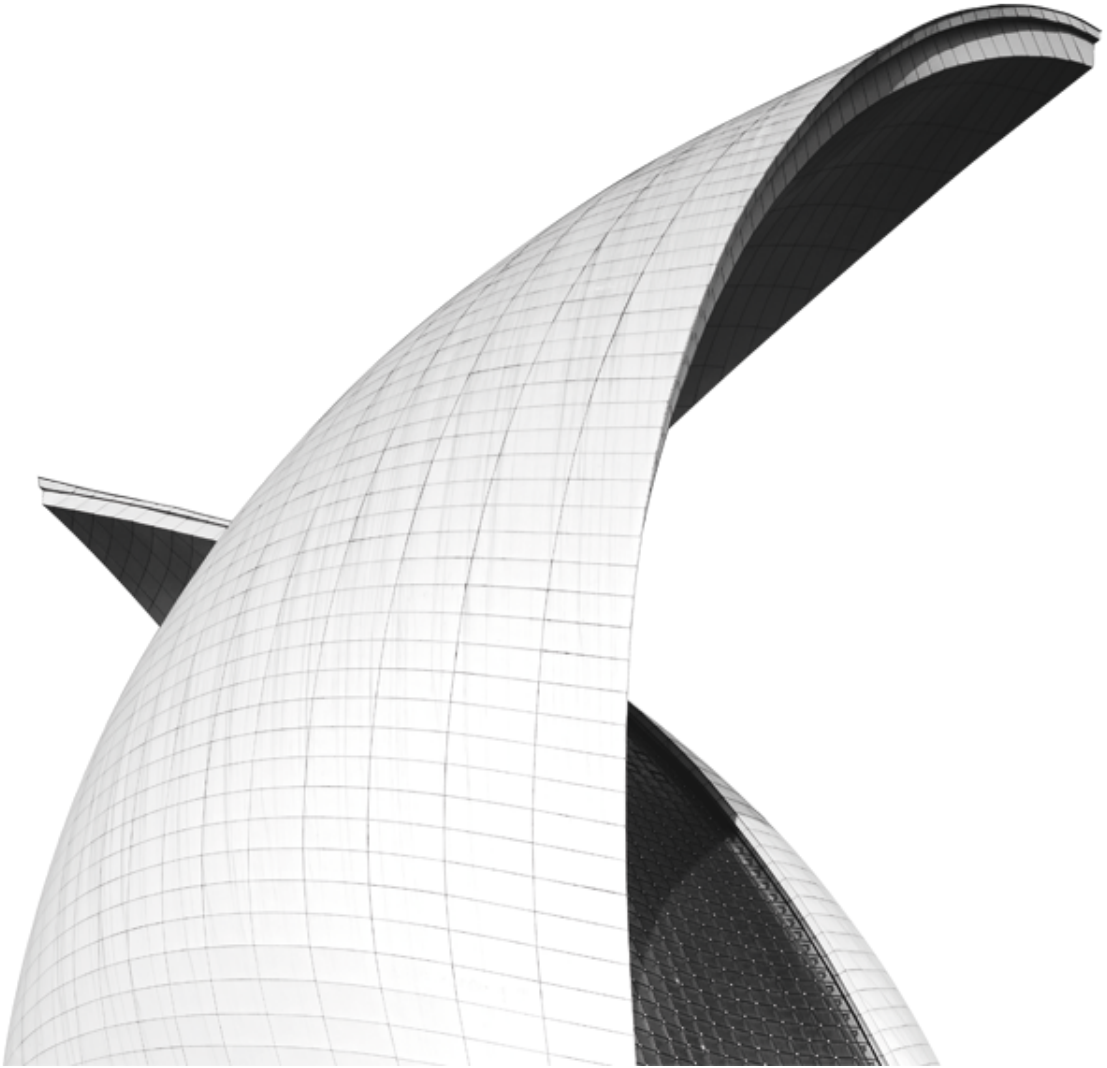
RSA

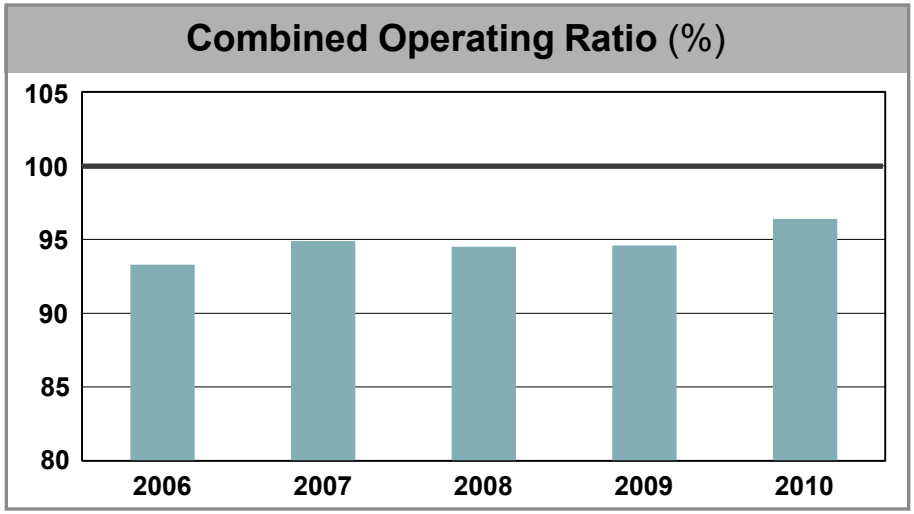
RSA UPDATE

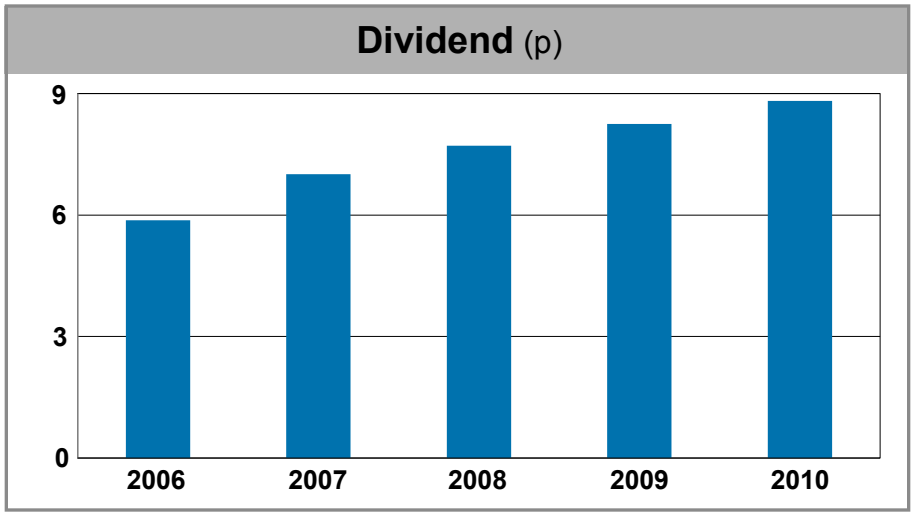
Half Year 2011



A HIGH PERFORMING BUSINESS

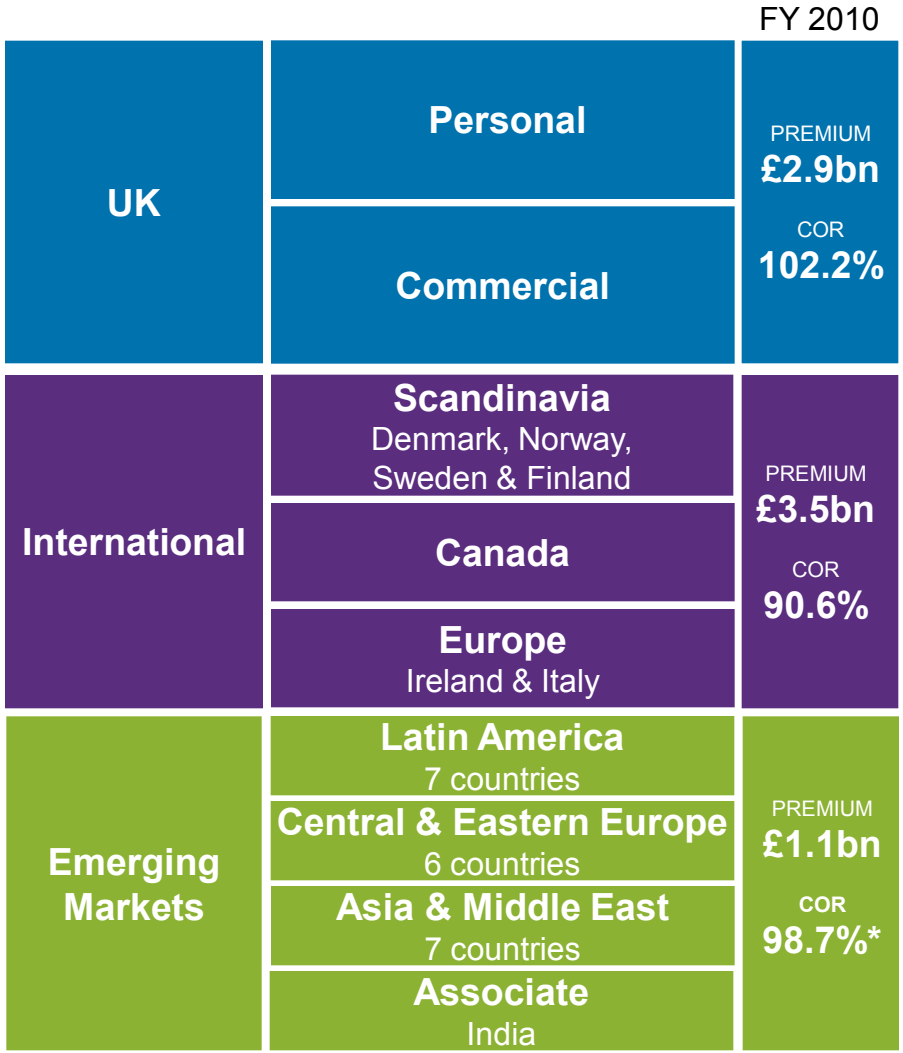
- Pure play general insurer with strong positions in attractive markets
- Market leading capabilities and technical excellence
- Commitment to underwriting discipline
- High quality, low risk investment strategy
- Strong balance sheet and capital position
- Delivering sustainable profitable performance





RSA

A STRONG AND DIVERSIFIED PORTFOLIO



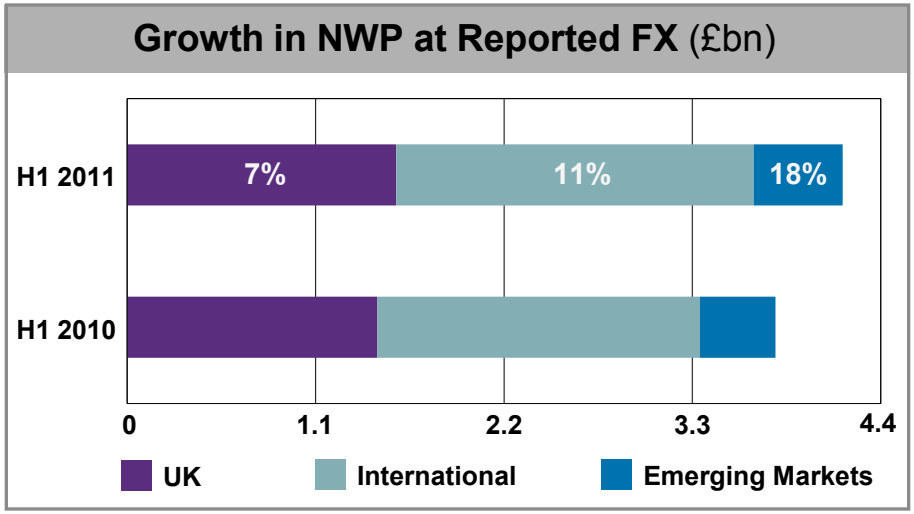
Consolidated businesses only

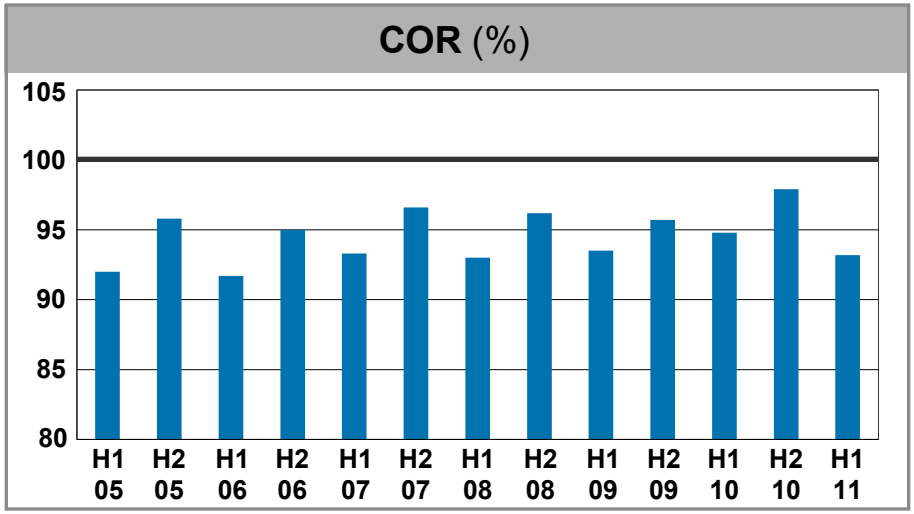
- **Strong, well balanced portfolio, with markets at different stages of development and the insurance cycle**
- **Confident outlook for 2011**
  - **UK to deliver targeted profitable top line growth and an improved u/w profit**
  - **International to deliver c10% growth and strong profitability**
  - **Emerging Markets to again deliver double digit growth in 2011**
- **Portfolio to continue to shift towards International and Emerging Markets**
  - **UK targeted growth strategy unchanged**
  - **International and Emerging Markets to represent around 70% of premiums within five years**

RSA

H1 2011: CONTINUED STRONG FINANCIAL PERFORMANCE

(£m)	H1 2011	H1 2010	Mvt.
Net written premiums	4,188	3,802	10%
Underwriting result	206	136	51%
Combined operating ratio	93.2%	94.8%	1.6 pts
Investment result	327	310	5%
Operating result	467	382	22%
Profit before tax	376	302	25%

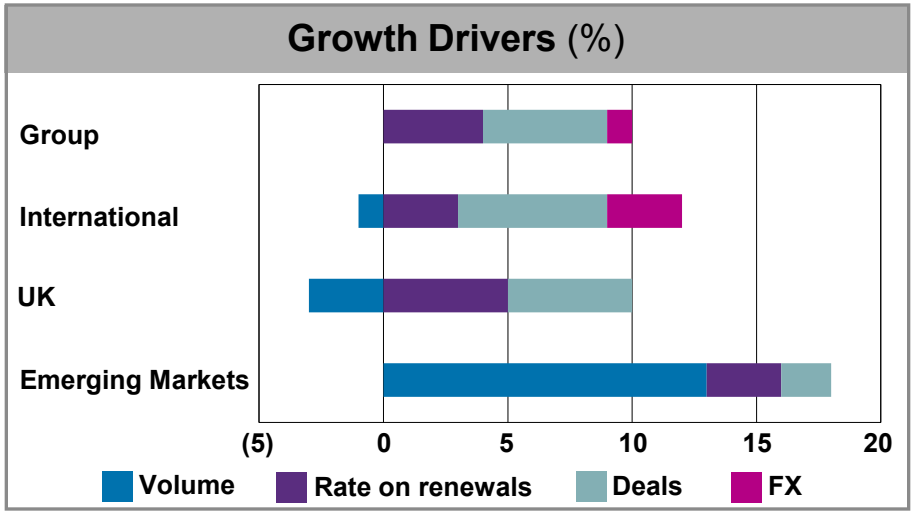


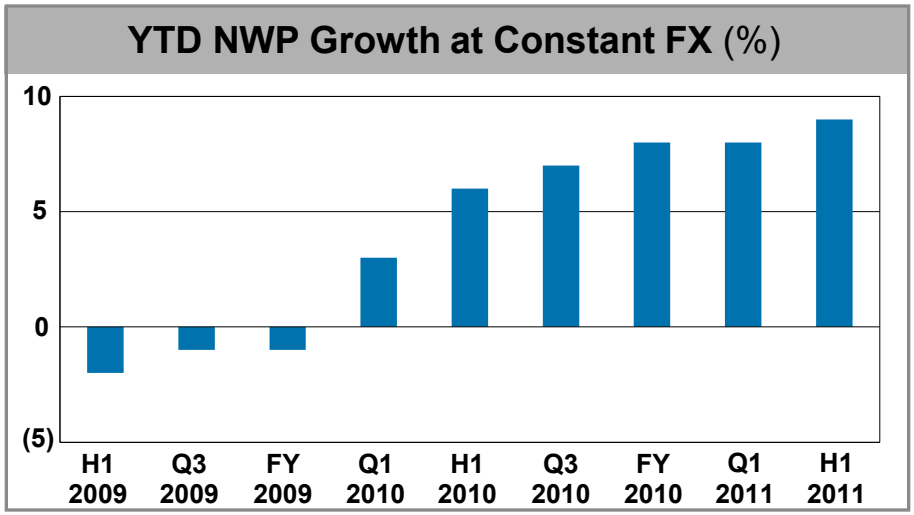


RSA

H1 2011: CONTINUED STRONG TOP LINE MOMENTUM

- Premiums up by 10% as reported across the Group or 9% at constant
  - International up 11% (8% constant)
  - UK NWP up 7%
  - Emerging Markets NWP up 18%
- Growth comprises 5% deals and 4% rate on renewals with volumes flat on 2010
- Acquisitions performing well and integrations progressing as planned
- Generating strong momentum and confident of driving the top line forward

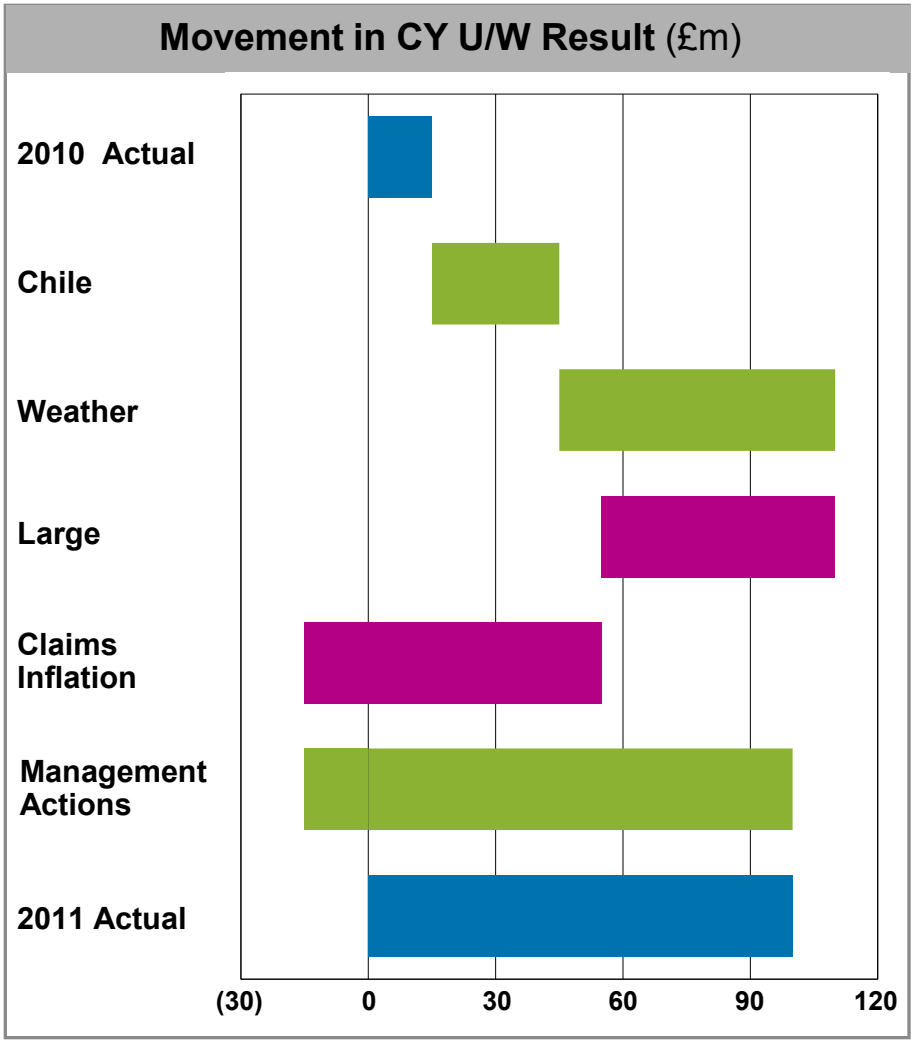




RSA

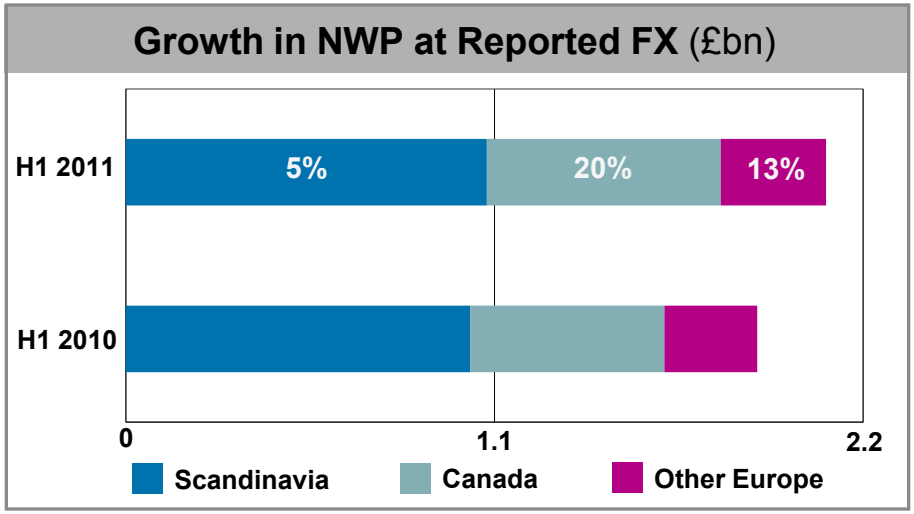
H1 2011: IMPROVED UNDERWRITING PROFITABILITY

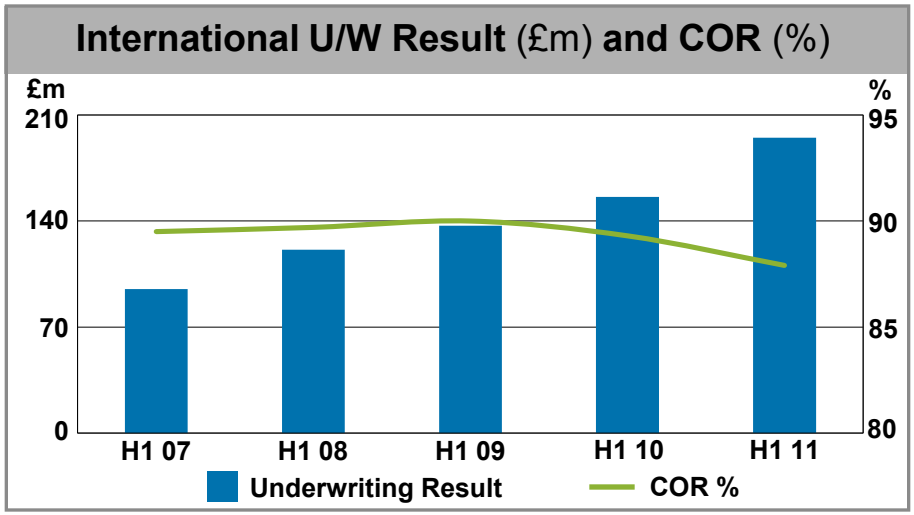
- Underwriting result of £206m up by 51% across the Group
- £100m current and £106m prior year with positive run-off in all regions
- Current year result up from £15m last year
  - 2010 includes Chile earthquake losses of £30m
  - Weather £65m better and other large losses £55m worse than prior year
  - Management actions of £115m offset claims inflation of c4%
- Confident of continuing to deliver sustainable profitable performance



INTERNATIONAL: STRONG TOP AND BOTTOM LINE PERFORMANCE

- **Excellent first half performance with**
  - **NWP of £2.1bn up by 11%**
  - **COR of 87.9%; 1.4 point improvement**
  - **Underwriting profit of £195m**
- **Another strong performance from both Scandinavia and Canada**
- **Other Europe NWP up by 14% (constant) due to rate and 123 Money in Ireland**
- **Italian market remains tough; we continue to take action to improve profitability**

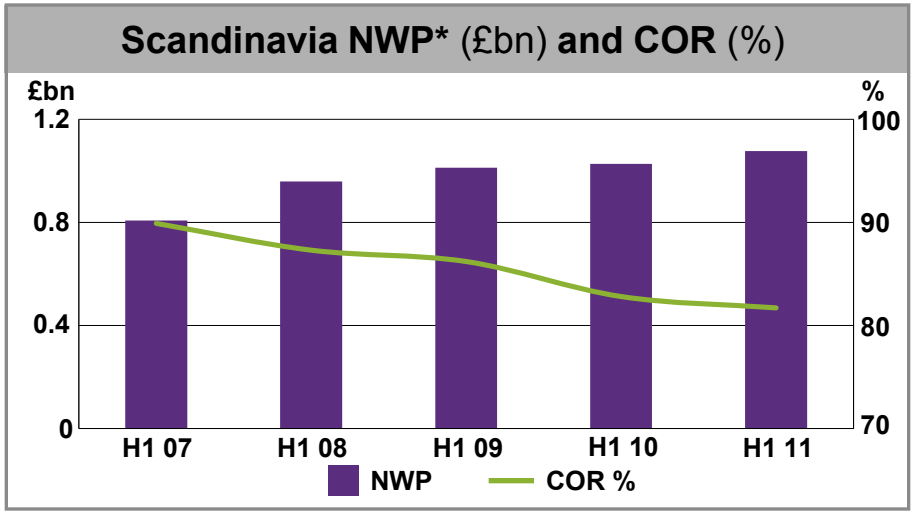




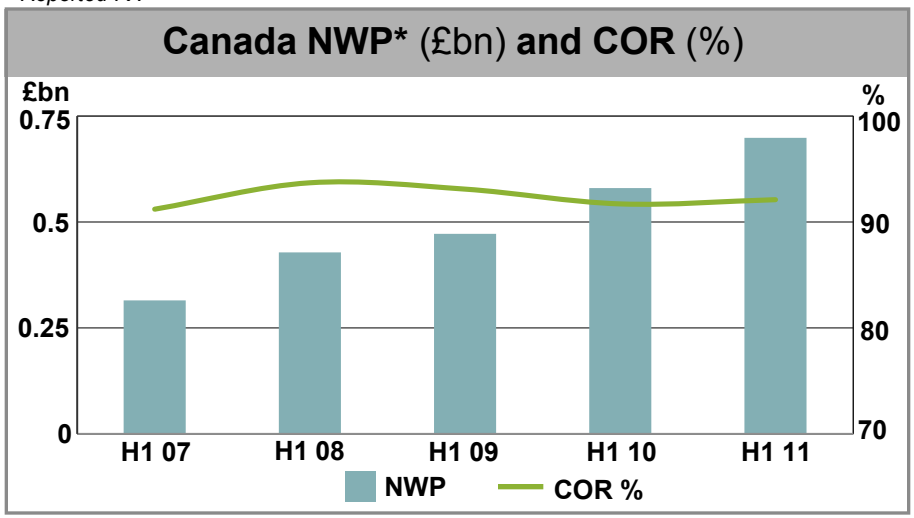
RSA

INTERNATIONAL: STRONG TOP AND BOTTOM LINE PERFORMANCE

- **Scandinavia Personal up 1% (constant) and Commercial in line with prior year**
- **Scandinavian profitability remains strong, u/w result up 13% to £144m; COR of 81.7%**
- **Canada underwriting result improved by 20% to £54m; COR of 92.1%**
- **Canada Personal NWP up by 9% with Johnson up 10%; Commercial up 53% driven by GCAN, Risk Solutions and SME**
- **Confident of delivering c10% growth across International for the full year**



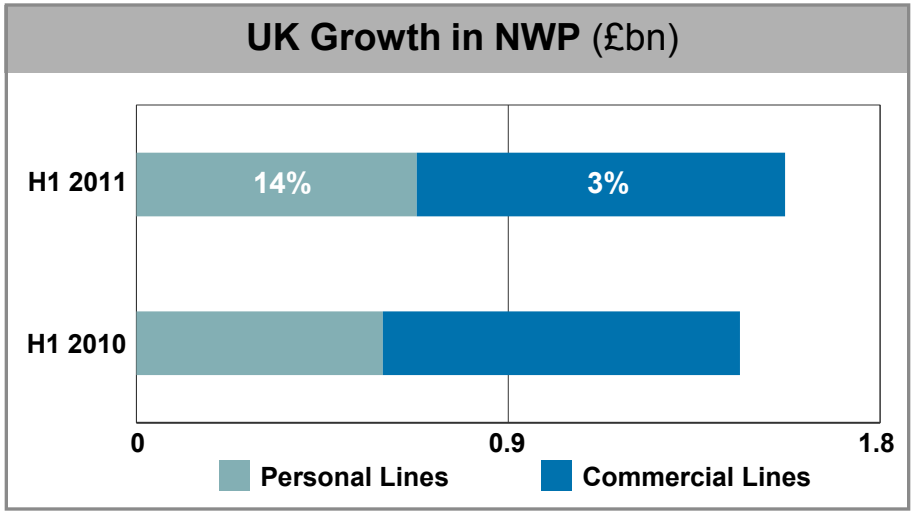
** Reported FX*

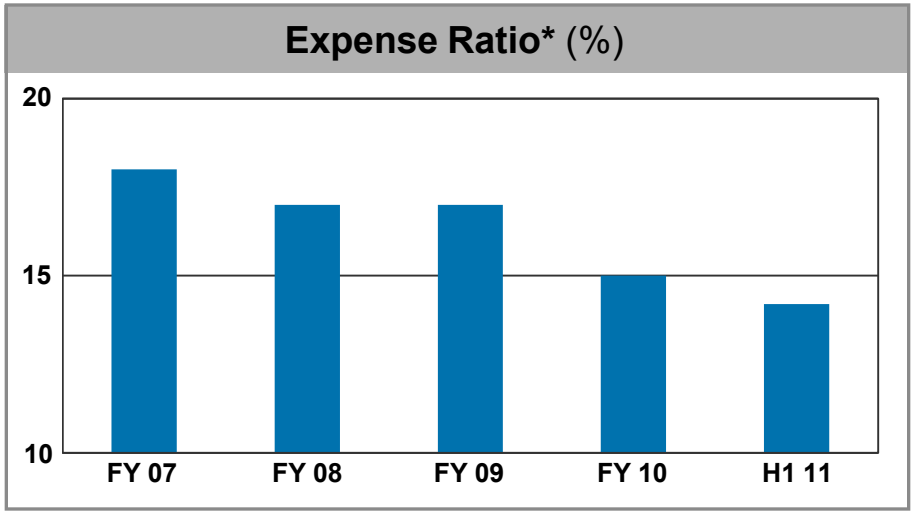


** Reported FX*

UK: DELIVERING TARGETED GROWTH

- **NWP up by 7% to £1.6bn; COR of 98.5% impacted by Q1 cat events**
- **Personal up 14% driven by Tesco Pet NWP of £66m and Household growth of 9% offset by a 3% reduction in Motor**
- **Commercial lines up 3% with Marine up 9%, Risk Solutions Europe up 17% offset by a 13% reduction in Mid-Market**
- **Continue to drive targeted growth in 2011**
- **On track to achieve full year expense ratio of c14% by the end of 2011, a year early**



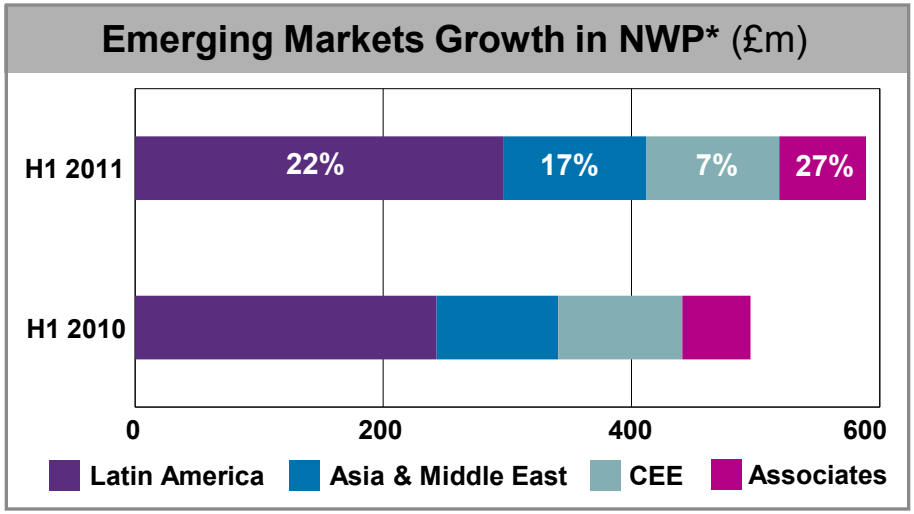


** Excluding commissions*

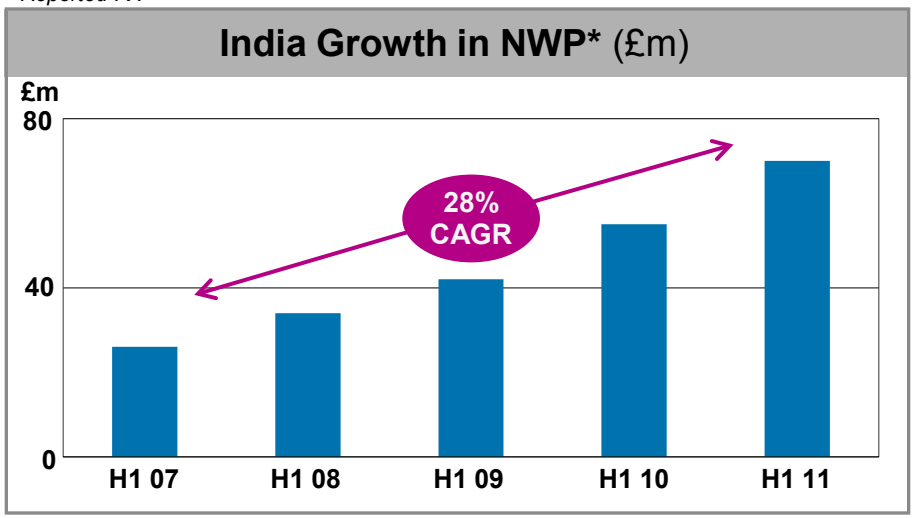
RSA

EMERGING MARKETS: CONTINUED DOUBLE DIGIT GROWTH

- **NWP up by 18% to £519m and by 19% to £589m including India**
- **COR improved to 98.6% despite extreme weather in the Baltics, KSA and Colombia**
- **Asia Middle East NWP up 22% (constant) due to Al Ahlia in Oman and Specialty**
- **India NWP up 32% to £70m driven by Motor**
- **Central & Eastern Europe NWP up 7%; Baltic economies stabilised and continued growth in the Direct operations**



** Reported FX*

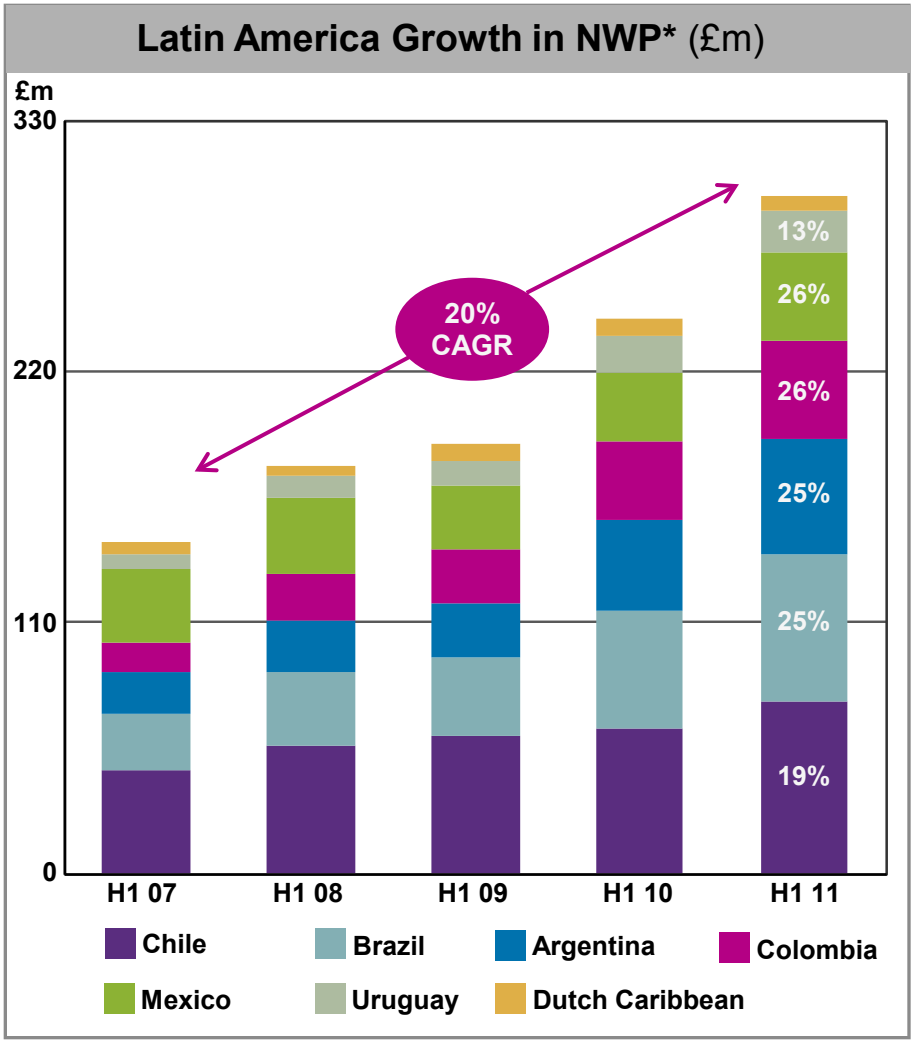


** Reported FX*

RSA

EMERGING MARKETS: DRIVING STRONG GROWTH IN LATIN AMERICA

- **Strong export-led GDP growth and new car sales drive insurance market growth**
- **NWP growth of 22% to £297m with double digit growth in six countries**
- **Affinity premiums up 43% (constant) with 8 new deals signed in the first half**
- **Marine NWP up 26% led by Brazil, Colombia and Argentina**
- **Emerging Markets remains on track to double NWP to c£2.2bn by the end of 2015**

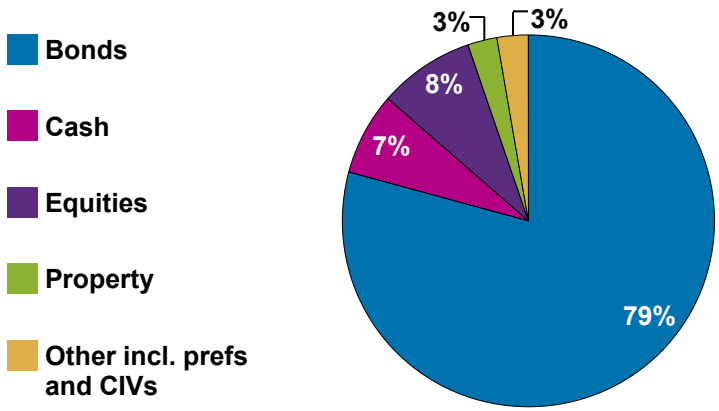


** Reported FX*

INVESTMENT PORTFOLIO

- Total investment portfolio of £14.7bn
- High quality, low risk strategy unchanged but taking action in current conditions
- Equities to be cut by c£330m during 2011
  - Sold £130m of equities in H1
- Further reduced exposure to PIIGS
  - Government bonds down from £257m last year to £160m
  - Bank debt exposure limited at £131m
- Average duration raised to 3.4 years to benefit from higher yields

Investment Portfolio (%)

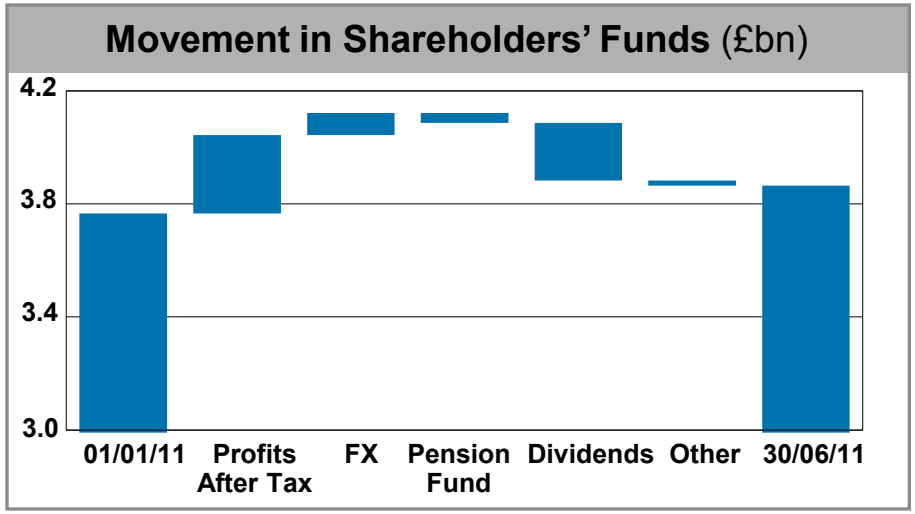


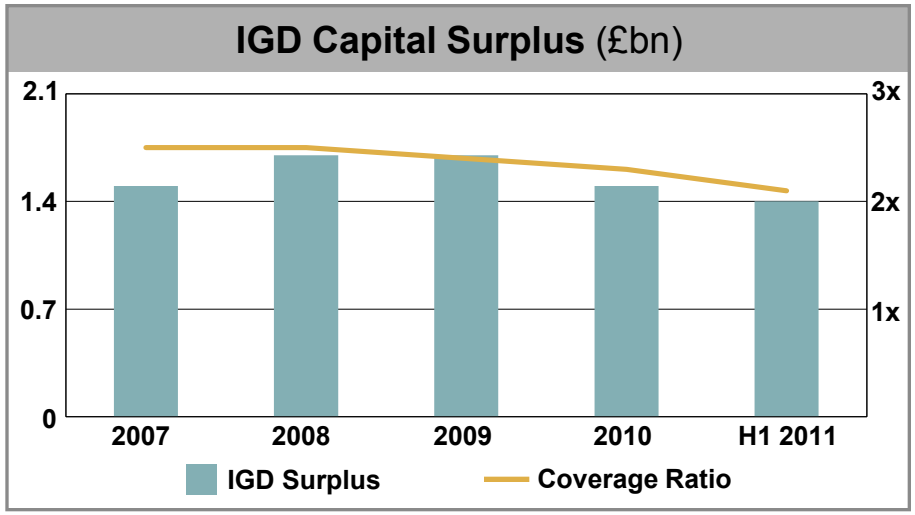
Peripheral Europe Government Debt (£m)

(£m)	H1 2011	H1 2010	Mvt.
Ireland	64	150	(86)
Italy	46	40	6
Spain	44	40	4
Portugal	-	21	(21)
Greece	6	6	-
	160	257	(97)

RSA

SHAREHOLDERS' FUNDS & CAPITAL POSITION



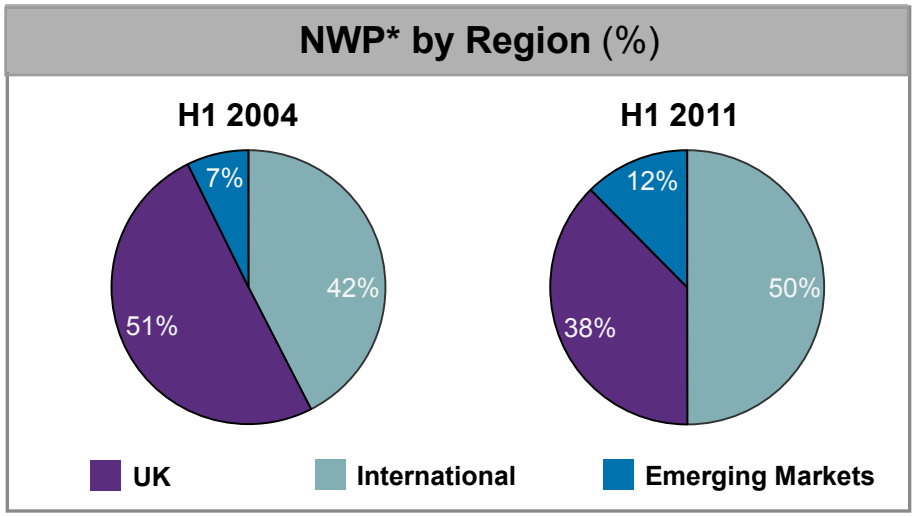


- **Shareholders' funds of £3.9bn up 3%**
  - **Profits and FX partly offset by fair value losses and final 2010 dividend**
- **Maintained strong capital position**
  - **IGD surplus of £1.4bn with coverage remaining at 2.1x the requirement**
  - **Economic capital surplus £1.0bn**
- **Rated 'A' positive by S&P, 'A2' stable by Moody's and 'A' stable by AM Best**
- **Continue to make good progress on Solvency II and actively engaged with FSA**

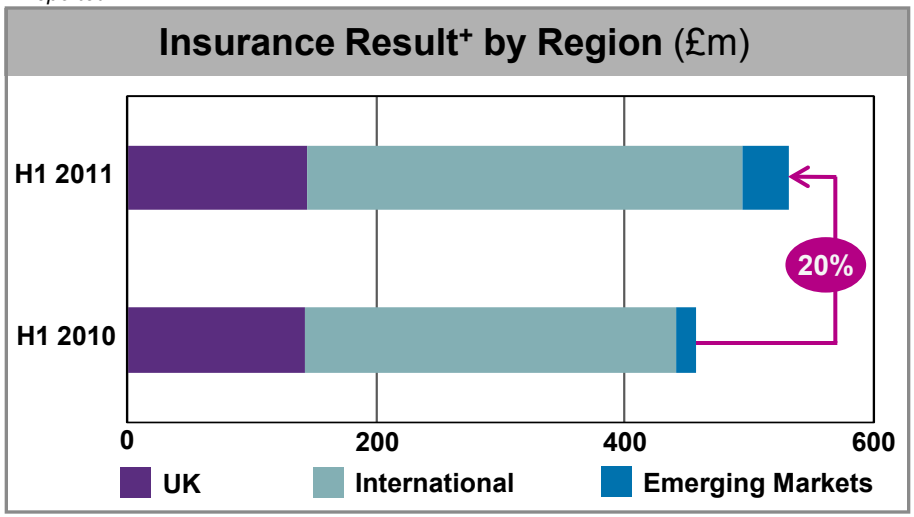
RSA

CONFIDENT OUTLOOK

- A strong first half for the Group
- Driving the top line forward in 2011 and confident of achieving
  - c10% growth in International
  - Continued double digit growth in Emerging Markets, and
  - Targeted growth in the UK
- Continue to expect 2011 COR for the Group to be better than 95%
- Remain on track to deliver c70% of NWP from International and Emerging Markets within 5 years
- Confident outlook reflected in 7% increase in interim dividend to 3.34p



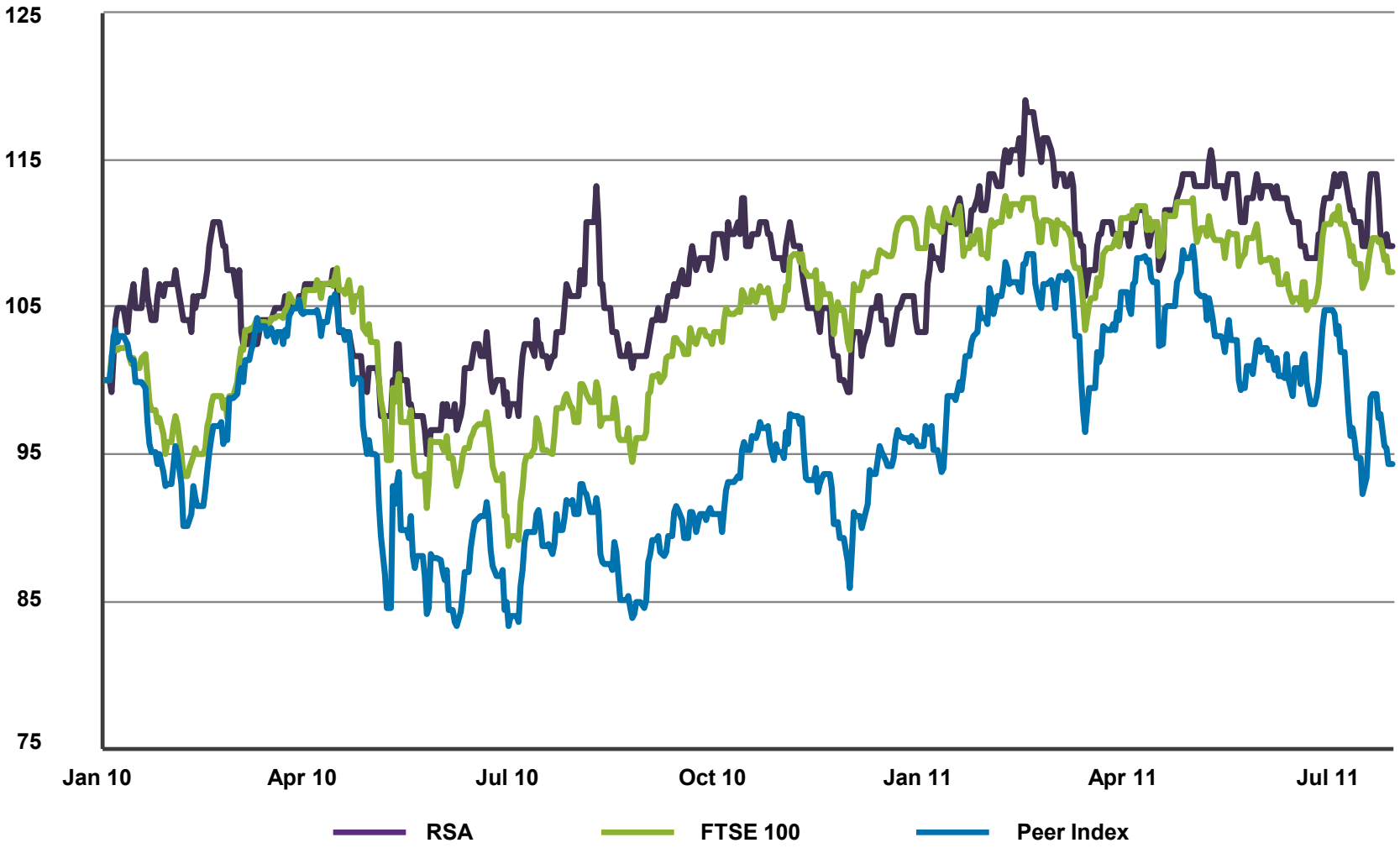
** Reported FX*



+ Insurance result comprises underwriting result plus investment result

RSA

RSA SHARE PRICE PERFORMANCE*



** Indexed to a base of 100*

This presentation 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 and other 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. Forward-looking statements in this presentation are current only as of the date on which such statements are made. 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 presentation should be construed as a profit forecast.