin Syndicate and Catlin UK as well as UK risks. Bermuda-originating business includes business underwritten by Catlin Bermuda, whilst US-originating business includes business written by Catlin US offices on behalf of Catlin Insurance Company Inc., Catlin Specialty Insurance Company Inc., the Catlin Syndicate and Catlin UK. International-originating business includes business underwritten by Catlin's offices in the Asia-Pacific region, Europe, Canada and South America on behalf of the Catlin Syndicate and Catlin UK.

Rating environment

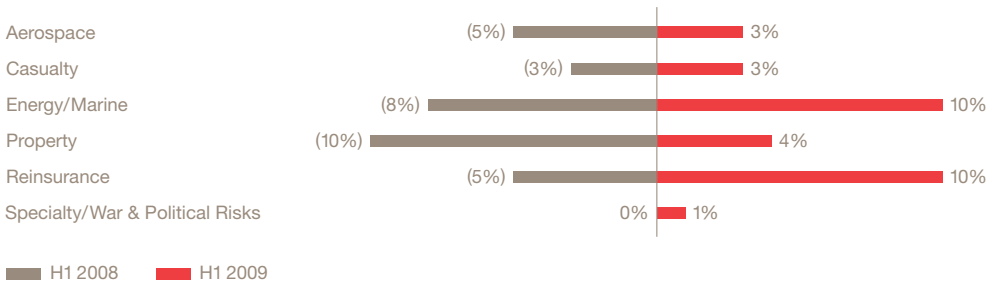
Average weighted premium rates increased by 6 per cent across the Group's entire portfolio of business during the first half of 2009 (30 June 2008: 5 per cent decrease). Average weighed premium rates increased by 11 per cent for catastrophe classes of business and increased by 3 per cent for non-catastrophe classes.

The following chart shows movements in the Group's rate indexes for catastrophe and non-catastrophe classes of business from 1999 through 30 June 2009.



Rates improved across all of Catlin's product groups during the period. As expected, the largest rate movements related to catastrophe-exposed classes of business such as Energy and certain Reinsurance classes. Non-catastrophe-exposed classes of business saw smaller increases.

The chart below shows the changes in average weighted premium rates for each product group during the first six months of 2009 and 2008.



Whilst rates for non-catastrophe classes increased during the period, further improvement is needed, particularly with respect to Casualty rates. The Group believes that ongoing rate strengthening is sustainable, although the quantum and timing of future rate increases cannot be precisely predicted.

Loss experience

The Group's loss ratio during the period was 60.3 per cent (30 June 2008: 54.6 per cent). The increased level of large single-risk losses during the period increased the loss ratio by 9.3 percentage points (30 June 2008: 7.8 percentage points); the Group would normally expect large single-risk losses to increase the loss ratio by approximately 5 percentage points during any given six-month period.

The impact of large single-risk losses and reserve releases on the Group's first-half loss ratio over the past four years is shown in the table below.

| | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|--------------------------|---------------|--------------|--------------|--------------|
| Attritional loss ratio | 54.0% | 52.5% | 53.5% | 46.7% |
| Large single-risk losses | 9.3% | 7.8% | 2.5% | 2.9% |
| Reserve release | (3.0%) | (5.7%) | (1.3%) | (0.3%) |
| Reported loss ratio | 60.3% | 54.6% | 54.7% | 49.3% |

The large single-risk losses which impacted the Group's loss ratio during the period included claims from the Australian bush fires in February, the Air France and other aviation losses, the loss of the EutelSat W2M communications satellite, and the Washington Metro rail crash.

The Group's attritional loss ratio during the period increased to 54.0 per cent (30 June 2008: 52.5 per cent), which was consistent with the Group's plan and in line with rate levels earning during the period.

Losses arising from the financial crisis are unlikely to have a material impact on the Group, although the Group has received some E&O, D&O and credit losses related to the financial crisis.

Half-yearly Results Statement

For the six months ended 30 June 2009

Underwriting performance

An analysis of underwriting results on a regional basis for the period ended 30 June 2009 is shown in the table below.

| US\$m | London/UK- originating business | Bermuda- originating business | US- originating business | International- originating business | Group total |
|---------------------------|---------------------------------------|-------------------------------------|--------------------------------|---|----------------|
| Gross premiums written | 1,431 | 332 | 267 | 187 | 2,217 |
| Net premiums written | 1,075 | 289 | 222 | 187 | 1,773 |
| Net premiums earned | 824 | 162 | 182 | 130 | 1,298 |
| Underwriting contribution | 145 | 43 | 68 | (10) | 246 |
| Loss ratio | 60% | 52% | 46% | 93% | 60% |
| Attritional loss ratio | 54% | 45% | 53% | 66% | 54% |

London/UK-originating business

This business performed largely as anticipated. Although gross premiums written decreased by 3 per cent on a reported basis, premium volume was level on a constant currency basis.

Some Casualty lines are producing less attractive margins despite the modest rate increases relating to Casualty business during the period, and the Casualty market in London can still be described as competitive. The current economic crisis is expected to increase the level of Casualty claims whilst reducing revenues. In addition, the potential for higher than expected inflation could have a further detrimental impact on Casualty classes. Catlin expects to write less Casualty business than planned during 2009, and we will not increase our Casualty risk appetite until there are sufficient rate improvements.

Capital has also been shifted away from Energy and Property classes in London in favour of property treaty reinsurance.

Catlin's Aviation accounts, in which the Group is a market leader, began to show signs of rating improvements during the period after several years of depressed market conditions. More substantial, experience-driven Aviation rate corrections are expected in the second half of the year.

Bermuda-originating business

Gross premiums written by Catlin Bermuda increased by 15 per cent on a reported basis due to rate and volume increases for property treaty reinsurance. In addition, the International Catastrophe business written in Bermuda continued to grow. The attritional loss ratio is lower than the reported loss ratio because a large proportion of the business written by Catlin Bermuda is catastrophe-exposed business, which had good loss experience during the period. Overall, Catlin Bermuda provided a strong underwriting contribution.

US-originating business

The benefits of the Group's investment in Catlin US over the past several years were realised during the first six months of 2009. Gross premiums written increased by 67 per cent on a reported basis, with Catlin US providing more than 25 per cent of the Group's total underwriting contribution.

Overall, Catlin US is seeing business growth as it becomes increasingly recognised by US brokers and clients as a source of underwriting expertise. During the period W. Brown & Associates Insurance Services, one of the largest underwriting managers in the United States specialising in Aviation insurance, began underwriting General Aviation insurance on behalf of Catlin US.

International-originating business

Gross premiums written by Catlin's international offices grew by 18 per cent on a reported basis. The gross premiums written by these offices are shown in the table below by region.

| US\$m | 30 June 2009 | 30 June 2008 | % change |
|---------------------|--------------|--------------|----------|
| Asia/Pacific Region | 68 | 50 | 36% |
| Europe | 90 | 82 | 10% |
| Canada | 27 | 24 | 13% |
| South America | 2 | 2 | – |
| | 187 | 158 | 18% |

Note: The premiums underwritten by the Guernsey office are now included in London/UK-originating business.

The international office network is now poised to produce a meaningful contribution to Catlin's underwriting results. The negative underwriting contribution and relatively high loss ratio reported by the international offices during the period were impacted by the Air France and EutelSat losses. The attritional loss ratio reflects the fact that the international offices primarily underwrite non-catastrophe-exposed business.

During the period the Group established an underwriting office in Bergen, Norway. The Bergen underwriting team is regarded as a leader in the global aquaculture insurance market. Catlin also appointed a representative in Mumbai, who – subject to regulatory approval – will serve as the Group's liaison with the rapidly evolving Indian insurance/reinsurance market. Catlin is the first Lloyd's syndicate to establish an office in India.

An analysis of the Group's underwriting performance by product group at 30 June 2009 is shown in the table below.

| US\$m | Gross premiums written | Net premiums written | Net premiums earned | Underwriting contribution | Loss ratio |
|----------------------------------|------------------------|----------------------|---------------------|---------------------------|------------|
| Aerospace | 195 | 146 | 144 | 16 | 67% |
| Casualty | 410 | 345 | 303 | (7) | 84% |
| Energy/Marine | 368 | 169 | 202 | 34 | 60% |
| Property | 193 | 120 | 120 | 26 | 46% |
| Reinsurance | 815 | 692 | 412 | 128 | 49% |
| Specialty/ War & Political Risks | 236 | 220 | 197 | 38 | 60% |

The Property and Reinsurance product groups benefited from the low incidence of losses in these classes of business, whilst the Aerospace and Casualty underwriting contributions were negatively impacted by large single-risk losses and rate levels.

Half-yearly Results Statement

For the six months ended 30 June 2009

Catastrophe Threat Scenarios

The Group's tolerance for catastrophe risk is a function of expected profit and available capital. Accumulation of risk is monitored and controlled within a defined underwriting risk appetite strategy in compliance with Board policy and procedures. The Group's defined underwriting risk appetite is intended to limit net exposure from a single event through a diversified portfolio of risk to a maximum of one year's expected profit plus 10 per cent of capital available for underwriting if a 1-in-100 year event occurs, taking into account reinstatement premiums both payable and receivable after an event.

Catlin defines certain catastrophe threat scenarios which reflect selected areas of significant catastrophe exposure. A detailed analysis of these catastrophe threat scenarios is carried out each quarter using statistical models together with input from both actuarial and underwriting functions. Within the statistical models both secondary perils and loss amplification are included.

A selection of modelled outcomes for the Group's most significant catastrophe threat scenarios is detailed in the tables. The modelled outcomes represent the Group's modelled net loss after allowing for all reinsurances. The modelled outcomes are not a prediction of actual losses arising from any given scenario (see 'Limitations' below). The modelled outcomes are stated prior to any tax effect.

Modelled gross and net losses

The table below shows the outcomes derived from the internal and external models using data as supplied by our assureds. The modelled outcomes in the table reflect the Group's interpretation of how external models and methods should be applied and are used internally for market consistent comparisons and for regulatory returns, following the instructions given in regulators' guidelines.

Examples of Catastrophe Threat Scenarios/Data Model Output

Outcomes Derived as at 1 April 2009

| US\$m | Florida (Miami) Windstorm | California Earthquake | Gulf of Mexico Windstorm | European Windstorm | Japanese Earthquake |
|---|------------------------------|--------------------------|-----------------------------|-----------------------|------------------------|
| Estimated industry loss | 125,000 | 78,000 | 112,000 | 31,000 | 51,000 |
| Catlin Group | | | | | |
| Gross loss | 809 | 976 | 1,124 | 462 | 468 |
| Reinsurance effect ¹ | (536) | (521) | (717) | (159) | (115) |
| Modelled net loss | 273 | 455 | 407 | 303 | 353 |
| Modelled net loss as a percentage of net tangible assets ² | 12% | 19% | 17% | 13% | 15% |

¹ Reinsurance effect includes the impact of both inwards and outwards reinstatements, including any outwards reinsurance accounted for as a derivative.

² Net tangible assets amounted to US\$2.4 billion at 30 June 2009.

However, uncertainties exist in the data and the modelling and estimation techniques and include but are not limited to:

- Economic value of market loss;
- Insured values and other data as provided by assureds;
- Non-modelled perils;
- Modelling and parameter uncertainty;
- Damage factor estimation; and
- Limited historic validation of model assumptions.

Due to the uncertainties and the range of potential outcomes, Catlin adds a further prudential margin to the modelled output above to reflect the degree of uncertainty in any peril or scenario. These adjusted outcomes are detailed in the table below. These adjusted outcomes are then used to monitor against the Group's risk appetite to add a level of conservatism above the data model outcomes. These adjusted outcomes are also used as guidelines in pricing inwards business, to influence outwards reinsurance purchasing strategy and to measure required capital.

Examples of Catastrophe Threat Scenarios/Adjusted Data Model Output

Outcomes Derived as at 1 April 2009

| US\$m | Florida (Miami) Windstorm | California Earthquake | Gulf of Mexico Windstorm | European Windstorm | Japanese Earthquake |
|---|------------------------------|--------------------------|-----------------------------|-----------------------|------------------------|
| Estimated industry loss | 125,000 | 78,000 | 112,000 | 31,000 | 51,000 |
| Catlin Group | | | | | |
| Gross loss | 999 | 1,066 | 1,321 | 529 | 493 |
| Reinsurance effect ¹ | (587) | (555) | (783) | (160) | (116) |
| Modelled net loss | 412 | 511 | 538 | 369 | 377 |
| Modelled net loss as a percentage of net tangible assets ² | 17% | 22% | 23% | 16% | 16% |

¹ Reinsurance effect includes the impact of both inwards and outwards reinstatements, including any outwards reinsurance accounted for as a derivative.

² Net tangible assets amounted to US\$2.4 billion at 30 June 2009.

Limitations

The modelling of catastrophe threat scenarios is a complex exercise involving numerous variables and material uncertainty. The modelled output therefore does not constitute a prediction of what losses the Group would incur in the event of a modelled loss occurring. Full details of the limitations relating to catastrophe threat scenarios can be found on page 26 of the Group's 2008 Annual Report & Accounts. The Annual Report is available on the Group's website (www.catlin.com).

Half-yearly Results Statement

For the six months ended 30 June 2009

Board of Directors

Christopher Stooke, who has been Catlin's Chief Financial Officer and an Executive Director since 2003, will step down at the end of August. He will be succeeded by Benjamin Meuli, who was most recently Chief Investment Officer at Swiss Re. He was appointed to the Board of Directors as an Executive Director effective 30 June 2009 and has been working with the Investment Management team for several months.

In addition, Robert C. Gowdy has been appointed to the Board, effective 30 June 2009, as an Independent Non-Executive Director. He most recently was President and Chief Executive Officer of CGU Insurance Group in the United States, a post from which he retired in 2001. He succeeds Michael Eisenson, who had served as a Non-Executive Director since 2002.

I wish to take the opportunity to thank Chris Stooke for his many contributions to Catlin and to wish him the best in his future endeavours. I would also like to thank Mike Eisenson for his seven years of service on the Catlin Board.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are described on pages 54 to 57 of the 2008 Annual Report and Accounts. The principal risks faced by the Group, as stated in the Annual Report, include:

- insurance risk;
- investment market risk;
- liquidity risk;
- currency risk;
- credit risk; and
- operational risk.

These are still considered to be the most relevant risks and uncertainties at the date of this report, and further disclosure in this report is not considered necessary. Any of these risks and uncertainties could have an impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ from expected and historic results.

Catlin Arctic Survey

The Group is the title sponsor of the Catlin Arctic Survey, an international collaboration between polar explorers and some of the world's leading scientific bodies. The aim of the Survey is to determine with greater accuracy how long the Arctic Ocean's sea ice cover will remain a permanent feature of the earth.

The data gathering phase of the Survey commenced at the end of February when three polar explorers – Pen Hadow, Ann Daniels and Martin Hartley – set out from the edge of the Arctic sea ice towards the North Geographic Pole. During their 74 days on the ice, the team took more than 10,000 measurements and observations of the thickness and density of the sea ice. They also endured potentially life-threatening conditions, with ambient temperature plunging below -40°C and wind chill factors occasionally approaching -80°C. After trekking more than 430 kilometres, the expedition ended in mid-May – during the onset of the Arctic spring – as ice conditions began to deteriorate so rapidly that a delay would have made it dangerous to retrieve the explorers by airplane.

The measurements and observations collected by the explorers are now being interpreted and analysed by groups of researchers. The conclusions drawn from the data will be presented at the UN Climate Change Conference of Parties in Copenhagen in December. This conference will consider proposals to replace the Kyoto Protocol agreement.

Catlin is proud to be associated with the Survey. Besides sponsoring important scientific work that will benefit all of mankind, the Group benefited by having its name associated with the project. The Catlin Arctic Survey received extensive media coverage around the world, and we believe that our sponsorship of the Survey has increased awareness of the Catlin brand among brokers and clients.

Outlook

Catlin over the years has built a firm foundation for increasing profitability and shareholder value. We believe that the advantages that our structure provides will become increasingly apparent during the next several years. Market conditions are improving, and we believe they will do so for the foreseeable future. We expect additional growth – in terms of both premium volume and profits – from Catlin US and the international offices. Our leadership position in the Lloyd's market is advantageous at a time when brokers and clients are appreciative of the benefits provided by a subscription marketplace. The Group will also continue to benefit from the embedded growth produced by the Wellington acquisition.

We look ahead with confidence.

Stephen Catlin

Chief Executive

Consolidated Balance Sheets

As at 30 June 2009 and 2008 and 31 December 2008

(US dollars in thousands, except share amounts)

| | 30 June 2009 (unaudited) | 31 December 2008 (audited) | 30 June 2008 (unaudited) |
|---|--------------------------------|----------------------------------|--------------------------------|
| Assets | | | |
| Investments | | | |
| Fixed maturities, at fair value | \$3,359,600 | \$2,708,221 | \$2,916,374 |
| Short-term investments, at fair value | 699,593 | 68,982 | 26,618 |
| Investment in funds, at fair value | 760,979 | 800,787 | 1,005,054 |
| Investment in associate | - | - | 2,145 |
| Total investments | 4,820,172 | 3,577,990 | 3,950,191 |
| Cash and cash equivalents | 2,233,205 | 2,355,423 | 2,266,976 |
| Securities lending collateral | 15,136 | 32,899 | 25,114 |
| Accrued investment income | 34,250 | 31,211 | 29,686 |
| Premiums and other receivables | 1,438,080 | 1,079,551 | 1,321,128 |
| Reinsurance recoverable | 1,528,892 | 1,225,631 | 1,104,898 |
| Reinsurers' share of unearned premiums | 417,148 | 302,157 | 499,448 |
| Deferred policy acquisition costs | 364,166 | 247,529 | 321,104 |
| Intangible assets and goodwill | 732,387 | 650,748 | 878,866 |
| Derivatives, at fair value | 9,522 | 6,602 | 2,716 |
| Unsettled trades receivables | 218,389 | 1,214 | 1,605 |
| Other assets | 174,194 | 148,696 | 53,085 |
| Total assets | \$11,985,541 | \$9,659,651 | \$10,454,817 |
| Liabilities and Stockholders' Equity | | | |
| Liabilities: | | | |
| Reserves for losses and loss expenses | \$5,462,224 | \$4,606,256 | \$4,506,967 |
| Unearned premiums | 2,153,984 | 1,536,203 | 1,981,738 |
| Reinsurance payable | 689,543 | 476,485 | 477,197 |
| Accounts payable and other liabilities | 211,922 | 244,790 | 122,879 |
| Subordinated debt | 97,098 | 97,881 | 101,593 |
| Unsettled trades payable | 144,177 | 2,413 | - |
| Derivatives, at fair value | - | 17,163 | 5,945 |
| Securities lending payable | 15,136 | 32,899 | 25,114 |
| Deferred tax liability (net) | 205,188 | 176,326 | 232,401 |
| Total liabilities | \$8,979,272 | \$7,190,416 | \$7,453,834 |

The accompanying notes are an integral part of the consolidated financial statements.

| | 30 June 2009 (unaudited) | 31 December 2008 (audited) | 30 June 2008 (unaudited) |
|---|---|----------------------------------|--------------------------------|
| Stockholders' equity: | | | |
| Common stock, par value \$0.01 | \$3,584 | \$2,552 | \$2,551 |
| Preferred stock, par value \$0.01 | 589,785 | 589,785 | 589,785 |
| Additional paid-in capital | 1,919,312 | 1,623,842 | 1,634,546 |
| Treasury stock | (59,385) | (55,186) | (52,219) |
| Accumulated other comprehensive (loss)/income | (181,536) | (300,652) | 17,542 |
| Retained earnings | 734,509 | 608,894 | 808,778 |
| Total stockholders' equity | 3,006,269 | 2,469,235 | 3,000,983 |
| Total liabilities and stockholders' equity | \$11,985,541 | \$9,659,651 | \$10,454,817 |

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors on 6 August 2009.

Stephen Catlin

Director

Christopher Stooke

Director

Consolidated Statements of Operations (Unaudited)

For the six months ended 30 June 2009 and 2008
(US dollars in thousands, except share amounts)

| | 2009 | 2008 |
|---|--------------------|-------------|
| Revenues | | |
| Gross premiums written | \$2,217,097 | \$2,075,070 |
| Reinsurance premiums ceded | (444,405) | (613,644) |
| Net premiums written | 1,772,692 | 1,461,426 |
| Change in net unearned premiums | (474,869) | (197,982) |
| Net premiums earned | 1,297,823 | 1,263,444 |
| Net investment income | 98,986 | 117,587 |
| Net gains/(losses) on investment in funds | 72,271 | (14,407) |
| Net gains/(losses) on fixed maturities and short-term investments | 23,765 | (49,238) |
| Change in fair value of derivatives | (11,016) | (11,057) |
| Net realised gains on foreign currency exchange | 11,067 | 7,321 |
| Other income | 545 | 5,399 |
| Total revenues | \$1,493,441 | \$1,319,049 |
| Expenses | | |
| Losses and loss expenses | \$783,140 | \$689,831 |
| Policy acquisition costs | 268,506 | 263,719 |
| Administrative and other expenses | 202,024 | 215,293 |
| Total expenses | 1,253,670 | 1,168,843 |
| Income before income tax expense | 239,771 | 150,206 |
| Income tax expense | (22,174) | (18,025) |
| Net income | \$217,597 | \$132,181 |
| Non-controlling interest | - | 25 |
| Preferred stock dividend | (21,750) | (21,750) |
| Net income available to common stockholders | \$195,847 | \$110,456 |
| Earnings per common share | | |
| Basic | \$0.62 | \$0.38 |
| Diluted | \$0.60 | \$0.37 |

As described in Note 12, earnings per common share have been re-presented to reflect the impact of the Rights Issue.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the six months ended 30 June 2009 and 2008

(US dollars in thousands)

| | Common stock | Preferred stock | Additional paid-in capital | Treasury stock | Retained earnings | Accumulated other comprehensive (loss)/income | Total stockholders' equity |
|---|-----------------|--------------------|----------------------------------|-------------------|----------------------|--|----------------------------------|
| Balance 1 January 2008 | \$2,531 | \$589,785 | \$1,622,876 | \$(5,849) | \$768,841 | \$38,820 | \$3,017,004 |
| Comprehensive income: | | | | | | | |
| Cumulative effect of adoption of FAS 159 | - | - | - | - | 14,424 | (14,424) | - |
| Net income available to common stockholders | - | - | - | - | 110,456 | - | 110,456 |
| Other comprehensive loss | - | - | - | - | - | (6,854) | (6,854) |
| Total comprehensive income | - | - | - | - | 124,880 | (21,278) | 103,602 |
| Stock compensation expense | - | - | 9,935 | - | - | - | 9,935 |
| Stock options and warrants exercised | 20 | - | (20) | - | - | - | - |
| Dividends | - | - | - | - | (82,488) | - | (82,488) |
| Deferred compensation obligation | - | - | 2,455 | - | (2,455) | - | - |
| Treasury stock purchased | - | - | - | (47,070) | - | - | (47,070) |
| Distribution of treasury stock held by Employee Benefit Trust | - | - | (700) | 700 | - | - | - |
| Balance 30 June 2008 | \$2,551 | \$589,785 | \$1,634,546 | \$(52,219) | \$808,778 | \$17,542 | \$3,000,983 |
| Balance 1 January 2009 | \$2,552 | \$589,785 | \$1,623,842 | \$(55,186) | \$608,894 | \$(300,652) | \$2,469,235 |
| Comprehensive income: | | | | | | | |
| Net income available to common stockholders | - | - | - | - | 195,847 | - | 195,847 |
| Other comprehensive income | - | - | - | - | - | 119,116 | 119,116 |
| Total comprehensive income | - | - | - | - | 195,847 | 119,116 | 314,963 |
| Rights Issue | 1,021 | - | 288,225 | - | - | - | 289,246 |
| Stock compensation expense | - | - | 4,989 | - | - | - | 4,989 |
| Stock options and warrants exercised | 11 | - | (11) | - | - | - | - |
| Dividends | - | - | - | - | (66,886) | - | (66,886) |
| Deferred compensation obligation | - | - | 3,346 | - | (3,346) | - | - |
| Treasury stock purchased | - | - | - | (5,278) | - | - | (5,278) |
| Distribution of treasury stock held in Employee Benefit Trust | - | - | (1,079) | 1,079 | - | - | - |
| Balance 30 June 2009 | \$3,584 | \$589,785 | \$1,919,312 | \$(59,385) | \$734,509 | \$(181,536) | \$3,006,269 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

For the six months ended 30 June 2009 and 2008
(US dollars in thousands)

| | 2009 | 2008 |
|---|--------------------|------------|
| Cash flows provided by operating activities | | |
| Net income | \$217,597 | \$132,181 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Amortisation and depreciation | 8,013 | 9,730 |
| Amortisation of premiums/(discounts) of fixed maturities | 2,207 | (2,048) |
| Net (gains)/losses on investments | (106,013) | 49,238 |
| Changes in operating assets and liabilities | | |
| Reserves for losses and loss expenses | 102,800 | 287,381 |
| Unearned premiums | 567,515 | 508,682 |
| Premiums and other receivables | (320,054) | (169,085) |
| Deferred policy acquisition costs | (107,903) | (75,130) |
| Reinsurance payable | 193,442 | 42,851 |
| Reinsurance recoverable | (46,415) | 3,452 |
| Reinsurers' share of unearned premiums | (96,571) | (305,865) |
| Accounts payable and other liabilities | (31,061) | (67,216) |
| Cessation of Syndicate 2020 | 111,679 | - |
| Deferred taxes | 12,744 | 7,412 |
| Other | (73,797) | 1,339 |
| Net cash flows provided by operating activities | 434,183 | 422,922 |
| Cash flows used in investing activities | | |
| Purchases of fixed maturities | (1,055,669) | (853,638) |
| Proceeds from sales of fixed maturities | 659,597 | 749,428 |
| Proceeds from maturities of fixed maturities | 52,329 | 97,232 |
| Purchases of investments in funds | - | (62,128) |
| Redemptions of investment in funds | 135,016 | - |
| Net purchases, sales and maturities of short-term investments | (630,611) | 20,960 |
| Other investments | - | 392 |
| Net purchases and sales of property and equipment | (6,810) | (5,186) |
| Change in securities lending collateral | 17,763 | 19,549 |
| Net cash flows used in investing activities | \$(828,385) | \$(33,391) |

The accompanying notes are an integral part of the consolidated financial statements.

| | 2009 | 2008 |
|--|--------------------|-------------|
| Cash flows provided by/(used in) financing activities | | |
| Net proceeds from rights issue | \$289,246 | \$- |
| Dividends paid on common stock | (66,886) | (85,900) |
| Dividends paid on preferred stock | (21,750) | (21,750) |
| Change in securities lending collateral payable | (17,763) | (19,549) |
| Purchase of treasury stock | (5,278) | (47,070) |
| Net cash flows provided by/(used in) financing activities | 177,569 | (174,269) |
| Effect of exchange rate changes in the period | 94,415 | (3,920) |
| Cash and cash equivalents – beginning of period | 2,355,423 | 2,055,634 |
| Cash and cash equivalents – end of period | \$2,233,205 | \$2,266,976 |
| Supplemental cash flow information | | |
| Taxes (received) | \$(20,543) | \$(9,459) |
| Interest paid | \$2,594 | \$3,542 |
| Cash and cash equivalents comprise the following: | | |
| Cash at bank and in hand | \$1,981,335 | \$2,212,854 |
| Cash equivalents | \$251,870 | \$54,122 |

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

1 General

Basis of presentation

Catlin Group Limited ('Catlin' or the 'Company') is a holding company incorporated on 25 June 1999 under the laws of Bermuda. Through its subsidiaries, (which together with the Company are referred as the 'Group'), Catlin underwrites specialty classes of insurance and reinsurance on a global basis.

The unaudited interim consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ('US GAAP'), as set out in the consolidated financial statements for the year ended 31 December 2008.

Certain insignificant reclassifications have been made to prior period amounts to conform to the 2009 presentation.

Rights Issue

In March 2009, the Group completed a Rights Issue of 2 new common shares for every 5 existing common shares. Proceeds, after issue costs, were £200 million (\$289 million), of which approximately half were converted to US dollars. Further details are given in Note 10.

New accounting policies

Except as described below, the accounting policies applied are consistent with those described in the consolidated financial statements for the year ended 31 December 2008.

Effective 1 January 2009, the Group adopted Statement of Financial Accounting Standard No. 141 (R), Business Combinations – a replacement of Statement of Financial Accounting Standard No. 141 ('FAS 141R'), which changes the principles and requirements for how the acquirer of a business recognises and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The statement also provides guidance for recognising and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. The adoption of FAS 141R has had no material impact on the Group's current financial position or results of operations but may affect future acquisitions.

Effective 1 January 2009, the Group adopted Statement of Financial Accounting Standard No. 161, Disclosures About Derivative Instruments and Hedging Activities, an Amendment to Statement of Financial Accounting Standard No. 133 ('FAS 161'). FAS 161 establishes the disclosure requirements for derivative instruments and for hedging activities. The standard requires expanded disclosure of how and why an entity uses derivative instruments, how derivatives and related hedged items are accounted for under FAS 133 and its related interpretation, and how derivatives and related hedged items affect an entity's financial position, financial performance and cash flows. The adoption of FAS 161 has had no material impact on the Group's financial position or results of operations.

Effective 1 January 2009, the Group adopted Statement of Financial Accounting Standard No. 163, Accounting For Financial Guarantee Insurance Contracts an interpretation of Financial Accounting Standards Board ('FASB') Statement No. 60 ('FAS 163'). The statement requires an insurance enterprise to recognise a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. The statement also clarifies how Statement No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. It is effective for fiscal years beginning after 15 December 2008 and all interim periods within the fiscal year, except for some disclosures about the insurance enterprise's risk management activities. The adoption of FAS 163 has had no material impact on the Group's financial position or results of operations.

Effective 1 January 2009, the Group adopted FASB Staff Position Statement of Financial Accounting No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ('FAS 157-4'), providing additional guidance for estimating fair value in accordance with Statement of Financial Accounting Standard No. 157, Fair Value Measurements ('FAS 157') when the volume and level of activity for the asset or liability have significantly decreased. The FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly and amends certain FAS 157 disclosure guidance. FAS 157-4 is effective for interim and annual periods ending after 15 June 2009. The adoption of FAS 157-4 has had no material impact on the Group's financial position or results of operations.

Effective 1 January 2009, the Group adopted FASB Staff Position Statement of Financial Accounting No. 107-1 and Accounting Principles Board Opinion No. 28-1 ('FSP FAS 107-1' and 'APB 28-1'), Interim Disclosures about Fair Value of Financial Instruments which amends Statement of Financial Accounting Standard No. 107, Disclosures about Fair Value of Financial Instruments ('FAS 107') and Accounting Principles Board Opinion No. 28, Interim Financial Reporting ('APB 28'), to require disclosures about the fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP FAS 107-1 is effective for interim reporting periods ending after 15 June 2009. The Group has adopted the FSP for the financial statements for the six months ended 30 June 2009. This standard affects disclosures only and accordingly has had no impact on the Group's financial position or results of operations.

Effective 1 January 2009, the Group adopted FASB Staff Position Statement of Financial Accounting No. 115-2 and FASB Staff Position Statement of Financial Accounting No. 124-2 ('FSP FAS 115-2 and FAS 124-2'), Recognition and Presentation of Other-Than-Temporary Impairments. FSP FAS 115-2 and FAS 124-2 provide additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. The guidance is intended to bring greater consistency to the timing of impairment recognition, and provide greater clarity to investors about the credit and non-credit components of impaired debt securities that are not expected to be sold. The measure of impairment in comprehensive income remains fair value. The FSP also requires increased and more timely disclosures sought by investors regarding expected cash flows, credit losses, and an aging of securities with unrealised losses. This FSP is effective for interim and annual periods ending after 15 June 2009. The FSP has had no impact on the Group's financial position or results of operations.

In May 2009 the FASB issued Statement of Financial Accounting Standard No. 165, Subsequent Events ('FAS 165'). FAS 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for interim and annual periods ending after 15 June 2009. The standard has had no material impact upon the Group's financial position or results of operations.

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

2 Segmental information

The Group determines its reportable segments by underwriting platform, consistent with the manner in which results are reviewed by management. The four reportable segments are:

- Catlin Syndicate, which comprises direct insurance and reinsurance business underwritten by the Catlin Group's syndicates at Lloyd's;
- Catlin Bermuda, which primarily underwrites reinsurance business, including intra-Group reinsurance;
- Catlin UK, which primarily underwrites direct insurance; and
- Catlin US, which underwrites direct insurance and reinsurance in the United States.

At 30 June 2009, there were five significant intra-Group reinsurance contracts in place: a 45 per cent Corporate Quota Share, which cedes Catlin Syndicate risk to Catlin Bermuda, a 75 per cent Quota Share contract which cedes Catlin UK risk to Catlin Bermuda, a Whole Account Stop Loss contract which cedes 4.9 per cent of premiums and up to 20 per cent of losses above a net loss ratio of 86 per cent from Catlin Syndicate to Catlin Bermuda and also two 75 per cent Quota Share contracts which cede Catlin US risk to Catlin Bermuda. The effects of each of these reinsurance contracts are excluded from segmental revenue and results, as this is the basis upon which the performance of each segment is assessed.

Net underwriting contribution by operating segment for the period ended 30 June 2009 is as follows:

| (US dollars in thousands) | Catlin Syndicate | Catlin Bermuda | Catlin UK | Catlin US | Total |
|-------------------------------|------------------|----------------|-----------|-----------|--------------------|
| Gross premiums written | \$1,522,444 | \$331,987 | \$232,852 | \$129,814 | \$2,217,097 |
| Reinsurance premiums ceded | (328,242) | (43,324) | (46,033) | (26,806) | (444,405) |
| Net premiums written | 1,194,202 | 288,663 | 186,819 | 103,008 | 1,772,692 |
| Net premiums earned | 871,043 | 162,250 | 194,527 | 70,003 | 1,297,823 |
| Losses and loss expenses | (503,976) | (84,167) | (146,245) | (48,752) | (783,140) |
| Policy acquisition costs | (175,913) | (34,587) | (45,281) | (12,725) | (268,506) |
| Net underwriting contribution | \$191,154 | \$43,496 | \$3,001 | \$8,526 | \$246,177 |

Net underwriting contribution by operating segment for the period ended 30 June 2008 is as follows:

| (US dollars in thousands) | Catlin Syndicate | Catlin Bermuda | Catlin UK | Catlin US | Total |
|-------------------------------|------------------|----------------|-----------|-----------|--------------------|
| Gross premiums written | \$1,494,465 | \$288,412 | \$239,066 | \$53,127 | \$2,075,070 |
| Reinsurance premiums ceded | (500,812) | (66,354) | (40,926) | (5,552) | (613,644) |
| Net premiums written | 993,653 | 222,058 | 198,140 | 47,575 | 1,461,426 |
| Net premiums earned | 875,389 | 132,129 | 215,121 | 40,805 | 1,263,444 |
| Losses and loss expenses | (469,806) | (34,698) | (161,069) | (24,258) | (689,831) |
| Policy acquisition costs | (176,302) | (30,403) | (46,921) | (10,093) | (263,719) |
| Net underwriting contribution | \$229,281 | \$67,028 | \$7,131 | \$6,454 | \$309,894 |

Of total revenue as reported in the Group's Consolidated Statement of Operations, only net premiums earned are measured and managed on a segmental basis.

Assets are reviewed in total by management for purposes of decision making. The Group does not allocate assets to its segments.

3 Investments

Fixed maturities

The fair values and amortised costs of fixed maturities at 30 June 2009 and 2008 are as follows:

| (US dollars in thousands) | 2009 | | 2008 | |
|-------------------------------|--------------------|--------------------|-------------|----------------|
| | Fair value | Amortised cost | Fair value | Amortised cost |
| US government and agencies | \$731,255 | \$713,598 | \$686,608 | \$673,306 |
| Non-US governments | 600,598 | 581,412 | 519,065 | 523,588 |
| Corporate securities | 1,053,996 | 1,037,877 | 597,052 | 602,637 |
| Asset-backed securities | 279,905 | 294,008 | 344,908 | 352,081 |
| Mortgage-backed securities | 693,846 | 817,104 | 768,741 | 797,234 |
| Total fixed maturities | \$3,359,600 | \$3,443,999 | \$2,916,374 | \$2,948,846 |

Fixed maturities at 30 June 2009, by contractual maturity, are shown below. Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

| (US dollars in thousands) | Fair value | Amortised cost |
|--|--------------------|--------------------|
| Due in one year or less | \$153,726 | \$152,588 |
| Due after one through five years | 1,835,387 | 1,790,339 |
| Due after five years through ten years | 352,522 | 345,507 |
| Due after ten years | 44,214 | 44,453 |
| | 2,385,849 | 2,332,887 |
| Asset-backed securities | 279,905 | 294,008 |
| Mortgage-backed securities | 693,846 | 817,104 |
| Total | \$3,359,600 | \$3,443,999 |

Investment in funds

The Group has classified its investments in funds as trading securities and, accordingly, all realised and unrealised gains and losses on these investments are recorded in net income in the Consolidated Statements of Operations. These investments comprise of investments in a bond fund, equity funds, internal fund of funds and funds of funds. The internal fund of funds comprises of 22 individual hedge funds across a diversified set of managers, strategies and underlying asset classes.

Values of investments in funds by category at 30 June 2009 and 2008 are as follows:

| (US dollars in thousands) | 2009 | 2008 |
|-----------------------------------|------------------|-------------|
| Bond fund | \$42,187 | \$133,835 |
| Equity funds | 30,589 | 121,235 |
| Internal fund of funds | 441,807 | 555,959 |
| Funds of funds | 246,396 | 194,025 |
| Total investments in funds | \$760,979 | \$1,005,054 |

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

Net investment income

The components of net investment income for the periods ended 30 June 2009 and 2008 are as follows:

| (US dollars in thousands) | 2009 | 2008 |
|---------------------------|------------------|-----------|
| Interest income | \$101,897 | \$119,846 |
| Investment expenses | (2,911) | (2,547) |
| Investment in associate | – | 288 |
| Net investment income | \$98,986 | \$117,587 |

Restricted assets

The Group is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. These funds on deposit are available to settle insurance and reinsurance liabilities. The Group also has investments in segregated portfolios primarily to provide collateral or guarantees for Letters of Credit ('LOC'), as described in Note 8. Finally, the Group also utilises trust funds set up for the benefit of the ceding companies, in place of LOC requirements.

The total values of these restricted assets by category at 30 June 2009 and 2008 are as follows:

| (US dollars in thousands) | 2009 | 2008 |
|---------------------------|--------------------|-------------|
| Fixed maturities | \$1,757,972 | \$2,098,943 |
| Short-term investments | 57,107 | 17,597 |
| Cash and cash equivalents | 618,827 | 833,940 |
| Total restricted assets | \$2,433,906 | \$2,950,480 |

4 Fair value measurement

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the 'exit price') in an orderly transaction between market participants at the measurement date. In determining fair value, management uses various valuation approaches, including market and income approaches. FAS 157 establishes a hierarchy for inputs used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. The three levels of the FAS 157 hierarchy are described below.

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Assets and liabilities utilising Level 1 inputs comprise investments in equity funds.

Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Assets and liabilities utilising Level 2 inputs include: US government and agency securities; non-US government obligations, corporate and municipal bonds, residential mortgage-backed securities ('RMBS'), commercial mortgage-backed securities ('CMBS') and asset-backed securities ('ABS') to the extent that they are not identified as Level 3 items; over-the-counter ('OTC') derivatives (e.g. foreign currency options and forward contracts); and hedge fund investments with few restrictions on redemptions or new investors.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect our own assessment of assumptions that market participants might use.

Assets and liabilities utilising Level 3 inputs include: insurance and reinsurance derivative contracts; hedge funds with significant redemption restrictions; collateralised debt obligations ('CDO'); sub-prime and Alt A securities where the unobservable inputs reflect individual assumptions and judgments regarding ultimate delinquency and foreclosure rates and estimates regarding the likelihood and timing of events of defaults.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorised in Level 3. The Group uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

Assets and liabilities measured at fair value on a recurring basis

The table below shows the values at 30 June 2009 of assets and liabilities measured at fair value on a recurring basis, analysed by the level of inputs used.

| (US dollars in thousands) | Balance at 30 June 2009 | Level 1 inputs | Level 2 inputs | Level 3 inputs |
|-----------------------------------|----------------------------|-------------------|--------------------|-------------------|
| Assets | | | | |
| US government and agencies | \$731,255 | \$– | \$731,255 | \$– |
| Non-US governments | 600,598 | – | 600,598 | – |
| Corporate securities | 1,053,996 | – | 1,053,996 | – |
| RMBS | 454,290 | – | 420,654 | 33,636 |
| CMBS | 239,556 | – | 239,556 | – |
| ABS | 279,905 | – | 274,262 | 5,643 |
| Short-term investments | 699,593 | – | 699,593 | – |
| Investments in funds | 760,979 | 30,589 | 474,874 | 255,516 |
| Derivative assets | 9,522 | – | – | 9,522 |
| Total assets at fair value | \$4,829,694 | \$30,589 | \$4,494,788 | \$304,317 |

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

The changes in the period in balances measured at fair value on a recurring basis using Level 3 inputs were as follows:

| (US dollars in thousands) | RMBS | ABS | CDO | Investments in funds | Derivative assets |
|--|-----------|-----------|---------|----------------------|-------------------|
| Beginning balance 1 January 2009 | \$30,586 | \$2,779 | \$3,724 | \$333,530 | \$6,602 |
| Total (losses)/gains included in income | (1,333) | 1,247 | (3,726) | 62,367 | 2,920 |
| Purchases/(disposals) | 41 | (3,361) | – | (30,416) | – |
| Level 3 Transfers in/(out) | 4,342 | 4,978 | 2 | (109,965) | – |
| Ending balance 30 June 2009 | \$33,636 | \$5,643 | \$– | \$255,516 | \$9,522 |
| Amount of (losses)/gains relating to balances still held at the period end | \$(1,129) | \$(1,048) | \$(226) | \$45,997 | \$2,920 |

Gains and losses on fixed maturities and investments in funds are recorded in the Consolidated Statement of Operations. Gains and losses on derivative instruments are recorded in change in fair value of derivatives.

Fair value of financial instruments

The following methods and assumptions are used by the Group in estimating the fair value of its financial instruments:

Investments: Fair values of fixed maturities and short-term investments are based on the quoted market price of these securities provided by either independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications. The fair value of investments in funds is based on either the net asset value provided by the funds' administrators, or where available, the quoted price of the funds.

Derivatives: The fair values of the catastrophe swap agreements are determined using internal models based on the valuation of the underlying notes issued by the counterparty. The determination of the fair values takes into account changes in the market for catastrophic reinsurance contracts with similar economic characteristics and the potential for recoveries from events preceding the valuation date.

Subordinated debt: Subordinated debt is not carried at fair value but at historical cost. At 30 June 2009, the fair value of the subordinated debt was \$61 million which compared to a carrying value of \$97 million. The fair value of the subordinated debt is estimated by comparing Catlin Bermuda's preferred stock and other peer group instruments to determine market required yields. Market required yields were used to estimate market value.

Other assets and liabilities: The fair values of cash and cash equivalents, securities lending collateral, premiums and other receivables, securities lending payable, and accounts payable approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

5 Reserves for losses and loss expenses

The Group establishes reserves for losses and loss expenses, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. The process of establishing reserves is complex and imprecise, requiring the use of informed estimates and judgments. The Group's estimates and judgments may be revised as additional experience and other data become available and are reviewed, as new or improved methodologies are developed or as current laws change. Any such revisions could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in earnings in the period in which the estimates are changed. Management believes they have made a reasonable estimate of the level of reserves at 30 June 2009 and 2008.

The reconciliation of unpaid losses and loss expenses for the six months ended 30 June 2009 and 2008 is as follows:

| (US dollars in thousands) | 2009 | 2008 |
|--|--------------------|-------------|
| Gross unpaid losses and loss expenses, beginning of year | \$4,606,256 | \$4,237,525 |
| Reinsurance recoverable on unpaid loss and loss expenses | (1,070,039) | (860,106) |
| Net unpaid losses and loss expenses, beginning of year | 3,536,217 | 3,377,419 |
| Net incurred losses and loss expenses for claims related to: | | |
| Current period | 821,654 | 761,433 |
| Prior periods | (38,514) | (71,602) |
| Total net incurred losses and loss expenses | 783,140 | 689,831 |
| Net paid losses and loss expenses for claims related to: | | |
| Current period | (48,715) | (43,617) |
| Prior periods | (492,214) | (490,708) |
| Total net paid losses and loss expenses | (540,929) | (534,325) |
| Foreign exchange and other | (50,239) | 7,488 |
| Loss portfolio transfer | 430,587 | 4,384 |
| Net unpaid losses and loss expenses, end of period | 4,158,776 | 3,544,797 |
| Reinsurance recoverable on unpaid loss and loss expenses | 1,303,448 | 962,170 |
| Gross unpaid losses and loss expenses, end of period | \$5,462,224 | \$4,506,967 |

As a result of the changes in estimates of insured events in prior periods, the 2009 reserve for losses and loss expenses net of reinsurance recoveries decreased by \$39 million (2008: decrease of \$72 million). The decrease in reserves relating to prior years is due to reductions in expected ultimate loss costs and reductions in uncertainty surrounding the quantification of the net cost of claim events.

Loss portfolio transfer

During the period, Syndicate 2020 closed its 2006 Lloyd's underwriting year of account by way of a Lloyd's reinsurance to close. The remaining net liability in Syndicate 2020, calculated as \$431 million, was assumed by Syndicate 2003 through a payment in the form of cash and investments in the same amount. The transaction has been treated as a loss portfolio transfer, recorded as an increase in net loss reserves with no impact on the Consolidated Statement of Operations. As a result of the transaction, the Group (via Syndicate 2003) assumed the 33 per cent of Syndicate 2020's outstanding losses previously attributable to the syndicate's third-party members, in addition to the 67 per cent share already held by the Group.

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

In 2008, Syndicate 2020 closed the 2005 Lloyd's underwriting year of account by way of a Lloyd's reinsurance to close. In closing the 2005 year of account, all outstanding losses were transferred into Syndicate 2020's 2006 year of account. As a result of the transaction, the Group had an additional ownership of approximately 0.59 per cent acquired from the external Names in respect of the 2006 year of account, which resulted in an increase in loss reserves of \$4 million; this was treated as a loss portfolio transfer.

6 Reinsurance

The Group purchases reinsurance to limit various exposures including catastrophe risks. Although reinsurance agreements contractually obligate the Group's reinsurers to reimburse it for the agreed upon portion of its gross paid losses, they do not discharge the primary liability of the Group. The effect of reinsurance and retrocessional activity on premiums written and earned is as follows:

| (US dollars in thousands) | 2009 | | 2008 | |
|---------------------------|--------------------|--------------------|------------------|-----------------|
| | Premiums written | Premiums earned | Premiums written | Premiums earned |
| Direct | \$1,379,459 | \$1,139,791 | \$1,420,047 | \$1,220,446 |
| Assumed | 837,638 | 504,219 | 655,023 | 381,514 |
| Ceded | (444,405) | (346,187) | (613,644) | (338,516) |
| Net premiums | \$1,772,692 | \$1,297,823 | \$1,461,426 | \$1,263,444 |

The Group's provision for reinsurance recoverable as at 30 June 2009 and 2008 is as follows:

| (US dollars in thousands) | 2009 | 2008 |
|--------------------------------------|--------------------|-------------|
| Gross reinsurance recoverable | \$1,581,609 | \$1,144,090 |
| Provision for uncollectible balances | (52,717) | (39,192) |
| Net reinsurance recoverable | \$1,528,892 | \$1,104,898 |

7 Derivative financial instruments

Catastrophe swap agreements

Newton Re

On 17 December 2007 Catlin Bermuda entered into a contract that provides up to \$225 million in coverage in the event of one or more natural catastrophes. Catlin Bermuda's counterparty in the catastrophe swap ('cat swap') is a special purpose vehicle, Newton Re Limited ('Newton Re'). Newton Re has issued to investors \$225 million in three-year floating rate notes, divided into Class A and Class B notes. The proceeds of those notes provide the collateral for Newton Re's potential obligations to Catlin Bermuda under the cat swap.

The Newton Re cat swap will be triggered for risk events if aggregate insurance industry losses, as estimated by Property Claims Services, meet or exceed defined threshold amounts.

Bay Haven

On 17 November 2006 Catlin Bermuda entered into a cat swap that provides up to \$200 million in coverage in the event of a series of natural catastrophes. Catlin Bermuda's counterparty in the cat swap is a special purpose vehicle, Bay Haven Limited ('Bay Haven'). Bay Haven has issued to investors \$200 million in three-year floating rate notes, divided into Class A and Class B notes. The proceeds of those notes provide the collateral for Bay Haven's potential obligations to Catlin Bermuda under the cat swap.

The Bay Haven cat swap responds to certain covered risk events occurring during a three-year period. No payment will be made for the first three such risk events. Bay Haven will pay Catlin Bermuda \$33 million per covered risk event thereafter, up to a maximum of six events. The aggregate limit potentially payable to Catlin Bermuda is \$200 million.

In addition, on 17 November 2006 Catlin Bermuda entered into a further cat swap agreement with Royal Bank of Scotland (formerly ABN AMRO Bank N.V. London Branch) which will respond to the third covered risk event (that is, the covered risk event before the Class B notes are triggered). The terms were otherwise as described for the Class A and Class B notes. The current face value outstanding on the swap is \$52 million.

Values of catastrophe swap agreements

The Newton Re and Bay Haven cat swaps fall within the scope of FAS 133 and are therefore measured in the balance sheet at fair value with any changes in the fair value included in net income. As at 30 June 2009, the fair value of the cat swaps is an asset of \$10 million (2008: a liability of \$6 million). As there is no quoted market value available for these derivatives, the fair values are determined by management based on the valuation of the notes issued by Newton Re and Bay Haven. The fair value of the Newton Re cat swap is derived from indicative prices for the Class A and Class B notes issued by Newton Re. The fair value of the Bay Haven cat swap is determined using an internal model that takes into account changes in the market for catastrophe reinsurance contracts with similar economic characteristics and the potential for recoveries from events preceding the valuation date.

Other derivative instruments

The Group held various foreign currency derivatives (forward contracts, caps and collars). As at 30 June 2008, the fair value of the foreign currency derivatives was an asset of \$3 million, all of which had a remaining term of less than 12 months. As at 30 June 2009 the Group held no foreign currency derivatives.

8 Subordinated debt and financing arrangements

The Group's outstanding subordinated debt as at 30 June 2009 and 2008 consisted of the following:

| (US dollars in thousands) | 2009 | 2008 |
|--|-----------------|-----------|
| Variable rate, face amount €7,000, due 15 March 2035 | \$10,230 | \$11,518 |
| Variable rate, face amount \$27,000, due 15 March 2036 | 28,011 | 28,516 |
| Variable rate, face amount \$31,300, due 15 September 2036 | 32,546 | 33,168 |
| Variable rate, face amount \$9,800, due 15 September 2036 | 10,190 | 10,385 |
| Variable rate, face amount €11,000, due 15 September 2036 | 16,121 | 18,006 |
| Total subordinated debt | \$97,098 | \$101,593 |

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

Subordinated debt

On 12 May 2006 Catlin Underwriting (formerly 'Wellington Underwriting plc') issued \$27 million and €7 million of variable rate unsecured subordinated notes. The notes are subordinated to the claims of all Senior Creditors, as defined in the agreement. The notes pay interest based on the rate on three-month deposits in US dollars plus a margin of 317 basis points for the US dollar notes and 295 basis points for the euro notes. Interest is payable quarterly in arrears. The notes are redeemable at the discretion of the issuer beginning on 15 March 2011 with respect to the US dollar notes and 22 May 2011 with respect to the euro notes.

On 20 July 2006 Catlin Underwriting issued \$31 million, \$10 million and €11 million of variable rate unsecured subordinated notes. The notes are subordinated to the claims of all Senior Creditors, as defined in the agreement. The notes pay interest based on the rate on three-month deposits in US dollars plus a margin of 310 basis points for the \$31 million notes and 300 basis points for the other two notes. Interest is payable quarterly in arrears. The notes are each redeemable at the discretion of the issuer beginning on 15 September 2011.

Bank facilities

Since November 2003, the Group has participated in a Letter of Credit/Revolving Loan Facility (the 'Club Facility'). The Club Facility has been varied, amended and restated since it was originally entered into, most recently on 10 September 2008, when the credit available under the Club Facility increased from \$400 million and £275 million to \$600 million and £320 million respectively. The facility initially included three banks; on 15 December 2006 it increased to four banks and on 25 January 2007, it expanded to seven banks. The Club Facility is composed of three tranches as detailed below. The following amounts were outstanding under the Club Facility as at 30 June 2009:

- A 364-day, \$100 million revolving facility with a one-year term-out option ('Facility A') is available for utilisation by the Group. Facility A, while not directly collateralised, is secured by floating charges on Group assets and cross-guarantees from material subsidiaries (together with Facilities B and C). Facility A has not been drawn down.
- Clean, irrevocable standby LOCs of \$528 million (£320 million) are provided to support the Catlin Syndicate's underwriting at Lloyd's ('Facility B'). As at 30 June 2009, the Catlin Corporate Names and Syndicate have utilised Facility B and deposited with Lloyd's 13 LOCs in the amount of \$437 million (£265 million). In the event that the Catlin Syndicate fails to meet its obligations under policies of insurance written on its behalf, Lloyd's could draw down this letter of credit. This LOC has an initial expiry date of 27 November 2012.
- A two-year \$500 million standby LOC facility is available for utilisation by Catlin Bermuda and Catlin UK ('Facility C'). It is further split into two equal tranches of \$250 million with the first being fully secured by OECD Government Bonds, US Agencies, Corporate and Asset Backed securities and or cash discounted at varying rates. The second tranche is unsecured. At 30 June 2009 \$244 million in LOCs were outstanding, of which \$240 million are issued for the benefit of Catlin Bermuda and \$4 million issued for the benefit of an insured of Catlin UK. \$122 million of the LOCs were issued on an unsecured basis. Facility C has an expiry date of 31 December 2010.

The terms of the Club Facility require that certain financial covenants be met on a quarterly basis as confirmed by the filing of Compliance Certificates. These include maximum levels of possible exposures to realistic disaster scenarios for the Group, as well as requirements to maintain minimum tangible net worth levels. The Group is in compliance with all covenants during 2009.

A second LOC facility administered by Citibank on behalf of Lloyd's acting for the Lloyd's Syndicates had LOCs totalling \$6 million outstanding at 30 June 2009. These LOCs are fully secured.

Two LOCs have been issued on behalf of Catlin US to state regulators and other parties. These LOCs amount to \$6 million and are secured.

9 Taxation

Bermuda

Under current Bermuda law neither the Company nor its Bermuda subsidiaries are required to pay any taxes in Bermuda on their income or capital gains. Both the Company and its Bermuda subsidiaries have received undertakings from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, they will be exempt from taxation in Bermuda until March 2016.

United Kingdom

The Group also operates in the UK through its UK subsidiaries and the income of the UK companies is subject to UK corporation taxes.

Income from the Group's operations at Lloyd's is also subject to US income taxes. Under a Closing Agreement between Lloyd's and the Internal Revenue Service (IRS), Lloyd's Members pay US income tax on US connected income written by Lloyd's syndicates. US income tax due on this US connected income is calculated by Lloyd's and remitted directly to the IRS and is charged by Lloyd's to Members in proportion to their participation on the relevant syndicates. The Group's Corporate Members are all subject to this arrangement but, as UK tax residents, will receive UK corporation tax credits for any US income tax incurred up to the value of the equivalent UK corporation income tax charge on the US income.

United States

The Group also operates in the United States through its US subsidiaries, and their income is subject to both US state and federal income taxes.

Other international income taxes

The Group has a network of international operations, and they are also subject to income taxes imposed by the jurisdictions in which they operate, but they do not constitute a material component of the Group's tax charge.

The Group is not subject to taxation other than as stated above. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Group to change the way it operates or become subject to taxation.

The income tax expense for the six months ended 30 June 2009 and 2008 is as follows:

| (US dollars in thousands) | 2009 | 2008 |
|---------------------------|-----------------|-----------------|
| Current tax expense | \$- | \$- |
| Deferred tax expense | 22,174 | 18,025 |
| Income tax expense | \$22,174 | \$18,025 |

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

The Group records income taxes for the period based on the estimated effective annual rates for the years ending 31 December 2009 and 2008.

Unrecognised tax benefits

As at 30 June 2009, the Group's unrecognised tax benefits were \$8 million (2008: \$9 million). All unrecognised tax benefits would affect the effective tax rate if recognised. The Group accrues interest and penalties (if applicable) as income tax expenses in the consolidated financial statements.

10 Stockholders' equity

The following is a detail of the number and par value of shares authorised, issued and outstanding as at 30 June 2009 and 2008:

| | 2009 | 2008 |
|--------------------------------------|--------------------|-------------|
| Common stock, par value \$0.01 | | |
| Authorised | 500,000,000 | 400,000,000 |
| Issued | 358,388,745 | 255,063,325 |
| Stock held by Employee Benefit Trust | (8,347,945) | (6,258,750) |
| Outstanding | 350,040,800 | 248,804,575 |
| Preferred stock, par value \$0.01 | | |
| Authorised, issued and outstanding | 600,000 | 600,000 |

The following table outlines the changes in common stock issued during 2009 and 2008:

| | 2009 | 2008 |
|--|--------------------|-------------|
| Balance, 1 January | 255,162,926 | 253,122,072 |
| Exercise of stock options and warrants | 1,157,769 | 1,941,253 |
| Rights Issue | 102,068,050 | - |
| Balance, 30 June | 358,388,745 | 255,063,325 |

Rights Issue

In March 2009, the Company issued 102,068,050 new common shares, par value of \$0.01 per common share, by way of a Rights Issue at 205 pence per new common share on the basis of 2 new common shares for every 5 existing common shares. The proceeds of the Rights Issue, after issue costs, were \$289 million.

Preferred stock

On 18 January 2007 Catlin Bermuda issued 600,000 non-cumulative perpetual preferred shares, par value of \$0.01 per unit, with liquidation preference of \$1,000 per unit, plus declared and unpaid dividends. Dividends at a rate of 7.249 per cent on the liquidation preference are payable semi-annually on 19 January and 19 July in arrears as and when declared by the Board of Directors, commencing on 19 July 2007 up to but not including 19 January 2017. Thereafter, if the stock has not yet been redeemed, dividends will be payable quarterly at a rate equal to 2.975 per cent plus the three-month LIBOR rate of the liquidation preference. Catlin Bermuda received proceeds of approximately \$590 million, net of issuance costs, which were used to repay a \$500 million bridge facility, a \$50 million revolving loan issued under Facility A, and for general corporate purposes. The preferred shares do not have a maturity date and are not convertible into or exchangeable into any of Catlin Bermuda's or the Group's other securities.

Treasury stock

In connection with the Performance Share Plan ('PSP'), at each dividend date, an amount equal to the dividend that would be payable in respect of the stock to be issued under the PSP (assuming full vesting) is paid into an Employee Benefit Trust ('EBT'). The EBT uses these funds to purchase Group stock on the open market. This stock will ultimately be distributed to PSP holders to the extent that the PSP awards vest. During 2009, the Group, through the EBT, purchased 1,824,570 of the Group's stock, at an average price of \$4.03 (£2.75) per unit, inclusive of 846,970 as a result of the Rights Issue. The average price of the Group's stock purchased, excluding stock related to the Rights Issue, was \$4.96 (£3.35). The total amount paid of \$5 million is shown as a deduction to stockholders' equity.

Dividends***Dividends on common stock***

On 15 May 2009 the Group paid a final dividend on the common stock relating to the 2008 financial year of \$0.266 (£0.18) per share to stockholders of record at the close of business on 20 February 2009. The total dividend paid for the 2008 financial year was \$0.434 (£0.266) per share.

After adjusting for the bonus element included in the 2009 Rights Issue, the final dividend on the common stock relating to the 2008 financial year is equivalent to \$0.232 (£0.157) per share, and the total dividend paid for the 2008 financial year is equivalent to \$0.379 (£0.232) per share.

Dividends on preferred stock

On 19 January 2009 Catlin Bermuda paid a dividend of \$22 million to the stockholders of the non-cumulative perpetual preferred stock.

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30 June 2009 and 2008

11 Employee stock compensation schemes

The Group has four employee schemes in place of which the most significant ones with awards outstanding are: the Performance Share Plan ('PSP'), adopted in 2004, and a Long Term Incentive Plan ('LTIP'), adopted in 2002. In addition, the Group also has two Employee Share Plans in place, both of which were adopted in 2008. These financial statements include the total cost of stock compensation for both plans, calculated using the fair value method of accounting for stock-based employee compensation.

On 12 February 2009 a total of 5,071,892 options with \$nil exercise price and 1,925,737 non-vested shares (total of 6,997,629 securities) were awarded to Group employees under the PSP. Up to half of the securities will vest on 12 February 2012 and up to half will vest on 12 February 2013, subject to certain performance conditions.

The total cost of the plans expensed in the six months ended 30 June 2009 was \$5 million (2008: \$10 million).

12 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to common stockholders by the weighted average number of common shares in issue during the year.

Diluted earnings per share is calculated by dividing the earnings attributable to all stockholders by the weighted average number of common shares in issue adjusted to assume conversion of all dilutive potential common shares.

The Company has the following potentially dilutive instruments outstanding during the periods presented:

- PSP;
- LTIP;
- Warrants; and
- Employee share plans.

Income available to common stockholders is arrived at after deducting preferred stock dividends of \$22 million (2008: \$22 million).

Reconciliations of the number of shares used in the calculations are set out below.

| | 2009 | 2008 |
|---|--------------------|-------------|
| Weighted average number of shares | 317,286,542 | 287,308,746 |
| Dilution effect of warrants | 79,962 | 2,499,951 |
| Dilution effect of stock options and non-vested stock | 7,662,608 | 10,175,953 |
| Dilution effect of stock options and warrants exercised in the period | 261,340 | 879,886 |
| Weighted average number of shares on a diluted basis | 325,290,452 | 300,864,536 |

Earnings per common share

| | | |
|---------|---------------|--------|
| Basic | \$0.62 | \$0.38 |
| Diluted | \$0.60 | \$0.37 |

As described in Note 10, the Company issued new common shares by way of a rights issue of 2 new common shares for every 5 existing common shares. As required by Statement of Financial Accounting Standard No. 128 'Earnings per Share' the impact of the bonus element included within the Rights Issue has been reflected in the calculations of the basic and diluted earnings per share for the period and prior periods have been re-presented on this basis.

13 Subsequent events

The Board of Catlin Bermuda approved a dividend of \$22 million to the stockholders of the non-cumulative perpetual preferred stock. This dividend was paid on 21 July 2009.

The Board of Directors, on 5 August 2009, declared an interim dividend of 8.2 pence per share (13.8 cents) payable on 25 September 2009 to shareholders of record on 28 August 2009. The 2009 interim dividend represents a 9 per cent increase over the 2008 interim dividend of 7.5 pence per share (14.6 cents), re-presented to reflect the impact of the Rights Issue.

Management has evaluated subsequent events until 6 August 2009, the date of issuance of the financial statements.

Independent Review Report to the Board of Directors and the Stockholders of Catlin Group Limited

Introduction

We have been engaged by Catlin Group Limited ('the Company') to review the condensed set of consolidated financial statements included in the Half-yearly Report for the six months ended 30 June 2009, which comprises the Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Changes in Stockholders' Equity, Consolidated Statements of Cash Flows and related notes. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

Directors' Responsibilities

The Half-yearly Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

The condensed set of consolidated financial statements included in this Half-yearly Report has been prepared in accordance with accounting principles generally accepted in the United States of America.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements included in the Half-yearly Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 consolidated financial statements included in the Half-yearly Report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

Bermuda

7 August 2009

Statement of Responsibility

The Directors confirm that to the best of our knowledge:

- The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America;
- The Half-yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board.

Stephen Catlin

Chief Executive

Christopher Stooke

Chief Financial Officer

6 August 2009

Directors and Advisors

Board of Directors

Sir Graham Hearne, Chairman
Stephen Catlin, Chief Executive
Christopher Stooke, Chief Financial Officer
Benjamin Meuli, Executive Director
Alan Bossin
Michael Crall
Jean Claude Damerval
Kenneth Goldstein
Robert Gowdy
Michael Harper
Michael Hepher
Nicholas Lyons

Company Secretary

Daniel Primer

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