

7 AUGUST 2008

HALF YEARLY FINANCIAL REPORT TO 30 JUNE 2008

Strong Group performance

- Net written premiums of £3.4bn up 12%
- Combined operating ratio (COR) of 93.0%
- Operating result up 9% to £440m
- Profit after tax up 23% to £292m
- Interim dividend up 10% to 2.73p

Delivery against strategic objectives

- Strong results in challenging trading and economic conditions
- Results demonstrate the benefits of management actions and the strong and diversified portfolio
- Maintaining tight operational and financial management
- Continuing to take the right action on rate
- Delivered 2008 annualised expense savings target of £200m

Full year outlook

- Combined operating ratio for 2008 now expected to be better than 95%

	6 Months 2008	6 Months 2007	Movement*
Total Group			
Net written premiums	£3,364m	£2,992m	+12%
Underwriting result	£179m	£144m	+24%
Combined operating ratio	93.0%	93.3%	0.3pts
Operating result ⁽¹⁾	£440m	£403m	+9%
Profit after tax ⁽¹⁾	£292m	£237m	+23%
	30 June 2008	31 December 2007	
Balance sheet			
Shareholders' funds	£3,221m	£3,077m	+5%
Net asset value per share	94p	91p	+3%
Net asset value per share excluding IAS 19	85p	88p	(3)%
Interim dividend per ordinary share	2.73p	2.48p	+10%

* Reported exchange rate

Andy Haste, Group CEO of RSA Insurance Group plc, commented:

"It has been another good first half and we have once again delivered strong results in what are challenging trading and economic conditions. These results continue to demonstrate the positive impact of our management actions and the benefit of the Group's strong and diversified portfolio.

With these actions and the strength of the portfolio, we remain confident in the Group's ability to continue to deliver sustainable profitable performance. As it stands today, we now expect to achieve a combined operating ratio for 2008 of better than 95%. The outlook for the Group is positive, and this is reflected in the 10% increase in the interim dividend to 2.73p (H1 2007: 2.48p)."

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Important disclaimer

Visit www.rsagroup.com for more information. This half yearly report has been prepared in accordance with the requirements of English Company Law and the liabilities of the directors in connection with this half yearly report shall be subject to the limitations and restrictions provided by such law. This document may contain “forward-looking statements” (as defined in the US Private Securities Litigation Reform Act of 1995) with respect to certain of the Company’s plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Company’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, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within the relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate. As a result, the Company’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company’s forward-looking statements. The Company undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this document should be construed to as a profit forecast.

⁽¹⁾ For a reconciliation of operating result to profit after tax see page 10.

INTERIM MANAGEMENT REPORT

CEO REVIEW

The Group continues to deliver strong results in challenging market conditions. Net written premiums are up 12% to £3.4bn (5% on constant exchange), with strong underlying growth and the benefits of foreign exchange in International and Emerging Markets, and a disciplined approach in the UK. The underwriting result is up by 24% to £179m, reflecting the benefit of management actions on rate and expenses, and our tight financial and operational management, while improved weather was partially offset by higher large losses. As expected, International contributed the majority of the Group's underwriting result, with continued profitable performance in the UK and Emerging Markets. The combined operating ratio (COR) is 93.0% (H1 2007: 93.3%).

The investment result is up 3% to £311m and includes an 11% increase in investment income to £323m, offset by the expected lower level of total gains (£32m compared with £53m in H1 2007). The operating result is up 9% to £440m, profit before tax has increased by 17% to £395m and includes profit on disposals of £17m from recycled foreign exchange following the liquidation of a French subsidiary. Profit after tax is up 23% to £292m and the underlying ROE is strong at 17.9%.

Business Overview

Set out below are the net written premiums and combined operating ratios for our regions:

	Net written premiums				Combined operating ratio		
	6 Months 2008	6 Months 2007	Movement as reported	Movement at constant exchange	6 Months 2008	6 Months 2007	Movement
	£m	£m	%	%	%	%	Points
International	1,628	1,324	23	8	89.7	89.5	(0.2)
UK	1,377	1,365	1	1	96.2	96.1	(0.1)
Emerging Markets	351	294	19	9	96.2	94.8	(1.4)
Group Re	8	9	(11)	(11)	-	-	-
Total Group	3,364	2,992	12	5	93.0	93.3	0.3

We have continued to drive profitable growth across the Group, with almost 60% of net written premiums coming from International and Emerging Markets. In International, net written premiums are up 23% to £1.6bn (8% on constant exchange), driven by strong organic growth, the impact of acquisitions and foreign exchange. In Scandinavia, premiums are up by 19% to £959m (5% on constant exchange), driven by a good performance in Commercial in Denmark and Norway, with particularly strong growth in Marine reflecting both organic initiatives and the acquisition of the Pohjola Marine portfolio last year. In Canada, premiums have increased by 36% to £428m (21% on constant exchange), reflecting strong organic growth and the benefits of the CNS acquisition which completed in December 2007. Johnson continues to perform strongly, increasing premiums by 28% (14% on constant exchange). In Other Europe, premiums are up by 19% to £241m (3% on constant exchange), with strong double digit growth in Italy offset by a disciplined approach in Ireland, reflecting competitive trading conditions.

The UK market also remains competitive and premiums are up by 1% to £1.4bn. We are maintaining our strategy of targeting profitable growth, taking the right action on rate and selective capacity withdrawal. In Personal, premiums are in line with last year at £548m, reflecting the inwards transfer of the Paymentsshield portfolio in the second quarter of 2007, and the impact of lower mortgage originations and new car sales on Affinity business this year. MORE TH>N continues to perform well, with premiums up 3%. In Commercial, overall premiums are up by 1% to £829m, with good growth in specialty lines offsetting the withdrawal of capacity in lines of business where we cannot achieve our target returns. We have continued to take action on rate, increasing Personal Household and Motor rates by 5%, and achieving increases in Commercial of 2% in Liability, 4% in Property and 8% in Motor. Overall retention remains strong at over 80%.

In Emerging Markets, while as expected, we've seen some signs of relative economic slowdown, these markets remain attractive with good growth potential. Premiums are up by 19% to £351m (9% on constant exchange) and increased by 27% (15% on constant exchange) after excluding Venezuela, which we sold in December 2007. In Asia and the Middle East, premiums are up by 25% (23% on constant exchange) with continued excellent growth in UAE Motor and the successful expansion of our Construction and Engineering business. In Latin America, premiums are up 24% (12% on constant exchange), after adjusting for the sale of Venezuela, with good growth across all countries. In the Baltics, premiums are up by 33% (16% on constant exchange), driven by a strong motor performance in Latvia and Lithuania, and further growth from our start up in Estonia.

Our objective is sustainable profitable performance and each of our regions has again delivered a strong result. In International, we have achieved a 27% increase in the underwriting profit to £121m and a COR of 89.7%. In the UK, we have maintained good profitability, with an underwriting profit of £48m and a COR of 96.2%. Emerging Markets has delivered an underwriting result of £10m and a COR of 96.2%.

Across the Group, we remain focused on increasing operational efficiency and reducing costs. In the first half, we delivered on our 2008 expense savings targets, and at our Investor Day in May, we announced a new £25m expense savings target for Scandinavia.

Outlook

We have again delivered strong results in challenging conditions. Our management actions and strong portfolio are driving sustainable profitable performance and we remain confident about the outlook for the Group. As it stands today, we now expect to deliver a combined operating ratio for the full year of better than 95%. As a reflection of the Board's confidence in the future performance of the Group, we are increasing the interim dividend by 10% to 2.73p (H1 2007: 2.48p).

Andy Haste, Group CEO, RSA Insurance Group plc

OPERATIONS REVIEW

Operating Result

The operating result is £440m (H1 2007: £403m) and benefits from both improved underwriting and investment results. The underwriting result of £179m (H1 2007: £144m) reflects another strong performance. As announced in February, we expected a more balanced contribution from the current and prior year in the 2008 underwriting result. In the first half of 2008, the current year underwriting profit is £56m (H1 2007: underwriting loss £31m) while the prior year profit is £123m (H1 2007: £175m). The improvement in the current year result includes improved weather (£83m better than 2007) partly offset by adverse large loss experience (£41m worse than 2007), primarily in the UK. The strong prior year result reflects continued positive run off from all three regions.

The Group continues to adopt a prudent reserving policy for both current and overall reserves and at 30 June 2008, reserves were ahead of the start of the year, and significantly to the right side of best estimate.

- International

International continues to drive the Group forward and has again delivered a strong top and bottom line performance. Net written premiums are up 23% to £1,628m (8% on constant exchange). This reflects 36% growth in Canada (21% on constant exchange), 19% growth in Scandinavia (5% on constant exchange) and 19% growth in Other Europe (3% on constant exchange). As expected, International contributed the majority of the Group's underwriting result, with a 27% increase in underwriting profit to £121m.

In Scandinavia, Commercial performed strongly, delivering a 21% increase in net written premiums to £477m (7% on constant exchange). This reflects good growth in Denmark and Norway, while Marine grew by 18% at constant exchange as a result of both organic initiatives and the acquisition of the Pohjola Marine portfolio in 2007. In Personal lines, premiums are up 17% to £482m (3% on constant exchange) reflecting strong retention and further growth from White Label in Norway.

In Canada, Personal net written premiums increased by 38% to £311m (23% on constant exchange). Growth in Personal Intermediated reflects positive rate, improved retention and the CNS acquisition which completed in December 2007. Johnson, our direct personal business, continued to perform strongly, delivering 28% growth (14% on constant exchange), and adding 12 new sponsorship groups in the first half. In Commercial, net written premiums increased by 30% to £117m (16% on constant exchange) reflecting the CNS acquisition and strong retention.

In Other Europe, premiums are up by 19% to £241m (3% on constant exchange), primarily reflecting above market growth in Italy as we continue to expand our agency network, adding 24 new agents in the first six months. In Ireland, market conditions remain competitive and, as a result, premiums are down 2% on last year at constant exchange. There are however, opportunities for profitable growth and we were recently appointed the sole provider of household insurance to Bank of Ireland and completed the acquisition of Sertus, the specialist motor underwriter at the end of March. We are also taking action on rate in Ireland, and have achieved increases across Personal lines, as well as in Commercial Property and Motor.

The International COR was 89.7% (H1 2007: 89.5%). The Scandinavian COR improved 2.6 points to 87.3% driven by a strong increase in profitability in Personal lines. In Canada, profitability remains strong with a COR of 93.7% (H1 2007 91.2%), despite adverse weather, with some of the worst winter storms in Ontario for almost 70 years, while the COR for Other Europe was 94.8% (H1 2007: 90.3%).

The result has been underpinned by our continued focus on operational excellence. In 2007 we achieved our target of reducing the Scandinavian expense ratio to below 15% and in May, we announced a further cost savings target of £25m.

- UK

The UK remains our toughest market and we are maintaining our strategy of targeting profitable growth, taking the right action on rate and selective capacity withdrawal. Premiums are up by 1% to £1.4bn, with a COR of 96.2% (H1 2007: 96.1%).

In Personal, premiums are in line with last year at £548m, reflecting the inwards transfer of the Paymentsshield portfolio in the second quarter of 2007 of £22m, and the impact of lower mortgage originations and new car sales on Affinity business this year. MORE TH>N continues to perform well, with premiums up 3%, and new business sales and average motor premiums up by 10% and 11% respectively.

In Commercial, overall premiums are up by 1% to £829m, with good growth in specialty lines, including Marine which is up 9%, Risk Solutions up 4% and targeted growth in Commercial Fleet, offsetting the withdrawal of capacity in lines of business, such as small and mid corporate Property, where we cannot achieve our target returns.

We have continued to take action on rate across the UK, increasing Personal Household and Motor rates by 5%, and achieving increases in Commercial of 2% in Liability, 4% in Property and 8% in Motor. Overall retention remains strong at over 80%.

The underwriting result is £48m, compared with £51m in 2007, with the expected lower level of prior year development and an increased level of large losses offsetting the benefits of improved weather. In Commercial lines, the lower prior

year development reduced the Casualty underwriting result, however, this has been offset by improved profitability in Motor and Other.

The UK expense ratio including commissions is 33.3%, compared with 33.5% in 2007, reflecting a 1.2% increase in the commission ratio (due to a one off profit commission payment in 2008 versus a receipt in 2007), and a 1.4% improvement in the expense ratio.

- Emerging Markets

In Emerging Markets, while as expected, we've seen some signs of relative economic slowdown, these markets remain attractive with good growth potential. Premiums are up by 19% to £351m (9% on constant exchange) and increased by 27% (15% on constant exchange) after excluding Venezuela, which we sold in December 2007. The underwriting result is up 25% to £10m and the COR was 96.2% (H1 2007: 94.8%).

In Asia and the Middle East, premiums are up by 25% (23% on constant exchange) with further excellent growth in UAE Motor. We have also successfully expanded our specialist Construction and Engineering business and we now underwrite from Singapore, Dubai, Shanghai, Hong Kong and Bahrain.

In Latin America, premiums are up 24% (12% on constant exchange), after adjusting for the sale of our business in Venezuela, with good growth across all countries. We continue to focus on building our presence in the Affinity market, and in the first six months we have signed deals with seven retailers and financial institutions in Brazil and Chile, where Marine also continues to perform strongly.

In the Baltics, premiums are up 33% (16% on constant exchange) driven by a strong motor performance in Latvia and Lithuania, and further growth from our start up in Estonia. We also launched our new SME proposition in Lithuania which will be rolled out across the Baltics later this year.

Our joint ventures in India and Central and Eastern Europe continue their good momentum, and premiums are up 26% to £64m. These businesses are not consolidated in our results, however, our ongoing investment in them is shown in 'Other operating activities'.

The Emerging Markets' expense ratio including commission has increased by 3.9 points to 39.6% (H1 2007: 35.7%) reflecting investment in new capabilities across the region, higher commission as a result of increased levels of Affinity business, and a one off receipt of a profit commission in 2007.

We continue to leverage Group best practice to strengthen technical expertise, including moving 50 senior staff and managers from our established businesses into roles across the region.

- Rating movements

Rate movements achieved for risks renewing in June 2008 versus comparable risks renewing in June 2007 are set out in the table below. Our action on rating demonstrates our commitment to maintaining pricing discipline and to delivering sustainable profitable performance.

	Personal		Motor	Commercial	
	Motor	Household		Liability	Property
	%	%	%	%	%
UK	5	5	8	2	4
Scandinavia	-	3	2	5	3
Canada	2	7	(2)	(1)	(3)

- Other activities

The analysis of the other activities result is as follows:

	6 Months 2008 £m	6 Months 2007 £m	Movement
Central expenses	(29)	(28)	-4%
Investment expenses and charges	(12)	(11)	-9%
Other operating activities	(9)	(4)	-125%
Other activities	(50)	(43)	-16%

Expenses from other activities for the first six months have increased by £7m to £50m. Other operating activities of £9m include the ongoing investment in our joint ventures in India and Central and Eastern Europe, as well as business development expenses for the Emerging Markets' region.

- Investment result

The analysis of the investment results is as follows:

	6 Months 2008 £m	6 Months 2007 £m	Movement
Bonds	228	187	+22%
Equities	30	28	+7%
Cash and cash equivalents	35	42	-17%
Land and buildings	5	8	-38%
Other	25	27	-7%
Investment income	323	292	+11%
Realised gains	36	63	-43%
Unrealised gains/(losses), impairments and foreign exchange	(4)	(10)	+60%
Total gains	32	53	-40%
Unwind of discount including ADC	(44)	(43)	-2%
Investment result	311	302	+3%

The Group continues to maintain a low risk investment strategy with the portfolio dominated by high quality fixed income and cash assets. The investment result is up 3% to £311m, and reflects increased investment income offset by the expected decrease in total gains from £53m in 2007 to £32m in the first half of the year.

Investment income is up 11% to £323m, reflecting an increase in bond and cash yields as well as foreign exchange gains of £15m. The average underlying yield on the portfolio (excluding the yield on the ADC funds withheld account) has increased by 20 basis points to 4.6% (H1 2007: 4.4%).

Total gains were £32m (H1 2007: £53m). Within this, realised gains total £36m, including £15m on equity hedges and other gains of £21m.

Unrealised gains and impairments total £4m (H1 2007: £10m) and include unrealised gains on equity hedges of £45m, offset by the mark to market movements on commercial property of £38m, and on CDO's of £5m. Impairments on the UK equity portfolio total £6m.

The Group continues to have no holdings in monoline insurers and no exposure to credit insured bonds, US municipal bonds or US sub prime Residential Mortgage Backed Securities. The Group's CDO exposure has been further reduced, primarily through selective disposals, and at the half year was £93m (31 December 2007: £130m) including £82m of CLOs which have experienced no downgrades.

As at 30 June, the Group had no equity exposure to US Government Sponsored Enterprises Fannie Mae and Freddie Mac, and fixed interest exposure of just £7m, of which, £5m is due to mature in October 2008.

86% of the total investment portfolio is invested in high quality fixed income and cash assets. The fixed interest portfolio remains concentrated on high quality short dated assets, with 99% of the bond portfolio investment grade, and 86% rated AA or above. The bond holdings are well diversified, with 70% invested in currencies other than Sterling, and 45% invested in corporate bonds. The average duration is 2.6 years for the Group, and 1.8 years in the UK.

At the half year, equities (excluding preference shares and Collective Investment Vehicles backed by fixed income and cash) comprised 8% of the portfolio. Around 75% of the equity portfolio is protected from the full impact of equity market falls with a rolling programme of put and call options, with the nominal amount and strike levels of coverage adjusted at least quarterly.

The commercial property portfolio is only 3% of investment assets and comprises high quality commercial properties, generating strong and sustainable rental income and does not include any development properties.

The investment portfolio totalled £13.2bn at the half year compared with £13.3bn at the year end, with the movement of £62m reflecting foreign exchange gains of £366m offset by mark to market movements of £345m and other movements of £83m. The foreign exchange benefit reflects the appreciation of the Euro and the Danish and Swedish Kroner against Sterling. The mark to market movement on the bond portfolio is a negative £137m, and the movement on equities a negative £158m. This movement on equities is partially offset by the £60m gain on the equity hedges, giving a net £98m movement.

In terms of the full year, our guidance was for total gains to be around £80m, and as it stands today, that still remains our expectation. There may however be opportunities in the second half of the year to take action within the portfolio to lock in higher yields, and in which case, we would look to take advantage of this.

At 30 June 2008, unrealised gains on the balance sheet were £141m (31 December 2007: £461m) which included £310m on the equity portfolio.

OTHER INFORMATION

Capital position

The regulatory capital position of the Group under the Insurance Groups Directive (IGD) is set out below:

	30 June 2008 Requirement £bn	30 June 2008 Surplus £bn	31 December 2007 Surplus £bn
Insurance Groups Directive	1.1	1.4	1.5

The IGD surplus was £1.4bn compared with £1.5bn at 31 December 2007 and coverage over the IGD requirement is 2.3 times (31 December 2007: 2.5 times). The decrease in IGD surplus primarily reflects investment movements, dividend payments and pension funding, offset by after tax profits for the period of £292m.

At 30 June 2008, the Group had surplus economic capital of around £2.3bn, up from £2.2bn at the start of the year, based on a risk tolerance consistent with Standard & Poor's long term A rated bond default curve. This is equivalent to a probability of solvency over 1 year of 99.94%.

The Group calculates its economic capital position using a global multi year stochastic economic capital model. The model is a key decision making tool and is used for a range of strategic, operational and financial management purposes throughout the Group, and has also been the basis for the Group's Individual Capital Assessment submissions to the FSA since the 2004 year end.

The Group is currently rated A, stable outlook by Standard & Poor's. The Group is rated A3 positive outlook by Moody's and A- positive outlook by AM Best.

In June, S&P announced changes to their current capital model for non life insurers regarding the treatment of the unearned premium reserve. We are currently determining the impact of this change, however, it is expected to significantly increase the level of surplus capital held with regard to the S&P A rating requirement.

Our financing and liquidity position is strong. The next call on any external financing is not until Q4 2009 and our committed £500m senior facility remains undrawn.

Return on equity

Underlying return on equity is 17.9% and is calculated as the profit after tax attributable to ordinary shareholders from continuing operations, excluding gains and losses on disposals, 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 93% was based on net written premiums of £3,364m and net earned premiums of £3,092m.

Net asset value per share

The net asset value per share at 30 June 2008 was 94p (31 December 2007: 91p). At 1 August 2008, the net asset value per share was estimated at 96p.

The net asset value per share at 30 June 2008 was based on total shareholders' funds of £3,221m, adjusted by £125m for preference shares, and shares in issue at the period end of 3,293,779,795 (excluding those held in the ESOP trusts).

Dividend

The directors have declared an interim ordinary dividend of 2.73p per share. The interim dividend will be payable on 28 November 2008 to shareholders on the register at the close of business on 15 August 2008. Shareholders will be offered a SCRIP dividend alternative. SCRIP dividend mandates need to be received by Equiniti Limited before 31 October 2008. The second preference share dividend for 2008 will be payable on 1 October 2008 to holders of such shares on the register at the close of business on 29 August 2008.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Board considers the risks and uncertainties disclosed in the latest Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year, except where specifically mentioned in this half yearly financial report.

The principal risks and uncertainties of the Group, as per page 29 of the latest Annual Report and Accounts, are: rating environment softens significantly in key markets; insurance risks are accepted outside the Group's risk appetite or below technical price; adverse loss experience through catastrophic losses arising from an insurance event or series of events, increasing frequency and severity of large losses or deterioration in long tail reserves and adverse financial markets impact the investment portfolio and pension funds. Further information on the risks and uncertainties of the Group is included in the latest Annual Report and Accounts.

Related party transactions

In 2008, there have been no related party transactions that have materially affected the financial position of the Group.

FURTHER INFORMATION

The full text of the above is available to the public at 1 Leadenhall Street, London EC3V 1PP. The text is also available online at www.rsagroup.com. A live audiocast of the analyst presentation, including the question and answer session, will be broadcast on the website at **10.30am** today and available via a listen only conference call by dialling UK Freephone 0800 358 1448 or International dial in: + 44 (0) 208 609 1270. An indexed version of the audiocast 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 **10.00am** today.

A Q3 interim management statement will be released on 6 November 2008.

The full year 2008 results will be announced on 26 February 2009.

MANAGEMENT BASIS OF REPORTING

The following analysis on pages 10 to 13 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 and other activities. Estimation techniques, risks, uncertainties and contingencies are included on pages 16 to 18. Financial information on a statutory basis is included on pages 20 to 26.

SUMMARY CONSOLIDATED INCOME STATEMENT

MANAGEMENT BASIS

	6 Months 2008 £m	6 Months 2007 £m	12 Months 2007 £m
Continuing operations			
Net written premiums	3,364	2,992	5,837
Underwriting result	179	144	278
Investment income	323	292	591
Realised gains	36	63	174
Unrealised gains/(losses), impairments and foreign exchange	(4)	(10)	(55)
Unwind of discount including ADC	(44)	(43)	(81)
Investment result	311	302	629
Insurance result	490	446	907
Other activities	(50)	(43)	(93)
Operating result	440	403	814
Interest costs	(54)	(52)	(104)
Amortisation	(9)	(8)	(18)
Profit before disposals	377	343	692
Profit/(loss) on disposals	18	(5)	(22)
Profit before tax	395	338	670
Taxation	(103)	(88)	(29)
Profit after tax from continuing operations	292	250	641
Discontinued operations			
Loss after tax from discontinued operations	-	(13)	(13)
Profit after tax	292	237	628

Earnings per share on profit from continuing operations attributable to the ordinary shareholders of the Company:

Basic	8.7p	7.2p	19.3p
Diluted	8.6p	7.1p	19.0p

Earnings per share on profit attributable to the ordinary shareholders of the Company:

Basic	8.7p	6.7p	18.9p
Diluted	8.6p	6.6p	18.6p

SUMMARY CONSOLIDATED BALANCE SHEET

MANAGEMENT BASIS

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Assets			
Goodwill and other intangible assets	694	589	663
Property and equipment	422	366	377
Associated undertakings	106	28	105
Investments			
Investment property	396	474	429
Equity securities	1,230	1,649	1,487
Debt and fixed income securities	10,148	8,850	9,581
Other	284	315	272
Total investments - management basis	12,058	11,288	11,769
Reinsurers' share of insurance contract liabilities	1,832	1,935	1,872
Insurance and reinsurance debtors	2,747	2,881	2,579
Deferred acquisition costs	577	493	542
Other debtors and other assets	1,455	1,124	1,069
Cash and cash equivalents	1,158	1,173	1,509
Assets associated with continuing operations	21,049	19,877	20,485
Assets associated with discontinued operations*	13	-	108
Total assets	21,062	19,877	20,593
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	3,221	2,704	3,077
Minority interests	68	66	67
Total equity and reserves	3,289	2,770	3,144
Loan capital	1,221	1,165	1,194
Total equity, reserves and loan capital	4,510	3,935	4,338
Liabilities (excluding loan capital)			
Insurance contract liabilities	14,107	13,749	13,727
Insurance and reinsurance liabilities	485	428	426
Borrowings	302	121	303
Provisions and other liabilities	1,658	1,644	1,734
Liabilities associated with continuing operations	16,552	15,942	16,190
Liabilities associated with discontinued operations*	-	-	65
Total liabilities (excluding loan capital)	16,552	15,942	16,255
Total equity, reserves and liabilities	21,062	19,877	20,593

These summary consolidated half yearly financial statements have been approved for issue by the Board of Directors on 6 August 2008.

* Assets and liabilities associated with discontinued operations in 2008 relate to property held for sale and in December 2007 to a UK subsidiary and property held for sale.

OTHER INFORMATION

MANAGEMENT BASIS

Movement in net assets

	Shareholders' funds	Minority interest	Loan capital	Net assets
	£m	£m	£m	£m
Balance at 1 January 2008	3,077	67	1,194	4,338
Profit after tax	287	5	-	292
Exchange gains	35	-	28	63
Fair value losses net of tax	(242)	(2)	-	(244)
Pension fund actuarial gains and losses net of tax	136	-	-	136
Amortisation of loan capital	-	-	(1)	(1)
Share issue	69	-	-	69
Changes in shareholders' interests in subsidiaries	(2)	-	-	(2)
Share options	13	-	-	13
Prior year final dividend	(147)	(2)	-	(149)
Preference dividend	(5)	-	-	(5)
Balance at 30 June 2008	3,221	68	1,221	4,510

Net assets have increased by £172m to £4,510m. This increase primarily reflects the profit after tax for the period of £292m, and pension fund actuarial gains of £136m, offset by fair value losses of £244m and the 2007 final dividend of £149m.

Pension fund surplus

The table below provides a reconciliation of the Group pension fund surplus (net of tax) from 1 January 2008 to 30 June 2008.

	UK £m	Other £m	Group £m
Pension fund at 1 January 2008	154	(38)	116
Actuarial gains/(losses)	139	(3)	136
Asset reallocation funding	26	-	26
Other movements	22	1	23
Pension fund at 30 June 2008	341	(40)	301

The surplus on the pension scheme as at 30 June 2008 is £301m compared with £116m at the year end. The movement reflects the change in discount rate for the UK schemes from 5.6% to 6.5% in line with increases in bond yields during the first six months, offset by the strengthening of the inflation assumption from 3.2% to 3.6% and lower asset values.

The Group uses medium cohort assumptions for mortality, using PFA92 and PMA92 tables. The life expectancy of a male pensioner aged 60 is assumed to be 85.8, and 87.0 for a female pensioner.

Cashflow – management basis

	6 Months 2008 £m	6 Months 2007 £m
Operating cashflow	344	350
Tax paid	(50)	(28)
Interest paid	(42)	(34)
Group dividends	(88)	(71)
Dividend to minorities	(2)	(31)
Net cashflow	162	186
Issue of share capital	5	301
Pension asset reallocation funding	(37)	(86)
Net movement of debt	(5)	49
Corporate activity	(91)	(741)
Cash movement	34	(291)
Represented by:		
Decrease in cash and cash equivalents	(408)	(680)
Purchase of other investments	442	389
	34	(291)

The Group's operating cashflow is £344m and is in line with 2007. Tax paid of £50m is £22m higher than 2007, primarily due to a one off repayment received last year. Interest paid of £42m is £8m up on 2007, reflecting repo activity and the foreign exchange impact on Euro loans. The pension funding payment of £37m is part of our pension scheme asset reallocation strategy. The issue of share capital and corporate activity in 2007 primarily related to the purchase of the Codan minority. Corporate activity in 2008 of £91m includes three small acquisitions in the UK and International, further capital investment in our Eastern Europe joint venture and the disposal of run off books in the UK and Scandinavia.

REGIONAL ANALYSIS OF INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Increase as reported %	Increase at constant exchange %
	2008 £m	2007 £m		
United Kingdom	1,377	1,365	1	1
International	1,628	1,324	23	8
Emerging Markets	351	294	19	9
Group Re	8	9	(11)	(11)
Total Group	3,364	2,992	12	5

	Underwriting result		Investment result		Insurance result	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
United Kingdom	48	51	182	181	230	232
International	121	95	107	100	228	195
Emerging Markets	10	8	21	20	31	28
Group Re	-	(10)	1	1	1	(9)
Total Group	179	144	311	302	490	446

	Operating ratios					
	2008			2007		
	Claims %	Expenses %	Combined %	Claims %	Expenses %	Combined %
United Kingdom	62.9	33.3	96.2	62.6	33.5	96.1
International	68.7	21.0	89.7	68.8	20.7	89.5
Emerging Markets	56.6	39.6	96.2	59.1	35.7	94.8
Total Group	65.1	27.9	93.0	65.3	28.0	93.3

INVESTMENT RESULT BY REGION

SIX MONTHS TO 30 JUNE 2008

	UK £m	International £m	Emerging Markets £m	Group Re £m	Group £m
Investment income	177	112	19	15	323
Realised gains	20	13	2	1	36
Unrealised gains/(losses), impairments and foreign exchange	(3)	(1)	-	-	(4)
Unwind of discount including ADC	(12)	(17)	-	(15)	(44)
Investment result	182	107	21	1	311

The total investment income is allocated to the regions based on economic capital requirements. Realised gains, unrealised gains and impairment losses are allocated with reference to the above amounts. The unwind of discount is attributed on an actual basis.

UNITED KINGDOM INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Underwriting result		Operating ratio	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	%	%
Personal						
Household	279	298	3	3	95.8	98.9
Motor	234	227	6	15	97.3	91.3
Other	35	23	(3)	1	99.6	91.7
Total UK Personal	548	548	6	19	96.5	96.0
Commercial						
Property	316	340	(17)	(9)	109.6	102.0
Casualty	147	147	8	23	99.3	86.2
Motor	258	230	25	11	87.7	95.7
Other	108	100	26	7	71.6	92.0
Total UK Commercial	829	817	42	32	96.0	96.2
Total UK	1,377	1,365	48	51	96.2	96.1

INTERNATIONAL INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Underwriting result		Operating ratio	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	%	%
Personal						
Scandinavia	482	413	58	31	86.0	90.2
Canada	311	225	13	22	95.7	90.5
Other Europe	140	115	3	11	97.9	89.1
Total Personal	933	753	74	64	91.0	89.7
Commercial						
Scandinavia	477	394	23	17	89.2	89.8
Canada	117	90	13	6	87.9	92.5
Other Europe	101	87	11	8	91.7	91.9
Total Commercial	695	571	47	31	87.8	89.1
Total						
Scandinavia	959	807	81	48	87.3	89.9
Canada	428	315	26	28	93.7	91.2
Other Europe	241	202	14	19	94.8	90.3
Total International	1,628	1,324	121	95	89.7	89.5

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 liabilities of the company.

The insurance liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for outstanding claims. 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 balance sheet date. Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by the balance sheet date 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 balance sheet date 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 and political 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 claims provisions 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 outstanding claims and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance 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. A stochastic valuation approach, whereby a range of possible outcomes is estimated and probabilities assigned thereto, is only possible in a limited number of situations.

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 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 claims provision 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 make it 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 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 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 claims provisions 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 we 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 our London market business, developments in the tactics of US plaintiff lawyers and court decisions and awards.

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 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 us 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 performing 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 cash flows 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 we do business our strategy is to seek reinsurers with the best combination of credit rating, price and capacity. We publish internally a list of authorised reinsurers who pass our selection process and which our 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.

Changes in foreign exchange rates may impact our results

We publish our consolidated financial statements in Pounds Sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies and the US dollar, into Pounds Sterling will impact our reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the Pound Sterling value of our investments and the return on our investments.

Income and expenses for each income statement item are translated at average exchange rates. Balance sheet assets and liabilities are translated at the closing exchange rates at the balance sheet date.

Investment risk

The Group is exposed to credit risk on its invested assets. 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. Our insurance investment portfolios are concentrated in listed securities with very low levels of exposure to assets without quoted market prices. We use model based analysis to verify asset values when market values are not readily available.

We use derivative financial instruments to reduce our exposure to adverse fluctuations in interest rates, foreign exchange rates and equity markets. We have strict controls over the use of derivative instruments.

Rating agencies

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' (stable) from S&P upgraded from 'A-' in December 2007, 'A-' (positive outlook) from AM Best and 'A3' (stable) from Moody's. Any worsening in the ratings could have an adverse impact on the ability of the Group to write certain types of general insurance business.

Regulatory environment

The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which we operate. We continue to monitor the developments and react accordingly.

In particular the Group is continuing to monitor and respond to ongoing consultation following publication of the Solvency II Framework Directive, which is intended, in the medium term, to achieve greater harmonisation of approach across European member states to assessing capital resources and requirements. The directors are confident that the Group will continue to meet all future regulatory capital requirements.

Condensed Financial Statements

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CONDENSED CONSOLIDATED INCOME STATEMENT
STATUTORY BASIS

	6 Months 2008	6 Months 2007	12 Months 2007 (audited)
	£m	£m	£m
Continuing operations			
Income			
Gross written premiums	3,767	3,438	6,596
Less: reinsurance premiums	(403)	(446)	(759)
Net written premiums	3,364	2,992	5,837
Change in the gross provision for unearned premiums	(294)	(275)	(235)
Less: change in provision for unearned premiums, reinsurers' share	22	14	5
Change in provision for unearned premiums	(272)	(261)	(230)
Net earned premiums	3,092	2,731	5,607
Net investment return	355	346	709
Other operating income	54	50	113
Total income	3,501	3,127	6,429
Expenses			
Gross claims incurred	(2,118)	(2,025)	(4,044)
Less: claims recoveries from reinsurers	106	239	387
Net claims and benefits	(2,012)	(1,786)	(3,657)
Underwriting and policy acquisition costs	(950)	(845)	(1,776)
Unwind of discount including ADC	(44)	(43)	(81)
Other operating expenses	(54)	(59)	(119)
Total expenses	(3,060)	(2,733)	(5,633)
Results of operating activities	441	394	796
Finance costs	(54)	(52)	(104)
Profit/(loss) on disposals	18	(5)	(22)
Net share of (loss)/profit after tax of associates	(10)	1	-
Profit before tax	395	338	670
Income tax expense	(103)	(88)	(29)
Profit after tax from continuing operations	292	250	641
Discontinued operations			
Loss after tax from discontinued operations	-	(13)	(13)
Profit after tax	292	237	628
Attributable to:			
Equity holders of the Company	287	208	596
Minority interests	5	29	32
Profit after tax	292	237	628
Earnings per share on profit from continuing operations attributable to the ordinary shareholders of the Company:			
Basic	8.7p	7.2p	19.3p
Diluted	8.6p	7.1p	19.0p
Earnings per share on profit attributable to the ordinary shareholders of the Company:			
Basic	8.7p	6.7p	18.9p
Diluted	8.6p	6.6p	18.6p

The attached notes are an integral part of these condensed consolidated financial statements. For dividend information refer to note 8.

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSE

STATUTORY BASIS

	6 Months 2008	6 Months 2007	12 Months 2007 (audited)
	£m	£m	£m
Exchange gains	35	21	140
Fair value losses net of tax	(244)	(55)	(67)
Pension fund actuarial gains/(losses) net of tax	136	88	(16)
Net (losses)/gains recognised in equity	(73)	54	57
Profit after tax	292	237	628
Total recognised income for the year	219	291	685
Attributable to:			
Equity holders of the Company	216	279	670
Minority interests	3	12	15
	219	291	685

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

CONDENSED CONSOLIDATED BALANCE SHEET
STATUTORY BASIS

	30 June 2008	30 June 2007	31 December 2007 (audited)
	£m	£m	£m
Assets			
Goodwill and other intangible assets	694	589	663
Property and equipment	422	366	377
Investment property	396	474	429
Investments in associates	106	28	105
Financial assets	11,662	10,814	11,340
Total investments	12,164	11,316	11,874
Reinsurers' share of insurance contract liabilities	1,832	1,935	1,872
Insurance and reinsurance debtors	2,747	2,881	2,579
Deferred acquisition costs	577	493	542
Current tax assets	26	21	19
Deferred tax assets	140	18	87
Other debtors and other assets	1,289	1,085	963
	1,455	1,124	1,069
Cash and cash equivalents	1,158	1,173	1,509
	21,049	19,877	20,485
Non current and disposal group assets held for sale*	13	-	108
Total assets	21,062	19,877	20,593
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	3,221	2,704	3,077
Minority interests	68	66	67
Total equity and reserves	3,289	2,770	3,144
Liabilities			
Loan capital	1,221	1,165	1,194
Insurance contract liabilities	14,107	13,749	13,727
Insurance and reinsurance liabilities	485	428	426
Borrowings	302	121	303
Current tax liabilities	133	126	92
Deferred tax liabilities	277	269	224
Provisions	287	286	331
Other liabilities	961	963	1,087
Provisions and other liabilities	1,658	1,644	1,734
	17,773	17,107	17,384
Non current and disposal group liabilities held for sale*	-	-	65
Total liabilities	17,773	17,107	17,449
Total equity, reserves and liabilities	21,062	19,877	20,593

These condensed consolidated half yearly financial statements have been approved for issue by the Board of Directors on 6 August 2008.

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

* Non current and disposal group assets and liabilities held for sale in 2008 relate to property and in December 2007 relate to a UK subsidiary and property.

CONDENSED CASHFLOW STATEMENT

STATUTORY BASIS

	6 Months 2008	6 Months 2007	12 Months 2007 (audited)
	£m	£m	£m
Cash generated from continuing operations	48	(158)	66
Tax paid	(50)	(28)	(127)
Interest received	320	283	587
Interest paid	(42)	(41)	(101)
Dividends received	1	1	1
Pension asset reallocation funding	(37)	(86)	(86)
Cashflows from discontinued operations	-	(37)	(37)
Net cashflows from operating activities	240	(66)	303
Proceeds from sales or maturities of:			
Investment contracts	2,805	4,111	8,672
Investment property	1	3	18
Property and equipment	2	5	26
Intangible assets	2	22	1
Investments in subsidiaries (net of cash disposed of)	(21)	(255)	(407)
Investments in associates	-	-	22
Purchase or settlement of:			
Investment contracts	(3,246)	(4,438)	(8,878)
Investment property	(1)	(5)	(8)
Property and equipment	(31)	(11)	(28)
Intangible assets	(23)	(66)	(66)
Investments in subsidiaries (net of cash acquired)	(21)	(10)	(52)
Investments in associates	(25)	-	(64)
Cashflows from discontinued operations	-	83	83
Net cashflows from investing activities	(558)	(561)	(681)
Proceeds from issue of share capital	5	297	304
Purchase of shares from minorities	-	(554)	(616)
Dividends paid to ordinary shareholders	(83)	(66)	(102)
Dividends paid to preference shareholders	(5)	(5)	(9)
Dividends paid to minority interests	(2)	(31)	(31)
Net movement in long term borrowings	-	(24)	(25)
Net movement in other borrowings	(5)	118	293
Net cashflows from financing activities	(90)	(265)	(186)
Net decrease in cash and cash equivalents and bank overdrafts	(408)	(892)	(564)
Cash and cash equivalents and bank overdrafts at beginning of the year	1,538	2,040	2,040
Effect of exchange rate changes on cash and cash equivalents	24	25	62
Cash and cash equivalents and bank overdrafts at end of the period	1,154	1,173	1,538

A reconciliation of cash and cash equivalents and bank overdrafts at the end of the period to the condensed consolidated balance sheet is included in note 7.

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 (IAS 34). There have been no significant changes in accounting policy and methods of computation in the six months to 30 June 2008. A full list of accounting policies can be found in the 2007 Annual Report and Accounts (see note 10 below).

2. Operating segments

6 months ended 30 June 2008

	UK £m	International £m	Emerging Markets £m	Central functions £m	Group £m
Net written premiums	1,377	1,628	351	8	3,364
Underwriting result	48	121	10	-	179
Investment result	182	107	21	1	311
Insurance result	230	228	31	1	490
Other activities	1	(2)	(11)	(38)	(50)
Operating result (management basis)	231	226	20	(37)	440
Amortisation					(9)
Net share of loss after tax of associates					10
Results of operating activities (per condensed consolidated income statement)					441
Combined operating ratio (%)	96.2	89.7	96.2	-	93.0
Segment assets (£m)	8,845	9,547	1,545	1,006	20,943

6 months ended 30 June 2007

	UK £m	International £m	Emerging Markets £m	Central functions £m	Group £m
Net written premiums	1,365	1,324	294	9	2,992
Underwriting result	51	95	8	(10)	144
Investment result	181	100	20	1	302
Insurance result	232	195	28	(9)	446
Other activities	(1)	(5)	(3)	(34)	(43)
Operating result (management basis)	231	190	25	(43)	403
Amortisation					(8)
Net share of profit after tax of associates					(1)
Results of operating activities (per condensed consolidated income statement)					394
Combined operating ratio (%)	96.1	89.5	94.8	-	93.3
Segment assets (£m)	9,128	7,923	1,356	1,442	19,849

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

The information above (including the 2007 comparative data) has been prepared on the same basis as reported in the 2007 Annual Report and Accounts. The segment assets exclude investment in associates and non current and disposal group assets held for sale.

3. Earnings per share

The earnings per share is calculated by reference to the result attributable to the equity shareholders and the weighted average number of shares in issue during the period. On a basic and diluted basis this was 3,244,352,809 and 3,279,798,363 respectively (excluding those held in ESOP trusts). The number of shares in issue at 30 June 2008 was 3,293,779,795 (excluding those held in ESOP trusts).

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

During the first half of the year, changes to claims reserve estimates made in prior years as a result of reserve development is included in the prior year profit of £123m (H1 2007: £175m).

The Group pension fund surplus as at 30 June 2008 is £301m (31 December 2007: £116m). Further information on the pension fund surplus is included on page 12.

5. Business combination and other changes in the structure of the Group

On 11 February 2008, the Group acquired 100% of the share capital of Fyfe Group Limited in the UK. On 31 March 2008, the Group acquired 100% of the share capital of Sertus Underwriting Limited in Ireland. The total consideration was £20m and goodwill of £19m arose. The acquisitions do not have a material impact on the Group's results for the first half of 2008.

On 29 February 2008 the Group obtained regulatory approval for the disposal of Guildhall Insurance Company Limited. The disposal generated a £1m pre tax profit. The net assets were classified as held for sale at 31 December 2007. On 18 May 2008 the Group dissolved a French subsidiary, Royal & Sun Alliance SA, that generated a £17m pre tax profit. The profits on disposal represent foreign exchange, which is recycled from shareholders' funds and does not impact total equity.

6. Changes in total equity and reserves for the period to 30 June

	Shareholders' funds £m	Minority interest £m	Total equity and reserves £m
Balance at 1 January 2008	3,077	67	3,144
Total recognised income for the year	216	3	219
Share issue	69	-	69
Changes in shareholders' interests in subsidiaries	(2)	-	(2)
Share options	13	-	13
Prior year final dividend	(147)	(2)	(149)
Preference dividend	(5)	-	(5)
Balance at 30 June 2008	3,221	68	3,289

6. Changes in total equity and reserves for the period to 30 June (continued)

	Shareholders' funds £m	Minority interest £m	Total equity and reserves £m
Balance at 1 January 2007	2,561	331	2,892
Total recognised income for the year	279	12	291
Share issue	354	-	354
Changes in shareholders' interests in subsidiaries	(368)	(246)	(614)
Share options	6	-	6
Prior year final dividend	(123)	(31)	(154)
Preference dividend	(5)	-	(5)
Balance at 30 June 2007	2,704	66	2,770

During the six months to 30 June 2008, 6,631,414 (H1 2007: 2,539,009) ordinary shares were issued on the exercise of employee share options. The Company also issued 50,784,107 (H1 2007: 35,178,729) ordinary shares under the scrip scheme approved by the shareholders at the 2008 Annual General Meeting. During 2007, the Company issued 186,350,000 ordinary shares in a placing to fund the acquisition of Codan A/S.

7. Cashflow

	6 Months 2008 £m	6 Months 2007 £m
Cash and cash equivalents and bank overdrafts (as reported within the condensed cashflow statement)	1,154	1,173
Add: bank overdrafts	4	-
Total cash and cash equivalents	1,158	1,173

8. Dividends

	30 June 2008		30 June 2007	
	Per share p	Total £m	Per share p	Total £m
Ordinary dividend				
Final paid in respect of prior year	4.53	147	4.12	123
Interim proposed/paid in respect of current year	2.73	90	2.48	79
	7.26	237	6.60	202
Preference dividend		5		5
		242		207

9. Exchange rates

£/local currency	6 Months 2008		6 Months 2007		12 Months 2007	
	Average	Closing	Average	Closing	Average	Closing
Canadian Dollar	1.99	2.02	2.23	2.13	2.14	1.96
Danish Kroner	9.63	9.42	11.04	11.05	10.88	10.15
Euro	1.29	1.26	1.49	1.47	1.46	1.36

10. Results for 2007

The financial information for the year ended 31 December 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, but has been abridged from the statutory accounts. The statutory Group financial statements of RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc) for the year ended 31 December 2007 have been delivered to the Registrar of Companies. The independent auditors' report on the Group financial statements for the year ended 31 December 2007 is unqualified and does not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

RESPONSIBILITY STATEMENTS

We confirm that to the best of our knowledge:

- a) The condensed set of financial statements on pages 20 to 26 has been prepared in accordance with IAS 34 'Interim Financial Reporting',
- b) The interim management report on pages 3 to 18 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
- c) The interim management report on pages 3 to 18 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

Andy Haste
Chief Executive Officer

6 August 2008

George Culmer
Chief Financial Officer

6 August 2008

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 2008 which comprises the condensed consolidated income statement, the condensed statement of recognised income and expense, the condensed consolidated balance sheet, the condensed cashflow statement and related notes 1 to 10. 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 International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

Our responsibility

Our responsibility is to express to the 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 United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
6 August 2008
London, UK

SHAREHOLDER INFORMATION

Registered office and Group Corporate Centre

9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD. Telephone: +44 (0)20 7111 7000. Registered in England No. 2339826.

Company website

The Annual Report and Accounts, half yearly results and other useful information about the Company, such as the current share price, is available on our website www.rsagroup.com. Frequently asked questions and answers in respect of shareholding matters are detailed on the Company's website.

Registrar

The Company's share register is maintained by Equiniti Limited.

Queries regarding your shareholding should be addressed to Equiniti at the following address: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Telephone: +44 (0)871 384 2048. Overseas callers should use +44 (0)121 415 7064. Shareholders with a text phone facility should use +44 (0)871 384 2255.

Please quote the company reference number 0059 and your shareholder account number (on your share certificate and dividend tax vouchers) when contacting or corresponding with Equiniti.

Low cost share dealing facilities

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling RSA shares. Commission is 1.5% with a minimum charge of £25 for telephone dealing and 1% with a minimum charge of £20 for internet dealing. For telephone sales, call +44 (0)845 6037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations.

Scrip dividend

The Company operates a Scrip Dividend Scheme whereby ordinary shareholders can receive dividends in the form of shares. The Scheme enables shareholders to increase their holding in the Company without incurring dealing costs or stamp duty. The price of the shares for the 2008 interim dividend is fixed by reference to the average of the Company's middle market closing price for the five consecutive dealing days commencing on the ex dividend date of 13 August 2008.

If you wish to participate in the Scheme please contact Equiniti Limited, either by telephone or by writing to them at the contact details. Mandate forms with respect to the 2008 interim dividend should be returned to Equiniti Limited to arrive no later than 31 October 2008.

FINANCIAL CALENDAR

13 August 2008

Ex dividend date for the ordinary interim dividend for 2008

15 August 2008

Record date for the ordinary interim dividend for 2008

21 August 2008

Announcement of the scrip dividend price for the ordinary interim dividend for 2008

27 August 2008

Ex dividend date for the second preference dividend for 2008

29 August 2008

Record date for the second preference dividend for 2008

1 October 2008

Payment date for the second preference dividend for 2008

31 October 2008

Deadline for the receipt of scrip dividend mandates by Equiniti Limited in relation to ordinary interim dividend 2008

6 November 2008

Announcement of Q3 interim management statement

28 November 2008

Payment of the ordinary interim dividend for 2008

26 February 2009

Announcement of the full year results for 2008, the ordinary final dividend for 2008 and the first preference dividend for 2009