2013 HALF YEAR RESULTS

1 August 2013

RSA DELIVERS 24% EARNINGS GROWTH TO £190M, AND COMBINED RATIO OF 94.2%

Strong operational delivery as a result of management actions
- Encouraging progress in UK Commercial and Italy
- Strong underlying performances in Canada and Scandinavia despite adverse weather and large losses
- Operating leverage continues in Emerging Markets
- Net written premiums up 7% on constant exchange rate basis to £4.7bn
- Underwriting result up 26% at £188m (H1 2012 restated[1]: £149m)
- Post tax earnings up 24% to £190m (H1 2012 restated[1]: £153m)
- Annualised ROE 10.0% (H1 2012 restated[1]: 8.0%)
- Interim dividend of 2.28p per share (2012: 3.41p)

Balance Sheet remains strong on all measures
- IGD surplus of £0.9bn; covering capital requirement 1.7 times
- Economic capital surplus of £1.3bn on a 1 in 200 year calibration covering the capital requirement 1.6 times
- S&P A+ (negative outlook) rating reaffirmed in June
- Net asset value per share excluding pension deficit of 103p (H1 2012: 104p)

On track to meet guidance in 2013
- Continued growth in premiums as business expands in Emerging Markets, Canada and Global Specialty Lines
- Better than 95% combined ratio expected despite material adverse weather in Canada
- Investment income of around £470m for full year 2013
- Return on equity of between 10% and 12% expected in 2013
- Confident in prospects for further improvements to ROE and COR in medium term

Simon Lee, Group Chief Executive of RSA, commented:

"These are a good set of results demonstrating continued progress and the benefits of our diversified business model. We've achieved growth of 7% in premiums to £4.7bn. Despite the £48m impact of extreme weather in Alberta we have delivered a COR of 94.2% and remain on track to meet our full year expectations of a COR of better than 95% and ROE of 10-12%.

"We are continuing to deliver strong organic growth in Emerging Markets and Canada. The acquisitions we executed in 2012 are delivering good results. Scandinavian performance remains strong and we are making good progress in the turnaround of performance in UK and Western Europe. The reduction in earnings from lower interest rates is beginning to slow down. The outlook for earnings is positive.

"Net assets have contracted at 30 June 2013 due to the increase in interest rates at the end of June. All our capital measures remain strong and we are confident in our ability to deliver balance sheet growth in the medium term.

"We are well placed to deliver improved shareholder value through growth in earnings, an attractive dividend and improving return on equity"

FINANCIAL HIGHLIGHTS	**6 Months 2013**	6 Months 2012 (restated[1])	Movement at reported FX
Net written premiums	**£4,652m**	£4,276m	9%
Underwriting result	**£188m**	£149m	26%
Combined operating ratio	**94.2%**	95.4%	1.2pts
Operating result	**£339m**	£305m	11%
Profit before tax	**£250m**	£219m	14%
Profit after tax	**£190m**	£153m	24%
Basic earnings per share	**5.0p**	4.1p	22%
Interim dividend per ordinary share	**2.28p**	3.41p	(33)%
Annualised return on equity	**10.0%**	8.0%	25%
Net asset value per share (excl IAS 19 deficit)	**103p**	104p	(1)%

[1] H1 2012 restated for changes to IAS 19 "Employee Benefits", see page 18 for further details

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FURTHER INFORMATION

The full text of the above is available online at www.rsagroup.com. A live webcast of the analyst presentation, including the question and answer session, will be broadcast on the website at 10:00am today and is available via a listen only conference call by dialling UK Freephone 0800 358 5256 or International dial in: + 44 (0) 208 515 2313. Participants should quote conference ID 4629597. An indexed version of the webcast will be available on the website by the end of the day. Copies of the slides to be presented at the analyst meeting will be available on the site from 9.30am today. Scanning the QR code opposite will download details of the conference call to a smart phone.

MANAGEMENT BASIS OF REPORTING

The analysis on pages 16, 18 and 20 to 22 has been prepared on a non statutory basis as management believe that this is the most appropriate method of assessing the financial performance of the Group. The management basis reflects the way management monitor the business. The underwriting result includes insurance premiums, claims and commissions and underwriting expenses. In addition, the management basis also discloses a number of items separately such as investment result, interest costs, reorganisation costs and other activities. Estimation techniques, risks, uncertainties and contingencies are included on pages 23 to 26. Financial information on a statutory basis is included on pages 28 to 36.

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This press release has been prepared in accordance with the requirements of English company law and the liabilities of the directors in connection with this press release shall be subject to the limitations and restrictions provided by such law. This press release may contain 'forward-looking statements' with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation or regulations in the jurisdictions in which the Group and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group's forward-looking statements. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this press release should be construed as a profit forecast.

INTERIM MANAGEMENT REPORT - KEY FINANCIAL PERFORMANCE DATA

		H1 2013		H1 2013	H1 2012
		£m		£m	£m
Net written premiums	Personal	Commercial	Global Specialty Lines	Total	Total
Scandinavia	563	417	138	**1,118**	1,056
Canada	568	162	136	**866**	743
Emerging Markets	317	276	93	**686**	585
UK & Western Europe	846	645	455	**1,946**	1,882
Group Re	-	36	-	**36**	10
Total net written premiums	**2,294**	**1,536**	**822**	**4,652**	4,276

	Combined operating ratio (%)		H1 2013	H1 2012
	H1 2013	H1 2012		(restated)
Underwriting performance		(restated)	£m	£m
Scandinavia	**87.7**	83.1	**98**	130
Canada	**98.7**	91.7	**15**	62
Emerging Markets	**97.8**	99.8	**12**	7
UK & Western Europe	**95.4**	101.8	**50**	(41)
Group Re	**-**	-	**13**	(9)
Total underwriting performance	**94.2**	**95.4**	**188**	149

	H1 2013	H1 2012
Investment result		
Investment income	**256**	267
Unwind of discount	**(50)**	(42)
Total investment result	**206**	225
Insurance result	**394**	374
Other activities	**(55)**	(69)
Operating result	**339**	305
Profit before tax	**250**	219
Profit after tax	**190**	153
Earnings per share – basic (pence)	**5.0**	4.1
Earnings per share – diluted (pence)	**4.9**	4.1
Interim dividend per share (pence)	**2.28**	3.41
Net asset value per share – incl IAS19 pension deficit (pence)	**96**	102
Net asset value per share – excl IAS19 pension deficit (pence)	**103**	104
Tangible Net asset value per share – incl IAS19 pension deficit (pence)	**54**	63
Tangible Net asset value per share – excl IAS19 pension deficit (pence)	**61**	65
Annualised return on equity (%)	**10.0**	8.0
Annualised return on tangible equity (%)	**16.9**	12.6
IGD Surplus (£bn)	**0.9**	1.2
IGD Coverage ratio (times)	**1.7**	1.9
ECA Surplus (1 in 200 year calibration) (£bn)	**1.3**	0.8
ECA Surplus (1 in 1,250 year calibration) (£bn)	**0.8**	0.4

INTERIM MANAGEMENT REPORT – HALF YEAR 2013 REVIEW

6 months ended 30 June 2013	Scandi-navia	Canada	Emerg-ing Markets	UK & Western Europe	Central Functions	**Group H1'13**	Group H1'12 (restated)
	£m	£m	£m	£m	£m	**£m**	£m
Net written premiums	**1,118**	**866**	**686**	**1,946**	**36**	**4,652**	4,276
Underwriting result	**98**	**15**	**12**	**50**	**13**	**188**	149
Investment income	62	36	28	124	6	**256**	267
Unwind of discount	(20)	(1)	(5)	(17)	(7)	**(50)**	(42)
Investment result	**42**	**35**	**23**	**107**	**(1)**	**206**	225
Insurance result	**140**	**50**	**35**	**157**	**12**	**394**	374
Other activities	(3)	(3)	(12)	(3)	(34)	**(55)**	(69)
Operating result (management basis)	**137**	**47**	**23**	**154**	**(22)**	**339**	305
Realised gains/(losses)						**22**	37
Unrealised (losses)/gains, impairments and foreign exchange						**(4)**	(3)
Interest costs						**(59)**	(58)
Amortisation of intangible assets						**(21)**	(20)
Pension net interest costs						**(4)**	(3)
Solvency II costs						**(10)**	(16)
Reorganisation costs						**(4)**	(19)
Acquisitions and disposals						**(9)**	(4)
Profit before tax (per condensed consolidated income statement)						**250**	219
Profit after tax (per condensed consolidated income statement)						**190**	153
Combined operating ratio (%)	87.7	98.7	97.8	95.4	-	**94.2**	95.4

In the first half of 2013, net written premiums were up 7% at constant exchange rates (9% as reported) to £4,652m (H1 2012: £4,276m as reported; £4,360m at constant exchange). Premium growth comprised 3% from rate increases on renewed business, 1% of increased volumes and 3% from inorganic activity with a further 2% increase from foreign exchange effects. On a reported basis, premiums grew by 17% in Emerging Markets and Canada, whilst Scandinavia was up 6% due to FX effects. Premiums were up 3% in UK and Western Europe. Our Global Specialty Lines (GSL) business grew 8% at constant FX to £822m with a combined ratio of 100.5% (H1 2012: 90.9%) due to heavy weather and large losses in Canada, Scandinavia and Europe.

The underwriting result was up 26% to £188m (H1 2012 restated: £149m) with current year profit up 161% to £94m (H1 2012 restated: £36m) and a prior year result of £94m (H1 2012: £113m). The Group combined operating ratio (COR) was 94.2% (H1 2012 restated: 95.4%). The severe flooding in Alberta, Canada, affected Group COR by 1.1%. Despite this, overall weather losses for the Group were within expectations at 2.1% (H1 2012: 2.7%). Large losses contributed 7.2% to the COR (H1 2012: 7.3%), which is broadly in line with long term averages and expectations for 2013, although large losses in H1 2013 were concentrated in Scandinavia and Western Europe leading to depressed underwriting results in these territories. Prior year releases benefited the COR by 3.3% (H1 2012: 3.3%). We have maintained our prudent reserving policy and anticipate positive prior year development to continue to be a significant contributor to profit in the future.

The investment result is down 8% to £206m (H1 2012: £225m) due to the continued effect of low bond yields on investment income. Investment income of £256m (H1 2012: £267m), is comfortably in line with full year guidance of £470m.

Other operating activities were £55m (H1 2012: £69m) and comprise £29m central expenses (H1 2012: £35m), £14m of investment expenses (H1 2012: £16m) and £12m of other operating activities (H1 2012: £18m). Other operating activities include the ongoing investment in our associates in India and Thailand as well as our direct operations in Central and Eastern Europe. In H1 2013 the start-up charge for our Central and Eastern Europe operations reduced from £12m in H1 2012 to £6m. We expect a similar charge in H2 2013 after which we expect these costs will fall to zero.

At 30 June 2013, NAV per share excluding the IAS19 pension deficit was 103p (30 June 2012: 104p) reflecting the impact of retained profits less dividends paid in the period, being more than offset by mark-to-market asset movements and foreign exchange effects. Tangible NAV per share excluding IAS 19 at 30 June 2013 was 61p (30 June 2012: 65p).

The Group's capital position remains healthy with an IGD surplus of £0.9bn (31 December 2012: £1.2bn) covering the capital requirement 1.7 times (31 December 2012: 1.9 times) and economic capital of £1.3bn (31 December 2012: £1.2bn) (on a 1 in 200 year calibration) giving coverage over the economic capital requirement of 1.6 times.

Outlook and Financial Targets

We are delivering on our plans and remain on track to meet the guidance we issued in February, despite the impact of adverse weather in Canada, which has continued into the second half with severe flooding in Toronto in July. The 2013 Canadian results will be affected by this extreme weather but Canada remains a highly attractive market for the Group. We are making good progress on the turnaround in both UK Commercial and Italy. The Scandinavian markets remain attractive and, while the first half results were impacted by an unusual level of Commercial large losses, Scandinavia will remain a significant profit contributor to the Group going forward. In Emerging Markets we are delivering on our objectives of growth in premiums and improving profitability through operating leverage.

Assuming a normal pattern of weather losses in the second half, we remain on track to meet our full year expectations of a combined ratio of better than 95% and return on equity of 10-12%.

The Group's balance sheet will be affected by short term volatility in financial markets. Over the medium term, we expect retained earnings to more than offset the "pull to par" effects in our bond portfolio, leading to medium term balance sheet growth. Cash generation is good and highly fungible; a significant proportion of cash generated is remitted to the centre to fund growth and dividends.

Dividend

In line with our preliminary results announcement of 20 February 2013, the Board has agreed an ordinary interim dividend of 2.28 pence per share (2012 ordinary interim dividend: 3.41 pence per share). Going forward, it is the Board's intention to grow the dividend in line with the anticipated underlying growth in earnings.

Simon Lee
Group Chief Executive

BUSINESS REVIEW - SCANDINAVIA

	Net written premiums H1 2013 £m	Net written premiums H1 2012 £m	Change[1] %	Underwriting result H1 2013 £m	Underwriting result H1 2012 £m
Personal					
Household	**172**	162	**1**	**11**	8
Motor	**232**	224	**(2)**	**57**	45
Personal Accident and Other	**159**	143	**4**	**55**	47
Total Scandinavia Personal	**563**	529	**1**	**123**	100
Commercial					
Property	**198**	184	**3**	**(37)**	1
Liability	**92**	87	**1**	**8**	31
Motor	**144**	137	**-**	**(2)**	(3)
Marine and Other	**121**	119	**(3)**	**6**	1
Total Scandinavia Commercial	**555**	527	**-**	**(25)**	30
Total Scandinavia	**1,118**	1,056	**-**	**98**	130
Split by country					
Sweden	**573**	522	**2**	**62**	74
Denmark	**435**	439	**(4)**	**31**	54
Norway	**110**	95	**12**	**5**	2
Total Scandinavia	**1,118**	1,056	**-**	**98**	130
Investment result				**42**	48
Scandinavia insurance result				**140**	178

Operating Ratios (%)	Claims H1 2013	Claims H1 2012	Expenses H1 2013	Expenses H1 2012	Combined H1 2013	Combined H1 2012
Personal						
Household					**92.3**	95.0
Motor					**71.1**	75.6
Personal Accident and Other					**63.6**	66.0
Total Scandinavia Personal	**60.5**	63.7	**14.8**	15.0	**75.3**	78.7
Commercial						
Property					**119.6**	96.1
Liability					**81.6**	45.1
Motor					**99.1**	99.0
Marine and Other					**89.8**	92.5
Total Scandinavia Commercial	**84.9**	71.5	**17.4**	16.7	**102.3**	88.2
Total Scandinavia	**71.6**	67.3	**16.1**	15.8	**87.7**	83.1

Rate Increases[2] (%)	**Personal**		**Commercial**		
Scandinavia	**Household**	**Motor**	**Property**	**Liability**	**Motor**
Jun 13 vs Jun 12	8	3	3	4	4
Mar 13 vs Mar 12	9	3	3	4	4
Dec 12 vs Dec 11	12	3	1	4	5
Sept 12 vs Sept 11	12	2	6	-	4

[1] at constant exchange rate

[2] Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

SCANDINAVIA – CONTINUED PROFITABILITY DESPITE ADVERSE LARGE LOSSES

Net written premiums of £1,118m in Scandinavia were flat at constant exchange (H1 2012: £1,056m as reported; £1,113m at constant exchange) with good growth in Swedish Personal and Norway offset by falls in Denmark where we continue to focus on improving profitability. Growth in Sweden of 2% was driven by Household (up 5%) and Personal Accident & Other (up 5%) whilst Personal Motor and Commercial were flat. Growth in Norway of 12% was driven by strong growth in Care, as well as good growth of 8% in Personal driven by both Household and Motor. In Denmark we are continuing to prioritise profitability and during the first half we have targeted rate increases whilst maintaining our discipline in risk selection, particularly in Personal Lines. As a result premiums in Denmark were 4% lower at constant exchange.

The Scandinavian underwriting result of £98m (H1 2012: £130m) was significantly affected by an unusual level of large Commercial losses (£44m higher than H1 2012) particularly in Swedish Property and Renewable Energy and, as a result, the combined ratio was 87.7% (H1 2012: 83.1%). After including investment returns of £42m (H1 2012: £48m), the insurance result was £140m (H1 2012: £178m).

In Scandinavian Personal Lines, profitability was strong with an underwriting result of £123m, up 15% at constant exchange. This reflects an improving performance in Danish Personal with relatively benign weather losses and a better underlying claims ratio. Sweden Personal continues to perform strongly with a 6% increase in the underwriting result.

Scandinavia Commercial made an underwriting loss of £25m in the first half. This was driven by an unusual number of large losses particularly in Renewable Energy and Swedish Property, as well as one significant Marine large loss. In Property we have seen a series of unrelated large fire losses whilst Renewable Energy has been impacted by several offshore wind losses. At this stage we haven't identified any obvious trends in these large losses. Many of the affected customers have been with us for some years. We continue to focus on risk selection, assessment and controls. As a result of these losses, the Scandinavian Commercial COR was 102.3%.

Scandinavia – Outlook

We continue to expect the Scandinavian P&C markets to grow in line with local GDP growth, and we expect to grow in line with the market in Sweden and Denmark, whilst deploying group capabilities to build market share in Norway. We're making good progress in improving the balance of profitability across the region. Our focus is on continued strong profitability in Sweden, improving profitability in Denmark whilst focusing on profitable growth in Norway.

BUSINESS REVIEW - CANADA

	Net written premiums H1 2013 £m	Net written premiums H1 2012 £m	Change[1] %	Underwriting result H1 2013 £m	Underwriting result H1 2012 (restated[2]) £m
Personal					
Household	**200**	154	**28**	**17**	20
Motor	**368**	331	**10**	**30**	18
Total Canada Personal	**568**	485	**16**	**47**	38
Commercial					
Property	**131**	111	**17**	**(51)**	5
Liability	**79**	72	**8**	**8**	10
Motor	**59**	49	**18**	**8**	7
Marine and other	**29**	26	**12**	**3**	2
Total Canada Commercial	**298**	258	**14**	**(32)**	24
Total Canada	**866**	743	**15**	**15**	62
Investment result				**35**	31
Canada insurance result				**50**	93

Operating Ratios (%)	Claims H1 2013	Claims H1 2012 (restated[2])	Expenses H1 2013	Expenses H1 2012 (restated[2])	Combined H1 2013	Combined H1 2012 (restated[2])
Personal						
Household					**94.5**	90.3
Motor					**92.1**	94.5
Total Canada Personal	**67.2**	67.7	**25.6**	25.0	**92.8**	92.7
Commercial						
Property					**139.3**	93.3
Liability					**89.6**	82.5
Motor					**84.0**	82.9
Marine and other					**90.4**	94.2
Total Canada Commercial	**77.1**	54.2	**33.8**	34.2	**110.9**	88.4
Total Canada	**70.4**	63.5	**28.3**	28.2	**98.7**	91.7

Rate Increases[3] (%) Canada	Personal Household	Personal Motor	Commercial Property	Commercial Liability	Commercial Motor
Jun 13 vs Jun 12	7	-	4	3	3
Mar 13 vs Mar 12	7	1	4	2	2
Dec 12 vs Dec 11	11	3	4	2	2
Sept 12 vs Sept 11	12	2	3	1	-

[1] at constant exchange rate
[2] H1 2012 restated for changes to IAS 19 "Employee Benefits", see page 18 for further details
[3] Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

CANADA – STRONG UNDERLYING PERFORMANCE; PROFITABILITY IMPACTED BY ALBERTA FLOODS

Net written premiums in Canada were up 15% on a constant exchange rate basis to £866m (H1 2012: £743m as reported; £752m at constant exchange) with 4% organic growth and the 2012 acquisition of L'Union Canadienne (UC) accounting for 11% of growth.

Underwriting profit was £15m (H1 2012 restated: £62m) with profitability severely affected by the June floods in Alberta. As a result, the combined ratio was 98.7% (H1 2012 restated: 91.7%). As we announced on 3 July, major flooding in Calgary and the surrounding areas of Southern Alberta commenced on 19 June following heavy rainfall. Our priority has been to provide care and support to our customers, brokers and impacted local employees. The floods will be one of Canada's costliest natural catastrophes on record and our gross claims will be significantly above our retention of £48m, leading to the net loss of £48m.

Excluding the floods, the Canadian combined ratio was 93.3% reflecting a continued strong underlying performance and an improving operating expense ratio (down from 15.0% in H1 2012 to 13.8% in H1 2013) as we realise synergies from the ongoing integration of UC. The growth in brokered business, led to a 1.3 point increase in the commission ratio. After including investment returns of £35m (H1 2012: £31m), the insurance result was £50m (H1 2012 restated: £93m).

Personal premiums were up 16% at constant exchange to £568m (H1 2012: £485m as reported; £491m at constant exchange). Growth was 5% excluding the impact of the acquisition of UC. Personal Household premiums were up 28% to £200m (H1 2012: £154m as reported; £156m at constant exchange) with strong growth in Personal Broker of 38%, driven by the Pacific region and solid retention across the book, and in Johnson where Household premiums grew 11%. Underwriting profit was £17m (H1 2012 restated: £20m).

In Personal Motor, premiums grew by 10% driven by growth of 28% in Personal Broker, although Johnson premiums were flat due to our focus on managing the portfolio for profitability, particularly in the Ontario market. Underwriting profit in Personal Motor was £30m (H1 2012: £18m) resulting from improved profitability in Johnson. Following the reserve strengthening in Ontario Auto in 2012, this portfolio has been stable during the first half of 2013. The Personal Motor combined ratio of 92.1% was 2.4 points better than H1 2012 (94.5%).

In Commercial lines, premiums were up 14% to £298m (H1 2012: £258m as reported; £261m at constant exchange) with strong growth of 17% in Property and 18% in Motor. Excluding the acquisition of UC, growth was 4% across the Commercial portfolio with good growth in Global Specialty Lines where premiums were up 11% driven mainly by Property. We have seen improving retention across Commercial during the first half and in the second half our focus will be on further rate increases, particularly in our Property portfolio. Overall, Commercial made a first half underwriting loss of £32m (H1 2012 restated: £24m profit) and was heavily impacted by the Alberta floods.

Canada – Outlook

Following heavy rainfall on 8 July, Toronto and the surrounding areas experienced severe flooding. Although it is still early, our initial estimate of the net loss for RSA is £25m to £40m, which will particularly affect our Personal lines portfolio. The severe weather in Alberta and Toronto will have a material impact on the Canadian combined ratio for 2013. However, we expect the pricing environment to respond positively, returning to COR in the low to mid 90s by 2014.

BUSINESS REVIEW – EMERGING MARKETS

	Net written premiums		Change[1]	Underwriting result	
	H1 2013	H1 2012	**%**	**H1 2013**	H1 2012
	£m	£m		**£m**	£m
Latin America	**399**	343	**17**	**3**	1
CEEME	**209**	180	**13**	**6**	4
Asia	**78**	62	**20**	**3**	2
Total Emerging Markets	**686**	585	**16**	**12**	7
Asian Associates[2]	**171**	152	**11**		
Asia (incl Associates)	**249**	214	**14**		
Emerging Markets (incl Associates)	**857**	737	**15**		

	H1 2013	H1 2012
Investment result	**23**	24
Emerging Markets insurance result (as reported)	**35**	31
EM start up costs (reported in other activities)	**(6)**	(12)
Emerging Markets insurance result (fully loaded for costs)	**29**	19

Operating Ratios (%)	**Claims**		**Expenses**		**Combined**	
	H1 2013	H1 2012	**H1 2013**	H1 2012	**H1 2013**	H1 2012
Latin America					**99.0**	101.1
CEEME					**96.4**	97.9
Asia					**96.6**	98.9
Total Emerging Markets	**57.1**	56.8	**40.7**	43.0	**97.8**	99.8

[1] at constant exchange rate
[2] Asian Associates includes 100% of the premiums of our associates in India and Thailand

EMERGING MARKETS – CONTINUED GROWTH AND OPERATING LEVERAGE

Our Emerging Markets business has delivered good premium growth and improving profitability, with continued operating leverage. We remain focused on active management of the Emerging Markets portfolio; during the first half we completed the sale of our business in the Dutch Caribbean, whilst the integration of our 2012 acquisitions in Argentina remains on track.

Emerging Markets premiums grew 16% at constant exchange to £686m (H1 2012: £585m as reported; £590m at constant exchange). Including non-consolidated associates in India and Thailand, premiums were up 15% at constant exchange to £857m (H1 2012: £737m as reported; £744m at constant exchange).

The underwriting result of £12m was up £5m from H1 2012 (£7m) with profit growth coming from all three regions. The combined ratio of 97.8% was 2 points better than H1 2012 with the improvement driven by continued operating leverage on expenses and a lower commission ratio. The operating expense ratio of 21.8% was 1.2 points lower (H1 2012: 23.0%) with improvements across all regions, whilst the commission ratio was lower than H1 2012 due to the non-renewal of some large, low margin, commercial contracts in Latin America that attracted high commission ratios. We expect this commission ratio benefit will partly reverse during the second half.

Emerging Markets delivered an investment result of £23m (H1 2012: £24m) leading to an insurance result of £35m which was up 13% from H1 2012. Start-up costs in the first half were £6m (H1 2012: £12m). We expect a similar charge in the second half and that these costs will fall to zero in 2014.

In Latin America, premiums were up 17% at constant exchange to £399m (H1 2012: £343m as reported; £340m at constant exchange), including £51m from the acquisitions in Argentina which completed on 31 July 2012. In addition to the 2012 acquisitions, there was organic growth of 4% across the region. Underwriting profits were £3m (H1 2012: £1m).

In Central and Eastern Europe and the Middle East (CEEME), premiums were up 13% at constant exchange to £209m (H1 2012: £180m as reported, £185m at constant exchange). Excluding the impact of the exit of our Czech business, CEEME premiums were up 16% at constant exchange. There was strong growth in all countries but particularly Oman (up 26%), Poland (up 12%), and Lithuania (up 9%). The underwriting result of £6m reflected good performance in Lithuania, Poland, UAE and Oman. The combined ratio of 96.4% represented an improvement of 1.5 points on H1 2012.

In Asia, premiums were up 20% at constant exchange to £78m (H1 2012: £62m as reported, £65m at constant exchange) with strong double-digit growth across all operations, particularly Hong Kong (up 26%) and Singapore (up 13%). Our associates in Thailand and India grew 11% at constant exchange. Underwriting profit in Asia was £3m (H1 2012: £2m).

Emerging Markets Outlook

We remain on track to meet our target of £2.2bn of Emerging Markets premiums (including our associates) in 2015. We also expect further improvements in profitability. Notwithstanding the good performance in the first half, the seasonality in our Emerging Markets business typically produces stronger underwriting profits during the second half of the year. We also expect that operating leverage will continue to develop in the expense line.

BUSINESS REVIEW – UK & WESTERN EUROPE

	Net written premiums H1 2013	H1 2012 (restated[2])	Change[1] %	Underwriting result H1 2013	H1 2012 (restated[2])
UK Personal	**£m**	£m		**£m**	£m
Household	**334**	324	**3**	**47**	2
Motor	**215**	224	**(4)**	**(2)**	5
Pet	**104**	113	**(8)**	**3**	2
Total UK Personal	**653**	661	**(1)**	**48**	9
UK Commercial					
Property	**258**	266	**(3)**	**28**	9
Liability	**140**	137	**2**	**(2)**	(5)
Motor	**310**	278	**12**	**(7)**	(28)
Marine	**176**	155	**14**	**6**	5
Total UK Commercial	**884**	836	**6**	**25**	(19)
Total UK	**1,537**	1,497	**3**	**73**	(10)
Western Europe					
Ireland	**197**	183	**5**	**10**	14
Italy	**104**	102	**(2)**	**(5)**	(39)
European Specialty Lines	**108**	100	**4**	**(28)**	(6)
Total UK & Western Europe	**1,946**	1,882	**3**	**50**	(41)
Investment result				**107**	117
UK & WE insurance result				**157**	76

Operating Ratios (%)	**Claims**		**Expenses**		**Combined**	
Personal	**H1 2013**	H1 2012 (restated[2])	**H1 2013**	H1 2012 (restated[2])	**H1 2013**	H1 2012 (restated[2])
Household					**86.7**	99.7
Motor					**101.2**	100.3
Pet					**98.1**	99.9
Total UK Personal	**55.5**	63.9	**37.5**	36.1	**93.0**	100.0
Commercial						
Property					**85.0**	91.6
Liability					**98.9**	102.7
Motor					**101.0**	110.5
Marine					**90.4**	98.9
Total UK Commercial	**65.1**	72.2	**28.4**	29.1	**93.5**	101.3
Total UK	**60.8**	68.4	**32.3**	32.2	**93.1**	100.6
Western Europe						
Ireland					**94.8**	92.7
Italy					**105.2**	134.2
European Specialty Lines					**134.9**	101.1
Total UK & Western Europe	**64.4**	71.0	**31.0**	30.8	**95.4**	101.8

Rate Increases[3] (%)	**Personal**		**Commercial**		
UK	**Household**	**Motor**	**Property**	**Liability**	**Motor**
Jun 13 vs Jun 12	1	(3)	4	5	3
Mar 13 vs Mar 12	2	(4)	4	3	4
Dec 12 vs Dec 11	3	(2)	4	6	10
Sept 12 vs Sept 11	4	1	4	4	9

[1] at constant exchange rate
[2] H1 2012 restated for (i) changes to IAS 19 "Employee Benefits", see page 18 for further details; and (ii) class of business changes in UK Commercial, ESL and Italy, see page 19 for further details
[3] Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

UK & WESTERN EUROPE – ENCOURAGING PROGRESS FROM MANAGEMENT ACTIONS

UK & Western Europe premiums increased by 3% in the first half to £1,946m (H1 2012: £1,882m as reported; £1,895m at constant exchange), with an underwriting profit of £50m (H1 2012 restated: £41m loss). The investment result of £107m (H1 2012: £117m) led to an insurance result of £157m (H1 2012 restated: £76m). We have made good progress on our strategy to refocus the business and reduce exposure to less attractive segments whilst continuing to grow in areas where we believe we can deliver shareholder value.

UK premiums of £1,537m were up 3% (H1 2012: £1,497m) with growth of 6% in Commercial, partly offset by Personal which was 1% lower. Underwriting profits of £73m were up £83m reflecting the impact of our ongoing actions to improve profitability as well as the adverse weather in H1 2012. The COR of 93.1% was 7.5 points better than H1 2012.

UK Personal premiums were down 1% to £653m (H1 2012: £661m), with underwriting profits up £39m to £48m. This mainly reflects relatively benign weather in H1 2013 which was better than the prior year, and was around £10m better than our expectations. Household continued to grow steadily (up 3%). Pet declined (down 8%) due to an adjustment to pipeline premium. Underlying growth in Pet was good and there was no impact on the underwriting result from the premium adjustment. In Personal Motor we continue to take a disciplined approach to pricing.

In UK Commercial we are making encouraging progress. Premiums were up 6% to £884m driven mainly by rate rather than volume. Growth in Motor reflects significant rate increases in Motability partly offset by the core Motor book shrinking by 11% resulting from a disciplined approach to pricing and targeted exits. Following a change in the timing of the recognition of premiums, Marine topline benefited by £25m, although this will unwind by the end of the year. Underlying Marine premiums were slightly down as we focus on profitability. Underwriting performance in Commercial has been good with profits of £25m (H1 2012 restated: £19m loss) reflecting a strong result in Property driven by improvements in risk selection, a refined approach to reinsurance purchasing and assisted by benign large loss and weather experience. In Commercial Motor (£7m loss; £21m better than H1 2012) we are seeing the benefits of the actions we took in 2012. In Liability, where we continue to take firm underwriting actions, the result has shown a small improvement.

WESTERN EUROPE – GOOD PROGRESS IN ITALY; IRELAND CONTINUES TO DELIVER

In Italy, premiums of £104m were down 2% at constant exchange reflecting our ongoing discipline around pricing and risk selection as we continue to make good progress in remediating the business. The underwriting loss of £5m in the first half represents a significant improvement of £34m on the prior year, reflecting the underlying progress in the business but also the earthquakes in 2012. Premiums in Ireland of £197m (H1 2012: £183m as reported; £188m at constant exchange) were up 5% in a contracting market, with 123.ie continuing to deliver good growth of 8%. Irish underwriting profits were £10m (H1 2012: £14m) and the combined ratio was 94.8% (H1 2012: 92.7%) impacted by increasing Motor claims frequency experienced across the Irish market. We have taken swift action, including rate increases, to address this. European Specialty delivered 4% growth to £108m and an underwriting loss of £28m (H1 2012: £6m loss) driven mainly by a single large loss in Germany.

UK and Western Europe outlook

In the UK, our focus will continue to be on underwriting profit over volume. In UK Commercial we will focus on building on the momentum generated in the first half, continuing to drive rate increases and cost reduction. By the end of 2013 we expect to have reduced headcount supporting the UK business by over 11% since January 2012. In June we announced the renewal of our contract with Motability, effective from 1 October 2013, which will further improve profitability in the medium term. Old tranches from the Motability contract will continue to have a negative impact on underwriting in the short term. Under the new quota share arrangement RSA will write 20% of the overall scheme, and we therefore expect premiums to fall significantly from current levels of around £400m p.a. In UK Personal, we are actively responding to a rapidly changing market. Whilst the outlook is still uncertain, we are optimistic that the UK Motor reforms will lead to a more rational and transparent market. Italy remains on track to be trading on a break even basis by the end of 2013.

BUSINESS REVIEW – INVESTMENT RESULT

Investment Result	**6 Months 2013 £m**	6 Months 2012 £m	Change %
Bonds	**194**	207	(6)
Equities	**27**	36	(25)
Cash and cash equivalents	**7**	6	17
Property	**14**	12	17
Other	**14**	6	133
Investment income	**256**	267	(4)
Unwind of discount including ADC	**(50)**	(42)	(19)
Investment result	**206**	225	(8)
Attributed to			
Scandinavia	**42**	48	(13)
Canada	**35**	31	13
Emerging Markets	**23**	24	(4)
UK & Western Europe	**107**	117	(9)
Central functions	**(1)**	5	
Realised and Unrealised Gains			
Realised gains	**22**	37	(41)
Unrealised (losses)/gains, impairments and foreign exchange	**(4)**	(3)	(33)
Total gains	**18**	34	(47)

Balance sheet unrealised gains	**30 June 2013**	31 Dec 2012	Change %
Bonds	**392**	638	(39)
Equities	**103**	86	20
Other	**5**	6	(17)
Total	**500**	730	(32)

Portfolio Composition	Value 31/12/2012 £m	Foreign Exchange £m	Mark to Market £m	Other Movements £m	**Value 30/6/2013 £m**
Government bonds	4,207	104	(101)	(48)	**4,162**
Non government bonds	7,517	189	(185)	(66)	**7,455**
Cash	1,329	32	-	(111)	**1,250**
Equities	553	7	31	27	**618**
Property	340	2	(5)	3	**340**
Preference shares & CIVs[1]	286	3	9	13	**311**
Other	97	1	(5)	44	**137**
Total	14,329	338	(256)	(138)	**14,273**
Split by currency:					
Sterling	3,855				**3,708**
Danish Krone	1,353				**1,411**
Swedish Krona	2,680				**2,368**
Canadian Dollar	3,110				**3,113**
Euro	1,500				**1,644**
Other	1,831				**2,029**
Total	14,329				**14,273**

[1] Collective investment vehicles

INVESTMENT RESULT – INCOME IN LINE WITH EXPECTATIONS

Investment income of £256m was down 4% (H1 2012: £267m) primarily reflecting the continued low bond yield environment. After accounting for the unwind of discount, the investment result was down 8% to £206m (H1 2012: £225m). The movement in the unwind of discount partly reflects organic growth in Argentina and the acquisitions made there in 2012. Our Motor reserves in Argentina are discounted to reflect wider macro economic conditions. The Group continues to execute a low risk investment strategy.

The average underlying yield on the portfolio was 3.6% (H1 2012: 3.7%). Reinvestment rates in the Group's bond portfolios at 30 June 2013 were around 120bps lower than the underlying portfolio yield.

Total gains of £18m (H1 2012: £34m) reflected realised gains from the sale of equities and bonds during the first half of the year partly offset by a modest decline in the value of investment properties and derivatives.

Balance sheet unrealised gains of £500m (31 December 2012: £730m) primarily relate to unrealised gains on the bond portfolio. The 32% decline mainly reflects a 39% reduction in unrealised bond gains following the sharp increase in yields at the end of the first half of 2013. Balance sheet unrealised equity gains amounted to £103m (31 December 2012: £86m).

The portfolio decreased marginally in value over the first half of the year due to negative mark-to-market movements and some cash outflows in part reflecting payment of the Group's dividend and interest on debt. These negative movements were partly offset by foreign exchange gains.

The portfolio remains invested in widely diversified fixed income securities (81% of the portfolio), with 4% in equities, 9% in cash and 2% in property. During 2013 average duration increased to 3.9 years (31 December 2012: 3.8 years). Following the purchase of increased levels of non-government bonds in 2012, levels have remained consistent in 2013 and non-government bonds continue to make up 64% of the bond portfolio. The quality of the bond portfolio remains very high with 98% investment grade and 68% rated AA or above. We are well diversified by sector and geography. Peripheral European sovereign debt amounts to less than 1% of the portfolio and is primarily backing the liabilities of our insurance operations in Ireland and Italy.

Investment Income: Outlook

In the second half of 2013, we will continue to follow our high quality, low risk strategy. We remain comfortably on track to meet full year investment income guidance of around £470m in 2013.

BALANCE SHEET REVIEW

MOVEMENT IN NET ASSETS

	Shareholders' funds	Non controlling interests	Loan capital	Net assets
	£m	£m	£m	£m
Balance at 1 January 2013	**3,750**	**129**	**1,311**	**5,190**
Profit after tax	185	5	-	**190**
Exchange gains net of tax	63	5	1	**69**
Fair value losses net of tax	(188)	-	-	**(188)**
Pension fund actuarial losses net of tax	(99)	-	-	**(99)**
Amortisation and repayment of loan capital	-	-	(1)	**(1)**
Share issue including scrip	54	-	-	**54**
Changes in shareholders' interests in subsidiaries	(1)	(1)	-	**(2)**
Share based payments	12	-	-	**12**
Prior year final dividend	(140)	(7)	-	**(147)**
Preference dividend	(5)	-	-	**(5)**
Balance at 30 June 2013	**3,631**	**131**	**1,311**	**5,073**

CAPITAL POSITION

	30 June 2013 Coverage (times)	**30 June 2013 Surplus £bn**	31 December 2012 Surplus £bn
Insurance Groups Directive	**1.7**	**0.9**	1.2
Economic Capital (1in 200 Calibration)	**1.6**	**1.3**	1.2
Economic Capital (1in 1,250 Calibration)	**1.3**	**0.8**	0.7

BALANCE SHEET – UNDERLYING PROGRESS MASKED BY MARKET EFFECTS

Shareholder funds fell by 3% in the period to £3,631m (31 December 2012: £3,750m). Profit after tax of £185m (reported PAT of £190m less non-controlling interests) was more than offset by the after tax impact of mark-to-market falls in the value of the investment portfolio of £188m and actuarial losses, after tax, on the IAS19 pension position of £99m.

Scrip dividend take up for the 2012 final dividend was 35% leading to a cash dividend cost of £91m. Net asset value per share was 96p (31 December 2012: 101p per share).

Tangible net asset value was £1,987m at 30 June 2013 (31 December 2012: £2,136m). Excluding the IAS19 pension deficit, net asset value was £3,756m or 103p per share at 30 June 2013 (31 December 2012: 107p per share) and tangible net asset value was £2,237m or 61p at 30 June 2013 (31 December 2012: 65p per share)

CAPITAL - COMFORTABLE ON ALL CAPITAL MEASURES

The IGD surplus at 30 June 2013 was £0.9bn (31 December 2012: £1.2bn) and coverage over the IGD requirement 1.7 times (31 December 2012: 1.9 times). The reduction in the surplus reflects economic capital generated which was more than offset by the impact of the increase in bond yields at the end of H1 2013, the 2012 final dividend and the movement in the pension fund.

When calibrated to a risk tolerance consistent with the expected Solvency II calibration, equivalent to a probability of insolvency over one year of 1 in 200, the ECA surplus was £1.3bn (31 December 2012: £1.2bn). When calibrated to Standard & Poor's long term A rated bond default curve, equivalent to a probability of insolvency over one year of 1 in 1,250 the ECA surplus was £0.8bn (31 December 2012: £0.7bn). Profits generated and the impact of increasing bond yields at the end of H1 2013 have been partly offset by the final dividend for 2012.

In addition, for the half year we have disclosed economic capital coverage ratios. These show the coverage over the economic capital requirement to be 1.6 times on a 1 in 200 calibration and 1.3 times on a 1 in 1,250 calibration. Our economic capital model is a stochastic model centred around the Group's three year plan. The plan is stressed through an economic scenario generator and insurance liability model which simulates a variety of business outcomes. The economic capital requirement is the capital needed to meet the Group's obligations at the given probability level. Capital resources represent our own view of the Group's economic capital which comprises our IFRS capital base adjusted to exclude items such as intangible assets and goodwill. We consider the economic capital model to represent a prudent view of the capital requirements for the Group.

Our financing and liquidity position remains strong. Capital generation is good and highly fungible; a significant proportion of capital generated is remitted to the centre to fund growth and dividends.

The Group has the option to call the £450m subordinated guaranteed perpetual notes in December 2014 and its committed £500m senior facility continues to remain undrawn.

The Group's current Standard & Poor's rating of A+ (negative outlook) was reaffirmed in June. The Group is rated A2 by Moody's.

PENSION FUND

The table below provides a reconciliation of the movement in the Group's pension fund position (net of tax) from 1 January 2013 to 30 June 2013.

	UK £m	Other £m	Group £m
Pension fund at 1 January 2013	**(111)**	**(96)**	**(207)**
Actuarial (losses)/gains	(111)	12	**(99)**
Deficit funding	50	-	**50**
Other movements	3	2	**5**
Pension fund at 30 June 2013	**(169)**	**(82)**	**(251)**

The UK pension fund position has deteriorated by £58m since 31 December 2012 to a deficit of £169m. This is driven by an increase in the inflation rate partly offset by returns on assets and an increase in the discount rate.

Within actuarial assumptions, the inflation rate increased to 3.0% (31 December 2012: 2.6%) while the discount rate increased by a smaller amount to 4.5% (31 December 2012: 4.3%). Consequently the yield gap has decreased from 1.7% to 1.5%.

The overseas pension deficit has improved by £14m since 31 December 2012 to a deficit of £82m principally due to an increase in the discount rate applied to the Canadian pension scheme from 4.35% to 4.70%. This reflects increases in the AA corporate bond yields in Canada.

IAS 19 RESTATEMENT

Following the issue of a revised IAS 19 "Employee Benefits" the group has made changes to its accounting for employee benefits.

Under the revised standard, expected returns on plan assets will no longer be recognised in profit or loss. Expected returns are replaced by recording interest in the income statement, which is calculated using the discount rate used to measure the pension obligations. The effect of this is to increase the charge in the income statement, with a corresponding reduction in other comprehensive income. There is no change to the statement of financial position.

We have restated the comparative figures in the condensed consolidated Income Statement and a corresponding opposite entry in the condensed consolidated Statement of Comprehensive Income. The net income statement impact of these changes on the H1 2012 comparatives is a £9m reduction to the underwriting result, a 0.2pt increase in the combined ratio, an £11m reduction to the operating result and an £11m reduction to profit after tax. A restatement of the full year 2012 income statement is provided on page 20. Corresponding ratios and other metrics have also been restated.

CONCLUSION OF PENSION SCHEME VALUATIONS

In July we announced that the Group had agreed, with the Trustees of our main UK pension schemes, the pension deficit funding contributions following the completion of the latest triennial actuarial valuations.

As at 31 March 2012, the main UK schemes, Royal Insurance Group Pension Scheme ("RIGPS") and the SAL Pension Scheme ("SALPS") were c93% funded on the prudent measure that the Trustees are required to use, with a combined deficit of £442m. This compares to a combined deficit of £692m at 31 March 2009.

Guaranteed deficit funding contributions of c£61m p.a. will be paid in 2014, 2015 and 2016. This compares with deficit funding contributions of c£70m in 2012 and c£63m in 2013.

RATIOS, DEFINITIONS AND OTHER INFORMATION

Underlying return on equity

Underlying return on equity is 9.7% (H1 2012 restated: 7.5%) and is calculated as the profit after tax attributable to ordinary shareholders from continuing operations, excluding acquisitions, disposals, reorganisation costs and net investment gains or losses, impairments and foreign exchange expressed in relation to opening shareholders' funds attributable to ordinary shareholders.

Combined operating ratio

The combined operating ratio represents the sum of expense and commission costs expressed in relation to net written premiums and claim costs expressed in relation to net earned premiums. The calculation of the COR of 94.2% is based on net written premiums of £4,652m and net earned premiums of £4,298m.

Net asset value per share

Net asset value per share data at 30 June 2013 was based on total shareholders' funds of £3,631m, adjusted by £125m for preference shares.

Earnings per share

The earnings per share is calculated by reference to the result attributable to the ordinary shareholders of the Parent Company and the weighted average number of shares in issue during the period. On a basic and diluted basis these were 3,607,475,744 and 3,648,295,336 respectively (excluding those held in ESOP and SIP trusts). The number of shares in issue at 30 June 2013 was 3,650,296,860 (excluding those held in ESOP and SIP trusts).

Related party transactions

In 2013, there have been no related party transactions that have materially affected the financial position of the Group.

Changes to management basis reporting

The prior half year and full year comparatives have been restated for changes to IAS 19 "Employee Benefits", see page 18 for further details.

In addition, two further changes impact the prior half year comparatives. Firstly, in UK Commercial, there have been some small reclassifications between Property and Motor in order to better reflect the composition of these two classes. Secondly, Risk Solutions business written in Italy has now been reclassified from European Specialty Lines to Italy in order to report both parts of the Italian business in one place.

Reporting and Dividend Timetable

9 August 2013	Record date for the second preference dividend for 2013
25 September 2013	Ex dividend date for the ordinary interim dividend for 2013
27 September 2013	Record date for the ordinary interim dividend for 2013
1 October 2013	Payment date for the second preference dividend for 2013
2 October 2013	Announcement of the scrip dividend price for the ordinary interim dividend for 2013
25 October 2013	Deadline for the receipt of scrip dividend mandates
7 November 2013	Q3 2013 interim management statement
12 November 2013	Scandinavia investor and analyst briefing
22 November 2013	Payment of the ordinary interim dividend for 2013

SUMMARY CONSOLIDATED INCOME STATEMENT

MANAGEMENT BASIS

	6 Months 2013 £m	6 Months 2012 (restated[1]) £m	12 Months 2012 (restated[1]) £m
Net written premiums	**4,652**	4,276	8,353
Underwriting result	**188**	149	358
Investment income	**256**	267	515
Unwind of discount including ADC	**(50)**	(42)	(84)
Investment result	**206**	225	431
Insurance result	**394**	374	789
Other activities	**(55)**	(69)	(130)
Operating result	**339**	305	659
Realised gains	**22**	37	79
Unrealised gains/(losses), impairments and foreign exchange	**(4)**	(3)	(51)
Interest costs	**(59)**	(58)	(115)
Amortisation and impairment of intangible assets	**(21)**	(20)	(42)
Pension net interest cost	**(4)**	(3)	(6)
Solvency II costs	**(10)**	(16)	(32)
Reorganisation costs	**(4)**	(19)	(24)
Acquisitions and disposals	**(9)**	(4)	(20)
Profit before tax	**250**	219	448
Taxation	**(60)**	(66)	(121)
Profit after tax	**190**	153	327

Earnings per share on profit attributable to the ordinary shareholders of the Parent Company:			
Basic	**5.0p**	4.1p	8.8p
Diluted	**4.9p**	4.1p	8.7p

[1] Restated for the impact of changes to IAS 19 'Employee Benefits'

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MANAGEMENT BASIS

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Assets			
Goodwill and other intangible assets	**1,519**	1,363	1,489
Property and equipment	**269**	267	272
Associated undertakings	**45**	32	40
Investments			
Investment property	**340**	350	340
Equity securities	**929**	1,002	839
Debt and fixed income securities	**11,617**	11,237	11,724
Other	**137**	102	97
Total investments - management basis	**13,023**	12,691	13,000
Reinsurers' share of insurance contract liabilities	**2,165**	2,066	1,949
Insurance and reinsurance debtors	**3,861**	3,512	3,592
Other debtors and other assets	**1,217**	1,185	1,114
Cash and cash equivalents	**1,250**	1,376	1,329
	23,349	**22,492**	**22,785**
Assets held for sale	**1**	-	-
Total assets	**23,350**	**22,492**	**22,785**
Equity and liabilities			
Equity			
Shareholders' funds	**3,631**	3,730	3,750
Non-controlling interests	**131**	119	129
Total equity	**3,762**	**3,849**	**3,879**
Loan capital	**1,311**	1,312	1,311
Total equity and loan capital	**5,073**	**5,161**	**5,190**
Liabilities (excluding loan capital)			
Insurance contract liabilities	**15,662**	14,830	14,854
Insurance and reinsurance liabilities	**596**	596	558
Borrowings	**300**	298	296
Provisions and other liabilities	**1,719**	1,607	1,887
Total liabilities (excluding loan capital)	**18,277**	**17,331**	**17,595**
Total equity and liabilities	**23,350**	**22,492**	**22,785**

SUMMARY CONSOLIDATED STATEMENT OF CASHFLOWS

MANAGEMENT BASIS

	6 Months 2013 £m	6 Months 2012 £m
Operating cashflow	**392**	312
Tax paid	**(100)**	(139)
Interest paid	**(76)**	(75)
Pension deficit funding	**(66)**	(59)
Cash generation	**150**	39
Group dividends	**(95)**	(202)
Dividend to non controlling interests	**(7)**	-
Issue of share capital	**4**	7
Net movement of debt	**3**	(1)
Corporate activity	**(30)**	(12)
Cash movement	**25**	(169)
Represented by:		
Movement in cash and cash equivalents	**(111)**	135
Purchase/(sales) of other investments	**136**	(304)
	25	(169)

ESTIMATION TECHNIQUES, RISKS, UNCERTAINTIES AND CONTINGENCIES

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the insurance contract liabilities of the company.

The insurance contract liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for losses and loss adjustment expenses. Unearned premiums and unexpired risks represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the end of the reporting period. Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by the end of the reporting period but have not yet been finally settled.

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The Group's estimates of losses and loss expenses are reached after a review of several commonly accepted actuarial projection methodologies and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously settled claims, where payments to date are extrapolated for each prior year;
- estimates based upon a projection of claims numbers and average cost;
- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected loss ratios.

In addition, the Group uses other methods such as the Bornhuetter-Ferguson method, which combines features of the above methods. The Group also uses bespoke methods for specialist classes of business. In selecting its best estimate, the Group considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year. The process is designed to select the most appropriate best estimate.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The provisions for losses and loss adjustment expenses are subject to close scrutiny both within the Group's business units and at Group Corporate Centre. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. As an example, the Group's exposure to asbestos and environmental pollution is examined on this basis. The results of these reviews are considered when establishing the appropriate levels of provisions for losses and loss adjustment expenses and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance contract liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate. This technique means that the estimate is inevitably deterministic rather than stochastic.

The pension assets and pension and post retirement liabilities are calculated in accordance with International Accounting Standard 19 (IAS 19). The assets, liabilities and income statement charge, calculated in accordance with IAS 19, are sensitive to the assumptions made from time to time, including inflation, interest rate, investment return and mortality. IAS 19 compares, at a given date, the current market value of a pension fund's assets with its long term liabilities, which are calculated using a discount rate in line with yields on 'AA' rated bonds of suitable duration and currency. As such, the financial position of a pension fund on this basis is highly sensitive to changes in bond rates and will also be impacted by changes in equity markets.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring; and
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations and court judgments that broaden policy coverage beyond the intent of the original insurance, legislative changes and claims handling procedures.

The establishment of insurance contract liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Group's long tail lines of business. The Group seeks to provide appropriate levels of provisions for losses and loss adjustment expenses and provision for unexpired risks taking the known facts and experience into account.

The Group has exposures to risks in each class of business within each operating segment that may develop and that could have a material impact upon the Group's financial position. The geographic and insurance risk diversity within the Group's portfolio of issued insurance policies mean it is not possible to predict whether material development will occur and, if it does occur, the location and the timing of such an occurrence. The estimation of insurance contract liabilities involves the use of judgments and assumptions that are specific to the insurance risks within each territory and the particular type of insurance risk covered. The diversity of the insurance risks results in it not being possible to identify individual judgments and assumptions that are more likely than others to have a material impact on the future development of the insurance contract liabilities.

The sections below identify a number of specific risks relating to asbestos and environmental claims. There may be other classes of risk which could develop in the future and that could have a material impact on the Group's financial position.

The Group evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Group.

Asbestos and environmental claims

The estimation of the provisions for the ultimate cost of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of insurance business. As a result it is not possible to determine the future development of asbestos and environmental claims with the same degree of reliability as with other types of claims, particularly in periods when theories of law are in flux. Consequently, traditional techniques for estimating provisions for losses and loss adjustment expenses cannot wholly be relied upon and the Group employs specialised techniques to determine provisions using the extensive knowledge of both internal asbestos and environmental pollution experts and external legal and professional advisors.

Factors contributing to this higher degree of uncertainty include:

- the long delay in reporting claims from the date of exposure (for example, cases of mesothelioma can have a latent period of up to 40 years). This makes estimating the ultimate number of claims the Group will receive particularly difficult;
- issues of allocation of responsibility among potentially responsible parties and insurers;
- emerging court decisions and the possibility of retrospective legislative changes increasing or decreasing insurer liability;
- the tendency for social trends and factors to influence court awards;
- developments pertaining to the Group's ability to recover reinsurance for claims of this nature; and
- for US liabilities from the Group's London market business, developments in the tactics of US plaintiff lawyers and court decisions and awards.

Potential change in discount rate for lump sum damages awards

Legislative changes may affect the Group's liability in respect of unsettled claims in the use of predetermined factors used by courts to calculate compensation claims. For example, in the UK, standard formulae are used as an actuarial measure by the courts to assess lump sum damages awards for future losses (typically loss of earnings arising from personal injuries and fatal accidents). The calibration of these standard formulae can be updated by the UK Government and the Lord Chancellor may review the methodology to be applied in determining the discount rate to calculate the appropriate settlements, or the discount rate itself, in due course. A reduction in the prescribed discount rate would increase the value of future claims settlements.

Acquisitions and disposals

The Group makes acquisitions and disposals of businesses as part of its normal operations. All acquisitions are made after due diligence, which will include, amongst other matters, assessment of the adequacy of claims reserves, assessment of the recoverability of reinsurance balances, inquiries with regard to outstanding litigation and inquiries of local regulators and taxation authorities. Consideration is also given to potential costs, risks and issues in relation to the integration of any proposed acquisitions with existing RSA operations. The Group will seek to receive the benefit of appropriate contractual representations and warranties in connection with any acquisition and, where necessary, additional indemnifications in relation to specific risks although there can be no guarantee that these processes and any such protection will be adequate in all circumstances. The Group may also provide relevant representations, warranties and indemnities to counterparties on any disposal. While such representations, warranties and indemnities are essential components of many contractual relationships, they do not represent the underlying purpose for the transaction.

These clauses are customary in such contracts and may from time to time lead to the Group receiving claims from counterparties.

Contracts with third parties

The Group enters into joint ventures, outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The Group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. In addition the Group is exposed to the risk of litigation in connection with its former ownership of the US operation. The directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the Group's financial position, although there can be no assurance that losses or financial penalties resulting from any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will not materially affect the Group's financial position or cashflows for any period.

Reinsurance

The Group is exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. In selecting the reinsurers with whom the Group conducts business its strategy is to seek reinsurers with the best combination of financial strength, price and capacity. The Group Corporate Centre publishes internally a list of authorised reinsurers who pass the Group's selection process and which its operations may use for new transactions.

The Group monitors the financial strength of its reinsurers, including those to whom risks are no longer ceded. Allowance is made in the financial position for non recoverability due to reinsurer default by requiring operations to provide, in line with Group standards, having regard to companies on the Group's 'Watch List'. The 'Watch List' is the list of companies whom the directors believe will not be able to pay amounts due to the Group in full.

Investment risk

The Group is exposed to market risk and credit risk on its invested assets. Market risk includes the risk of potential losses from adverse movements in market rates and prices including interest rates, equity prices, property prices and foreign exchange rates. The Group's exposure to market risks is controlled by the setting of investment limits in line with the Group's risk appetite. From time to time the Group also makes use of derivative financial instruments to reduce exposure to adverse fluctuations in foreign exchange rates and equity markets. The Group has strict controls over the use of derivative instruments.

Credit risk includes the non performance of contractual payment obligations on invested assets and adverse changes in the credit worthiness of invested assets including exposures to issuers or counterparties for bonds, equities, deposits and derivatives. Limits are set at both a portfolio and counterparty level based on likelihood of default to manage the Group's overall credit profile and specific concentrations within risk appetite. The Group's insurance investment portfolios are concentrated in listed securities with very low levels of exposure to assets without quoted market prices. The Group uses model based analysis to verify asset values when market values are not readily available.

The current economic crisis adds further uncertainty and volatility to underlying levels of market and credit risk in the Eurozone. The Group has, however, very limited direct exposure via its investment portfolio to the Eurozone and to the peripheral Eurozone countries in particular. As with all other invested assets, limits are set in line with the Group's risk appetite. The Group continues to monitor the situation closely and take action to manage its exposure as required.

Rating environment

The ability of the Group to write certain types of insurance business is dependent on the maintenance of the appropriate credit ratings from the rating agencies. The Group has the objective of maintaining single 'A' ratings. At the present time the ratings are 'A+' (negative outlook) from S&P and 'A2' (stable outlook) from Moody's. A worsening in the ratings could have an adverse impact on the ability of the Group to write certain types of general insurance business.

In assessing credit risk in relation to reinsurance and investments, the Group takes into account a variety of factors, including credit rating. If any such rating changes, or is otherwise reassessed, this has potential implications for the related exposures.

Foreign exchange risk

The Group publishes consolidated financial statements in Pounds Sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies and the Canadian Dollar, into Pounds Sterling will impact the reported consolidated financial position, results of operations and cashflows from period to period. These fluctuations in exchange rates will also impact the Pound Sterling value of, and the return on, the Group's investments.

Income and expenses for each income statement item are translated at average exchange rates. Assets and liabilities, as reported in the statement of financial position, are translated at closing exchange rates at the end of the reporting period.

Regulatory environment

The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which the Group operates, including developments in response to changes in the economic and political environment and the recent financial crisis. The Group continues to monitor the developments and react accordingly.

The new solvency framework for insurers being developed by the EU, referred to as 'Solvency II', is intended in the medium term to achieve greater harmonisation of approach across EU member states to assessing capital resources and requirements. There remains continued uncertainty as delays in agreeing the rules have caused the planned implementation date of 2014 to be delayed. The Group is actively participating in shaping the outcome through its involvement with European and UK regulators and industry bodies, whilst appropriately progressing its implementation plans and the directors are confident that the Group will continue to meet all future regulatory capital requirements.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT

STATUTORY BASIS

	6 Months 2013 £m	6 Months 2012 (restated[1]) £m	12 Months 2012 (restated[1]) £m
Income			
Gross written premiums	**5,208**	4,880	9,397
Less: reinsurance premiums	**(556)**	(604)	(1,044)
Net written premiums	**4,652**	4,276	8,353
Change in the gross provision for unearned premiums	**(381)**	(382)	(188)
Less: change in provision for unearned premiums, reinsurers' share	**27**	88	2
Change in provision for unearned premiums	**(354)**	(294)	(186)
Net earned premiums	**4,298**	3,982	8,167
Net investment return	**275**	295	534
Other operating income	**77**	68	141
Total income	**4,650**	4,345	8,842
Expenses			
Gross claims incurred	**(3,246)**	(2,914)	(5,837)
Less: claims recoveries from reinsurers	**415**	240	448
Net claims and benefits	**(2,831)**	(2,674)	(5,389)
Underwriting and policy acquisition costs	**(1,348)**	(1,228)	(2,552)
Unwind of discount including ADC	**(50)**	(42)	(84)
Other operating expenses	**(104)**	(116)	(242)
Total expenses	**(4,333)**	(4,060)	(8,267)
Finance costs	**(63)**	(61)	(121)
Acquisitions and disposals	**(3)**	(3)	-
Net share of loss after tax of associates	**(1)**	(2)	(6)
Profit before tax	**250**	219	448
Income tax expense	**(60)**	(66)	(121)
Profit for the year	**190**	153	327
Attributable to:			
Equity holders of the Parent Company	**185**	151	320
Non controlling interests	**5**	2	7
	190	153	327
Earnings per share on profit attributable to the ordinary shareholders of the Parent Company:			
Basic	**5.0p**	4.1p	8.8p
Diluted	**4.9p**	4.1p	8.7p

The attached notes are an integral part of these condensed consolidated financial statements. For dividend information refer to note 6.

[1] Restated for the impact of changes to IAS 19 'Employee Benefits'

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATUTORY BASIS

	6 Months 2013 £m	6 Months 2012 (restated[1]) £m	12 Months 2012 (restated[1]) £m
Profit after tax	**190**	153	327
Items that may be reclassified to the income statement:			
Exchange gains/(losses), net of tax	**68**	(63)	(70)
Share of associates' other comprehensive income	**-**	-	1
Fair value (losses)/gains on available for sale financial assets, net of tax	**(188)**	14	111
	(120)	(49)	42
Items that will not be reclassified to the income statement:			
Pension fund actuarial (losses)/gains, net of tax	**(99)**	12	(137)
Movement in property revaluation surplus, net of tax	**-**	1	4
	(99)	13	(133)
Total comprehensive (expense)/income for the period	**(29)**	117	236
Attributable to:			
Equity holders of the Parent Company	**(39)**	116	232
Non controlling interests	**10**	1	4
	(29)	117	236

[1] Restated for the impact of changes to IAS 19 'Employee Benefits'

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

STATUTORY BASIS

	Shareholders' funds £m	Non controlling interests £m	Total equity £m
Balance at 1 January 2013	**3,750**	**129**	**3,879**
Total comprehensive (expense)/income for the period	**(39)**	**10**	**(29)**
Share issue including scrip	**54**	**-**	**54**
Changes in shareholders' interests in subsidiaries	**(1)**	**(1)**	**(2)**
Share based payments	**12**	**-**	**12**
Prior year final dividend	**(140)**	**(7)**	**(147)**
Preference dividend	**(5)**	**-**	**(5)**
Balance at 30 June 2013	**3,631**	**131**	**3,762**
Balance at 1 January 2012	3,801	114	3,915
Total comprehensive income for the period	116	1	117
Share issue including scrip	12	4	16
Changes in shareholders' interests in subsidiaries	(2)	-	(2)
Share based payments	14	-	14
Prior year final dividend	(206)	-	(206)
Preference dividend	(5)	-	(5)
Balance at 30 June 2012	3,730	119	3,849

The attached notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

STATUTORY BASIS

	30 June 2013	30 June 2012	31 December 2012 (audited)
	£m	£m	£m
Assets			
Goodwill and other intangible assets	**1,519**	1,363	1,489
Property and equipment	**269**	267	272
Investment property	**340**	350	340
Investment in associates	**45**	32	40
Financial assets	**12,683**	12,341	12,660
Total investments	**13,068**	12,723	13,040
Reinsurers' share of insurance contract liabilities	**2,165**	2,066	1,949
Insurance and reinsurance debtors	**3,861**	3,512	3,592
Current tax assets	**94**	44	76
Deferred tax assets	**334**	261	285
Other debtors and other assets	**789**	880	753
	1,217	1,185	1,114
Cash and cash equivalents	**1,250**	1,376	1,329
	23,349	22,492	22,785
Assets held for sale	**1**	-	-
Total assets	**23,350**	22,492	22,785
Equity and liabilities			
Equity			
Shareholders' funds	**3,631**	3,730	3,750
Non controlling interests	**131**	119	129
Total equity	**3,762**	3,849	3,879
Liabilities			
Loan capital	**1,311**	1,312	1,311
Insurance contract liabilities	**15,662**	14,830	14,854
Insurance and reinsurance liabilities	**596**	596	558
Borrowings	**300**	298	296
Current tax liabilities	**46**	63	58
Deferred tax liabilities	**94**	94	139
Provisions	**489**	370	487
Other liabilities	**1,090**	1,080	1,203
Provisions and other liabilities	**1,719**	1,607	1,887
Total liabilities	**19,588**	18,643	18,906
Total equity and liabilities	**23,350**	22,492	22,785

These condensed consolidated financial statements have been approved for issue by the Board of Directors on 31 July 2013.

The attached notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

STATUTORY BASIS

	6 Months 2013 £m	6 Months 2012 £m
Cashflows from operations	**186**	82
Tax paid	**(100)**	(139)
Investment income	**266**	284
Interest paid	**(76)**	(75)
Pension deficit funding	**(66)**	(59)
Net cashflows from operating activities	**210**	93
Proceeds from sales or maturities of:		
Financial assets	**2,198**	2,679
Investment property	**2**	-
Property and equipment	**1**	21
Investments in subsidiaries (net of cash disposed of)	**2**	-
Purchase of:		
Financial assets	**(2,332)**	(2,375)
Investment property	**(5)**	(1)
Property and equipment	**(9)**	(16)
Intangible assets	**(68)**	(58)
Investments in subsidiaries (net of cash acquired)	**(11)**	(12)
Investments in associates	**(4)**	-
Net cashflows from investing activities	**(226)**	238
Proceeds from issue of share capital	**4**	7
Dividends paid to ordinary shareholders	**(90)**	(197)
Dividends paid to preference shareholders	**(5)**	(5)
Dividends paid to non controlling interests	**(7)**	-
Net movement in other borrowings	**3**	(1)
Net cashflows from financing activities	**(95)**	(196)
Net (decrease)/increase in cash and cash equivalents	**(111)**	135
Cash and cash equivalents at beginning of the year	**1,329**	1,258
Effect of exchange rate changes on cash and cash equivalents	**32**	(17)
Cash and cash equivalents at the end of the period	**1,250**	1,376

The attached notes are an integral part of these condensed consolidated financial statements.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Changes in significant accounting policies

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed financial information in this half yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) and the Disclosure and Transparency Rules of the Financial Conduct Authority.

These condensed financial statements have been prepared by applying the accounting policies used in the 2012 Annual Report and Accounts (see note 11 below) except for the following changes which have been made by the group from 1 January 2013.

Following the issue of a revised IAS 19 "Employee Benefits" the group has made changes to its accounting for employee benefits. The revised standard replaces expected returns on plan assets by recording interest in the Income Statement, which is calculated using the discount rate used to measure the pension obligations. Any difference in the actual return is recognised in Other Comprehensive Income. This has resulted in a restatement of the comparative figures in the condensed consolidated Income Statement and corresponding opposite entries in the condensed consolidated Statement of Comprehensive Income. The impact of these restatements is to reduce profit after tax by £11m for the 6 months ended 30 June 2012 and by £24m for the 12 months to 31 December 2012. There is no change to the condensed consolidated Statement of Financial Position.

Following an amendment to IAS 1 "Presentation of Financial Statements" the group has made a change to the disclosure of items in the condensed consolidated Statement of Comprehensive Income by separately classifying those items that will ultimately be recycled through the Income Statement and those items that will remain in equity. The comparatives in the condensed consolidated Statement of Comprehensive Income have been classified in accordance with this new requirement.

Following the issue of IFRS 13 "Fair Value Measurement", which establishes a framework for measuring fair value and associated disclosures, the Group has adopted the disclosure requirements in respect of financial instruments in the notes to these condensed consolidated financial statements. Financial assets and financial liabilities measured at fair value continue to be valued using the techniques set out in the accounting policies used in the 2012 Annual Report and Accounts.

The Board have reviewed the Group's ongoing financial commitments for the next 12 months and beyond. The Board's review included consideration of the Group's underwriting plans, strong regulatory capital surplus, diverse insurance risk profile, considerable undrawn financing facilities and highly liquid investment portfolio. As a result of this review, the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

2. Operating segments

Six months ended 30 June 2013	**Scandinavia**	**Canada**	**UK & Western Europe**	**Emerging Markets**	**Central Functions**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Net written premiums	**1,118**	**866**	**1,946**	**686**	**36**	**4,652**
Underwriting result	**98**	**15**	**50**	**12**	**13**	**188**
Investment result	**42**	**35**	**107**	**23**	**(1)**	**206**
Insurance result	**140**	**50**	**157**	**35**	**12**	**394**
Other activities	**(3)**	**(3)**	**(3)**	**(12)**	**(34)**	**(55)**
Operating result (management basis)	**137**	**47**	**154**	**23**	**(22)**	**339**
Realised gains						**22**
Unrealised gains/(losses), impairments and foreign exchange						**(4)**
Interest costs						**(59)**
Amortisation of intangible assets						**(21)**
Pension net interest costs						**(4)**
Solvency II costs						**(10)**
Reorganisation costs						**(4)**
Acquisitions and disposals						**(9)**
Profit before tax (per condensed consolidated income statement)						**250**
Combined operating ratio (%)	**87.7**	**98.7**	**95.4**	**97.8**	**-**	**94.2**

Six months ended 30 June 2012

	Scandinavia	Canada	UK & Western Europe	Emerging Markets	Central Functions	Group
	£m	£m	£m	£m	£m	£m
Net written premiums	1,056	743	1,882	585	10	4,276
Underwriting result	130	62	(41)	7	(9)	149
Investment result	48	31	117	24	5	225
Insurance result	178	93	76	31	(4)	374
Other activities	(3)	(4)	(2)	(22)	(38)	(69)
Operating result (management basis)	175	89	74	9	(42)	305
Realised gains						37
Unrealised gains/(losses), impairments and foreign exchange						(3)
Interest costs						(58)
Amortisation of intangible assets						(20)
Pension net interest costs						(3)
Solvency II costs						(16)
Reorganisation costs						(19)
Acquisitions and disposals						(4)
Profit before tax (per condensed consolidated income statement)						219
Combined operating ratio (%)	83.1	91.7	101.8	99.8	-	95.4

The Group's results are not subject to any significant impact arising from the seasonality or cyclicality of operations, although there is some seasonality in the regions within which the Group operates.

The comparatives have been restated for the revised IAS 19 "Employee Benefits" standard as discussed in note 1.

3. Earnings per share

The earnings per share are calculated by reference to the result attributable to the ordinary shareholders of the Parent Company and the weighted average number of shares in issue during the period. On a basic and diluted basis these were 3,607,475,744 and 3,648,295,336 respectively (excluding those held in ESOP and SIP trusts). The number of shares in issue at 30 June 2013 was 3,650,296,860 (excluding those held in ESOP and SIP trusts).

4. Changes in estimates of amounts reported in prior financial years

The 2013 underwriting result of £188m, includes the impact of changes in the estimated costs of outstanding claims at 1 January 2013. The analysis of the underwriting result between the result of the current accident year and the result of earlier years is set out on page 4.

The Group pension fund deficit net of tax as at 30 June 2013 is £251m (31 December 2012: £207m). Further information on the movement in pension fund is included on page 18.

5. Ordinary share issues during the period to 30 June

During the six months to 30 June 2013, 15,382,020 (H1 2012: 12,933,102) ordinary shares were issued on the exercise of employee share options and investment plans. The Company also issued 44,687,863 (H1 2012: 7,651,980) ordinary shares under the scrip scheme approved by the shareholders at the 2009 Annual General Meeting.

6. Dividends

	30 June 2013		30 June 2012	
	Per share	**Total**	Per share	Total
	p	**£m**	p	£m
Ordinary dividend				
Final paid in respect of prior year	**3.90**	**140**	5.82	206
Interim proposed/paid in respect of current year	**2.28**	**85**	3.41	121
	6.18	**225**	9.23	327
Preference dividend		**5**		5
		230		332

7. Exchange rates

Local currency/£	**6 Months 2013**		6 Months 2012		12 Months 2012	
	Average	**Closing**	Average	Closing	Average	Closing
Canadian Dollar	**1.57**	**1.60**	1.59	1.60	1.58	1.62
Danish Krone	**8.77**	**8.70**	9.04	9.19	9.18	9.20
Swedish Krona	**10.04**	**10.24**	10.80	10.83	10.73	10.57
Euro	**1.18**	**1.17**	1.22	1.24	1.23	1.23

8. Financial assets

	Fair value hierarchy 30 June 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Available for sale financial assets:				
Equity securities	**834**	**9**	**45**	**888**
Debt securities	**11,458**	**108**	**10**	**11,576**
Financial assets at fair value through the income statement:				
Equity securities	**1**	**-**	**40**	**41**
Debt securities	**-**	**-**	**41**	**41**
	12,293	**117**	**136**	**12,546**
Derivative assets:				
At fair value through the income statement	**-**	**24**	**-**	**24**
Designated as hedging instruments	**-**	**14**	**-**	**14**
Total	**12,293**	**155**	**136**	**12,584**
Derivative liabilities:				
At fair value through the income statement	**-**	**21**	**-**	**21**
Designated as hedging instruments	**-**	**6**	**-**	**6**
Total	**-**	**27**	**-**	**27**

	Fair value hierarchy			
	30 June 2012			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Available for sale financial assets:				
Equity securities	927	24	25	976
Debt securities	11,023	147	12	11,182
Financial assets at fair value through the income statement:				
Equity securities	1	-	25	26
Debt securities	-	-	55	55
	11,951	171	117	12,239
Derivative assets:				
At fair value through the income statement	-	51	-	51
Designated as hedging instruments	-	4	-	4
Total	11,951	226	117	12,294
Derivative liabilities:				
At fair value through the income statement	-	44	-	44
Designated as hedging instruments	-	11	-	11
Total	-	55	-	55

A reconciliation of Level 3 fair value measurements of financial assets is shown below. There are no Level 3 financial liabilities.

	Available for sale investments		**At fair value through the Income Statement**		
	Equity securities	**Debt securities**	**Equity securities**	**Debt securities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Level 3 financial assets at 1 January 2012	28	10	21	55	114
Total gains / (losses) recognised in:					
- the income statement	-	-	3	-	3
- other comprehensive income	(3)	1	-	-	(2)
Exchange adjustment	-	1	1	-	2
Level 3 financial assets at 30 June 2012	25	12	25	55	117
Level 3 financial assets at 1 January 2013	**35**	**10**	**33**	**38**	**116**
Total gains / (losses) recognised in:					
- income statement	**-**	**-**	**3**	**-**	**3**
- other comprehensive income	**5**	**-**	**-**	**-**	**5**
Purchases	**10**	**-**	**4**	**-**	**14**
Disposals	**(6)**	**-**	**-**	**-**	**(6)**
Exchange adjustment	**1**	**-**	**-**	**3**	**4**
Level 3 financial assets at 30 June 2013	**45**	**10**	**40**	**41**	**136**

There are no transfers between levels in the fair value hierarchy.

Total gains and losses for level 3 financial assets in the table above recognised in the income statement are included within the Net investment return in the consolidated Income Statement.

Total gains and losses for level 3 financial assets in the table above recognised in Other Comprehensive Income are included within Fair Value (losses)/ gains on available for sale financial assets, net of tax in the consolidated Statement of Comprehensive Income.

9. Reconciliation of statutory operating cashflow to management basis

	6 months 2013 £m	6 months 2012 £m
Cash generated from operations	**186**	82
Investment income	**266**	284
Net (purchase)/sale of property and equipment	**(8)**	5
Net (purchase) of intangibles	**(68)**	(58)
Other items	**16**	(1)
Operating cashflow (management basis)	**392**	312

10. Offsetting financial assets and financial liabilities

The condensed consolidated Statement of Financial Position includes gross amounts in respect of recognised derivative assets and liabilities, including those subject to master netting arrangements, which may be enforceable under certain circumstances. The gross amounts in respect of recognised derivative assets and liabilities are disclosed in note 8 to these condensed consolidated financial statements.

11. Results for 2012

The financial information relating to the year ended 31 December 2012 and included in the condensed consolidated financial statements does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, but has been abridged from the statutory accounts and has been restated where noted. The statutory accounts of RSA Insurance Group plc for the year ending 31 December 2012 have been delivered to the Registrar of Companies. The independent auditors' report on the Group accounts for the year ended 31 December 2012 is unqualified, does not draw attention to any matters by way of emphasis and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

RESPONSIBILITY STATEMENT

The condensed set of financial statements on pages 28 to 36 has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and we confirm that to the best of our knowledge:

a) The interim management report on pages 3 to 26 includes a fair review of the information required by 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

b) The interim management report on pages 3 to 26 includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Signed on behalf of the Board

Simon Lee Group Chief Executive	Richard Houghton Group Chief Financial Officer
31 July 2013	31 July 2013

INDEPENDENT REVIEW REPORT TO RSA INSURANCE GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cashflows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stuart Crisp
for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square
London
E14 5GL

31 July 2013