



2012 Half Year Results Presentation

2 August 2012

AGENDA

Introduction

John Napier, Chairman

Business Review

Simon Lee, CEO

Financials

Richard Houghton, CFO

Outlook

Simon Lee, CEO

Questions & Answers

INTRODUCTION

- **Solid set of results with continued premium growth**
- **Strong performance in overseas operations, although Group result impacted by adverse weather in UK and Italian earthquakes**
- **Maintained strong balance sheet and capital positions**
- **Interim dividend increased by 2% to 3.41p (H1 2011: 3.34p)**

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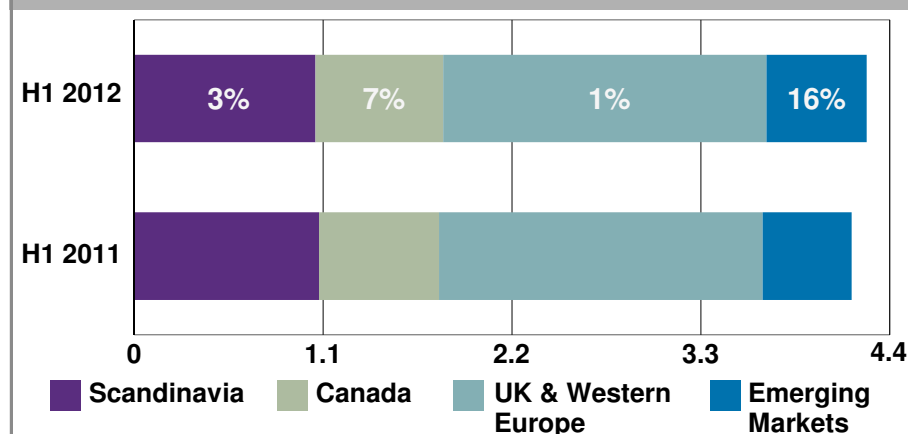
Question & Answers

SOLID PERFORMANCE IN CHALLENGING CONDITIONS

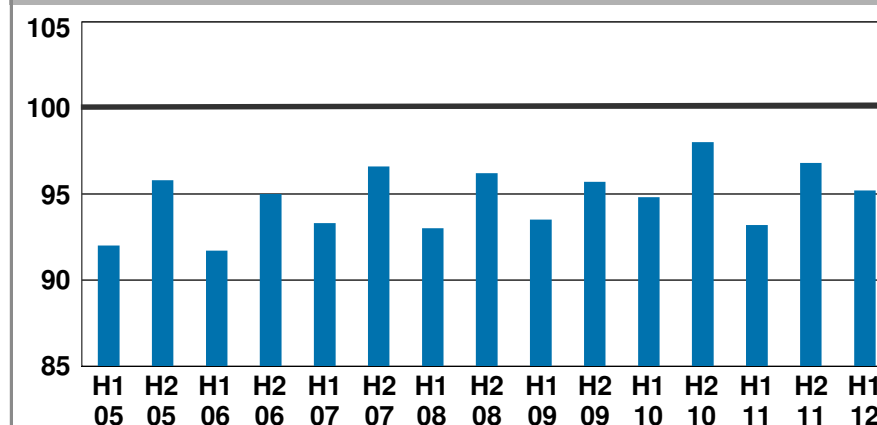
(£m)	H1 2012	H1 2011	Mvt.+
Net written premiums	4,276	4,188	2%
Underwriting result	158	206	(23)%
Combined operating ratio	95.2%	93.2%	(2.0)pts
Investment result	225	268	(16)%
Operating result	316	408	(23)%
Profit before tax	233	376	(38)%

+ Reported FX

Growth in Net Written Premiums* (£bn)

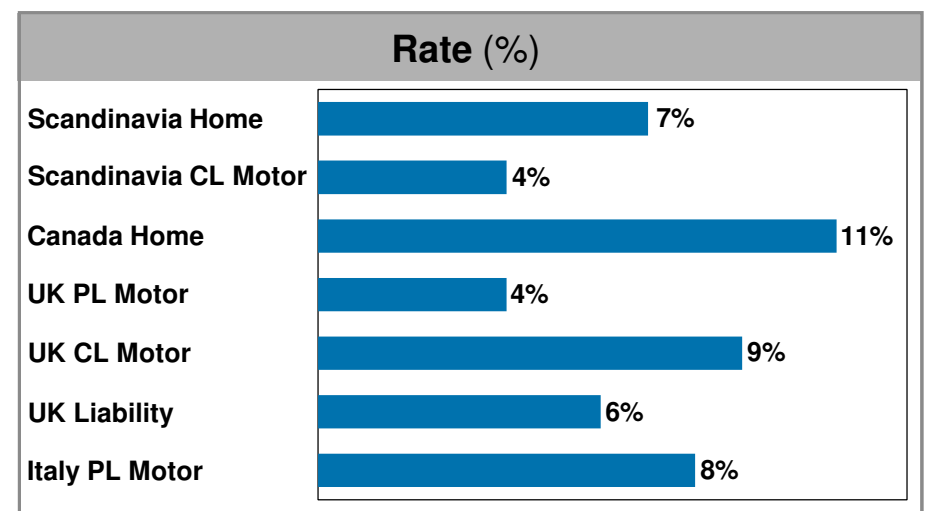
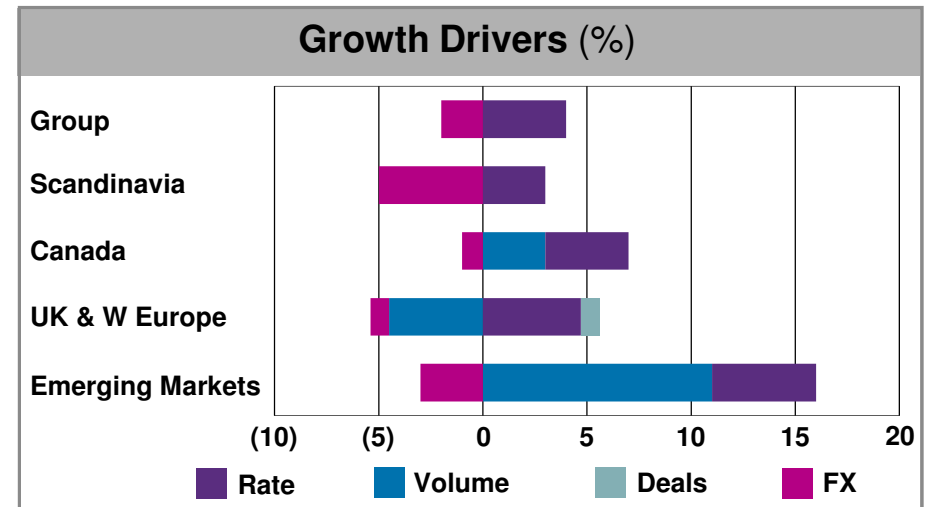


COR (%)



DRIVING TARGETED GROWTH IN ALL REGIONS

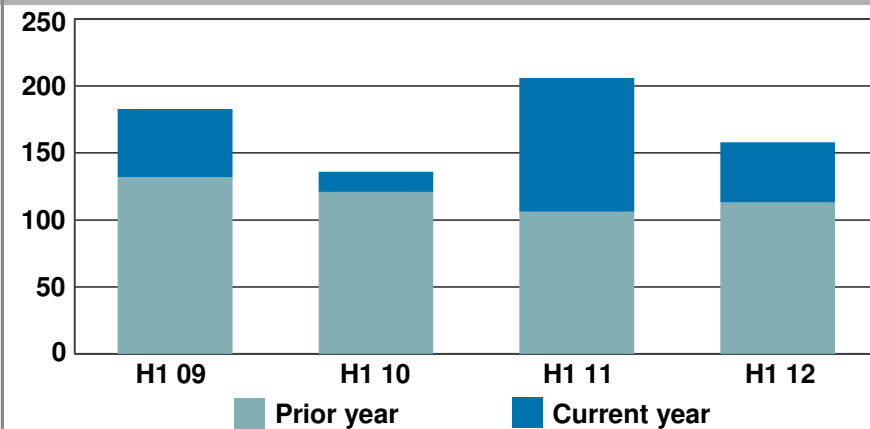
- Group net written premiums up by 4% on a constant basis or 2% as reported
- Growth driven by positive rate on renewals
- Volume growth in Emerging Markets and Canada offset by targeted reductions in UK and Italian Motor
- Announced three acquisitions in H1; one in Canada and two in Argentina
- Remain confident of delivering good underlying premium growth



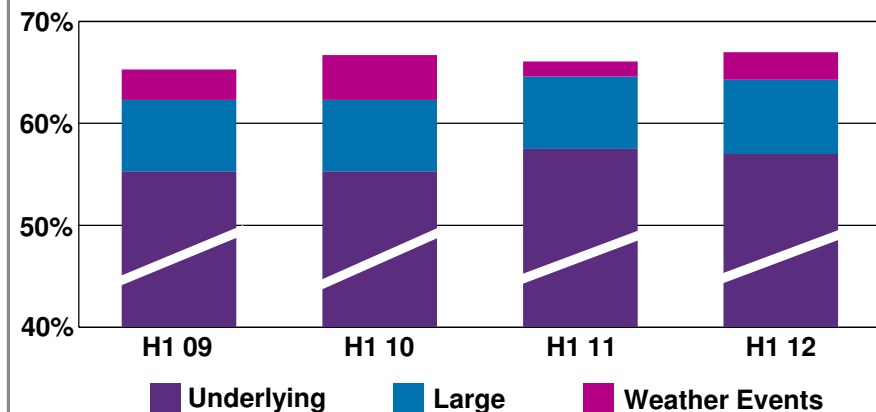
UNDERWRITING PERFORMANCE

- Underwriting profit of £158m comprises £45m current and £113m prior year profit, with positive development in all regions
- Current year benefits from rate and management actions of c£100m which exceed claims inflation of c£70m
- Weather events are c2.7pts of loss ratio; UK and Western Europe offsets more benign experience in other regions
- Large losses are c7.3pts of loss ratio; impacted by Italian earthquakes in May

Underwriting Result (£m)



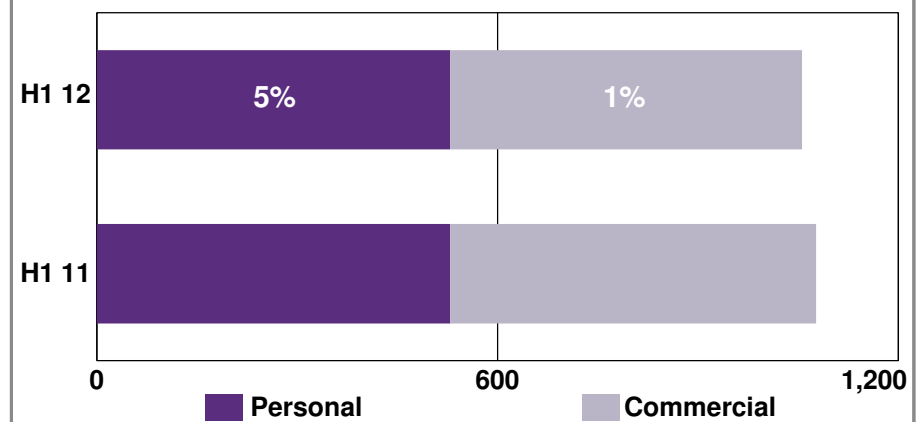
Group Loss Ratio (%)



SCANDINAVIA

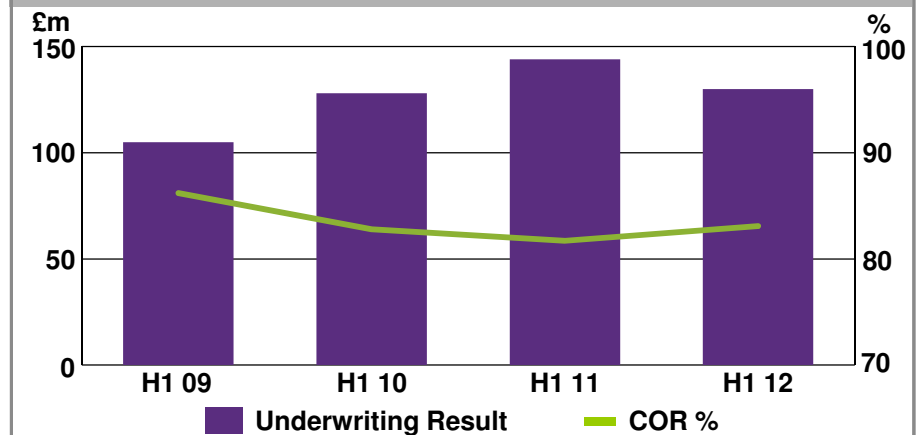
- NWP of £1.1bn grew by 3% (constant)
- Personal up 5% due to strong new business, rate and retention
- 3% underlying growth in Commercial driven by Motor, Marine and Norway
- Another excellent underwriting result of £130m and COR of 83.1%
- Continued strong performance from Swedish PL supported by improved profitability in Denmark and Norway

Scandinavia Growth in NWP* (£m)



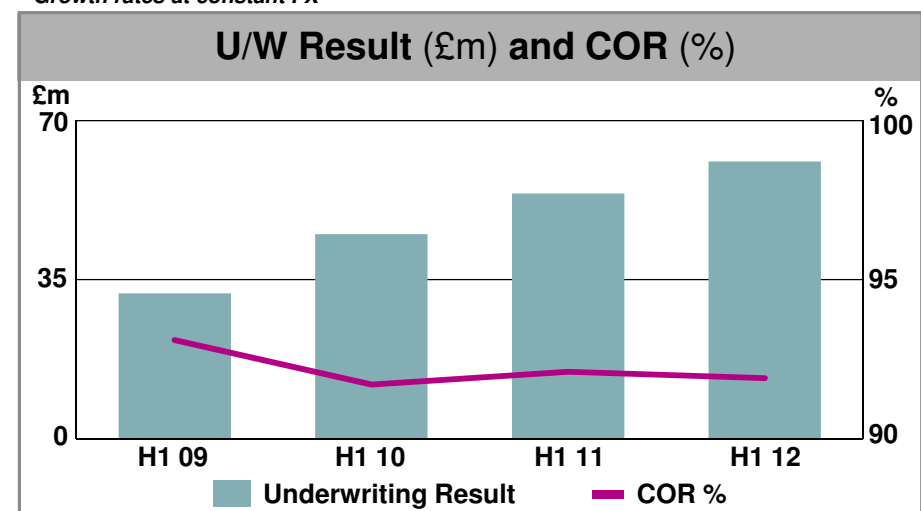
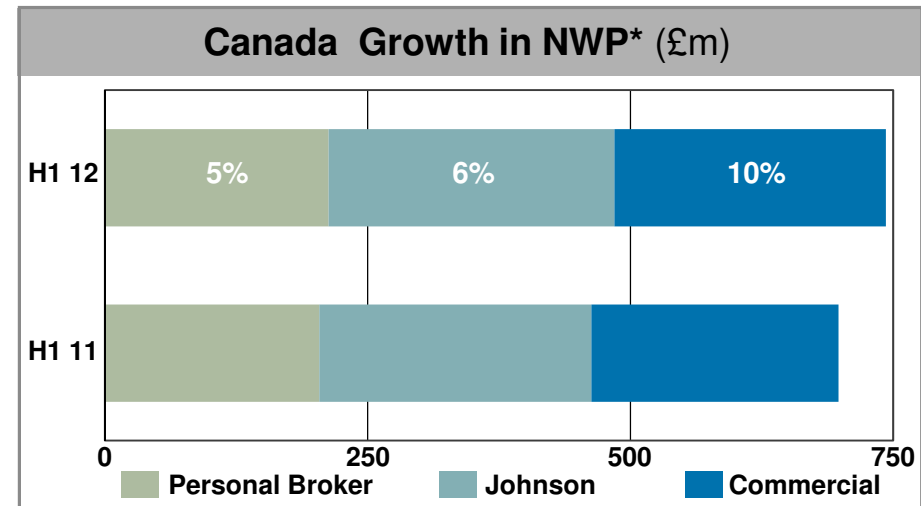
* Growth rates at constant FX

U/W Result (£m) and COR (%)



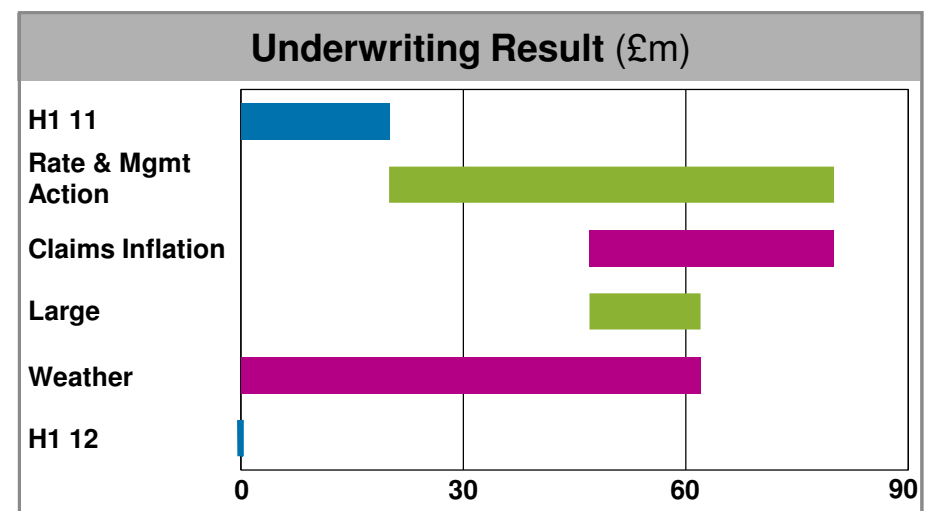
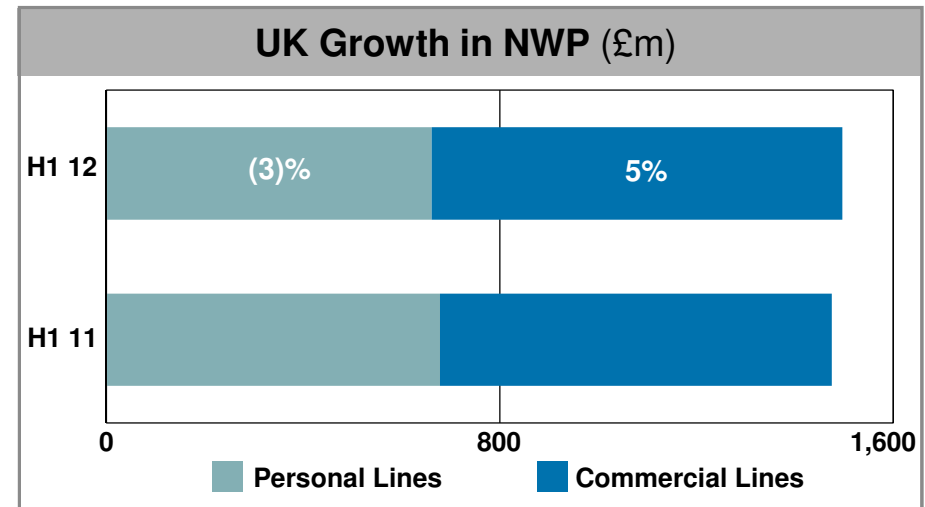
CANADA

- Continued strong growth with NWP up by 7% (constant) to £743m
- Personal up 6% due to rate and strong retention across Broker and Johnson
- Commercial premiums up by 10% to £258m driven by Specialty
- GCAN integrated; cements relationships with global and top-tier regional brokers
- Record H1 underwriting profit of £61m up by 13%; COR very strong at 91.9%
- Expanded geographic footprint with L'Union Canadienne acquisition in Quebec



UK

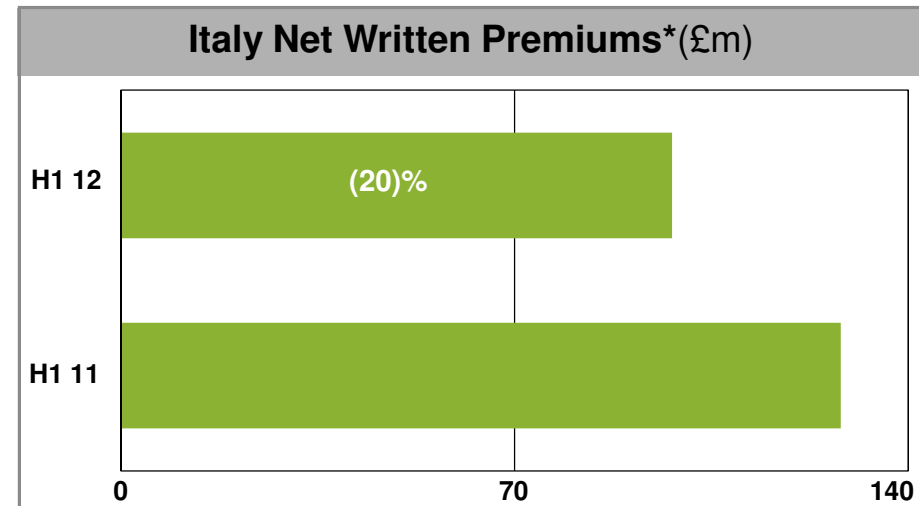
- Repositioning of UK progressing
 - Growing Risk Managed, Pet and Home
 - Affinity deals signed with John Lewis and OIM Underwriting
 - PL Motor premiums down by 19% but actions drive sub-100% COR
- Actively managing challenging market environment in UK Commercial
 - Increased use of surveys, enhanced rating tools and optimising reinsurance
 - Refocusing Broker distribution
- Underwriting result at break-even despite weather being £62m worse than H1 2011



ITALY AND IRELAND

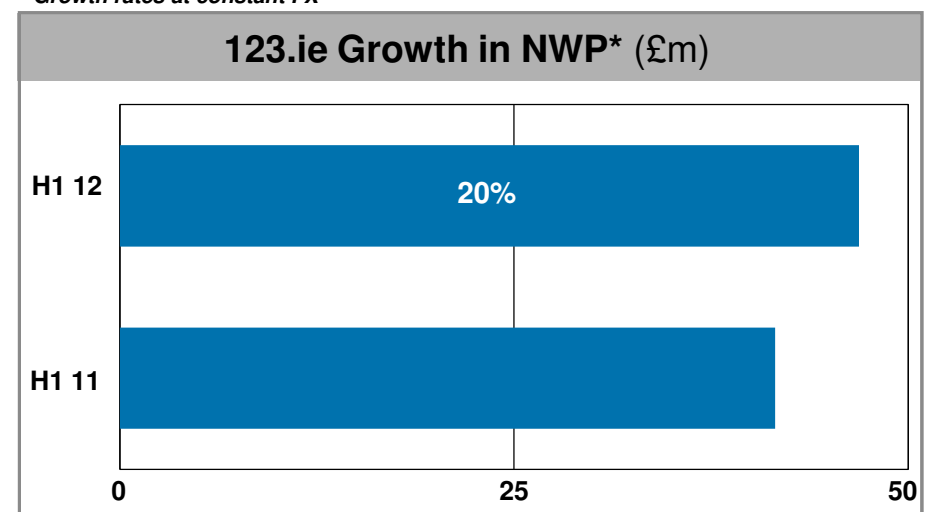
Italy

- NWP reduced by 20% (constant) as remediation action continues
- Underwriting loss of £41m impacted by two earthquakes in May
- Management making good progress; still expect to be close to breakeven in 2013



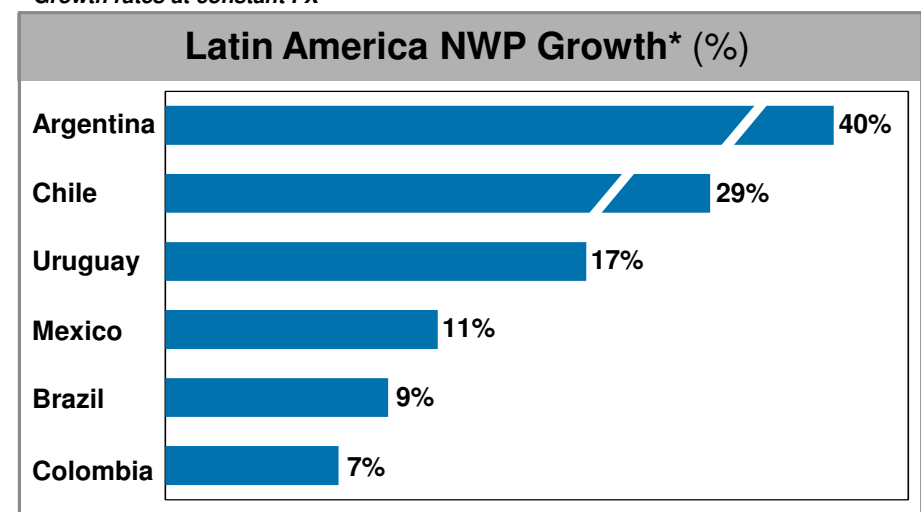
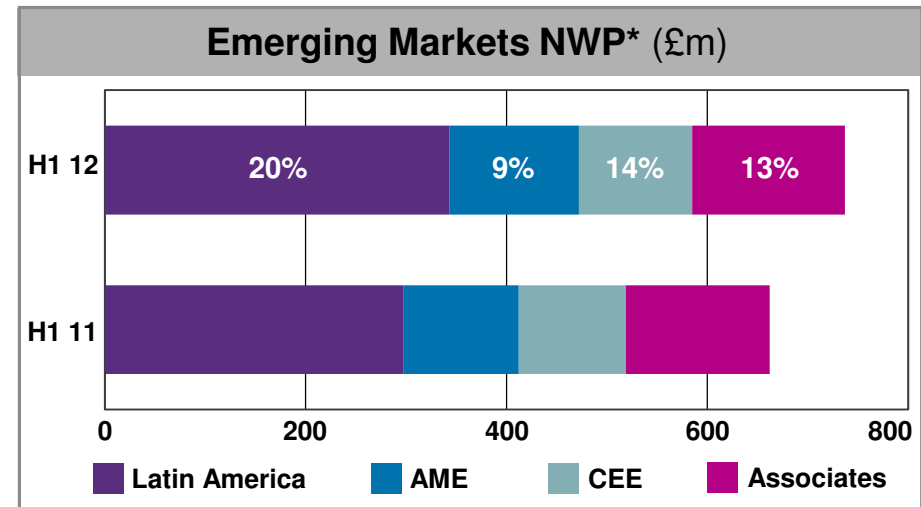
Ireland

- Another strong performance
- NWP up 3% in a contracting market
- Underwriting result of £14m; COR of 92.6%
- 123.ie performing ahead of expectations



EMERGING MARKETS

- NWP of £585m, up 16% (constant) and NWP of £737m with associates
- U/w profit of £7m; COR of 99.8% despite adverse large losses in Latin America
- Good growth in Motor, Marine and Specialty; signed 15 new affinity deals
- Recent acquisitions position RSA as a top 5 general insurer in Argentina
- Exiting Czech Republic as unable to achieve scale within a reasonable period
- Still expect NWP to be c£2.2bn in 2015



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RESULTS SUMMARY

(£m)	H1 2012	H1 2011	Mvt.
Net written premiums	4,276	4,188	2%
Underwriting result	158	206	(23)%
Operating result	316	408	(23)%
Profit before tax	233	376	(38)%
Loss ratio	67.0%	66.1%	(0.9)pts
Commission ratio	13.1%	11.9%	(1.2)pts
Operating expense ratio	15.1%	15.2%	0.1pts
COR	95.2%	93.2%	(2.0)pts
Underlying return on average equity	9.6%	15.0%	(5.4)pts
	H1 2012	FY 2011	Mvt.
Net asset value per share excluding IAS 19	104p	108p	(4)%

OPERATING RESULT

(£m)	H1 2012	H1 2011	Mvt.
Underwriting result	158	206	(23)%
Investment income	267	313	(15)%
Discount unwind	(42)	(45)	7%
Investment result	225	268	(16)%
Other activities	(67)	(66)	(2)%
Operating result	316	408	(23)%

- Underwriting result includes current year profit of £45m and prior year of £113m
 - CY is after UK June weather of c£40m and Italian earthquakes of c£35m
 - Reserves remain significantly to the right side of best estimate
- Investment income down 7% excluding one-off property settlement in H1 2011
 - Still expected to be c£500m for 2012
- Other activities in line with prior year

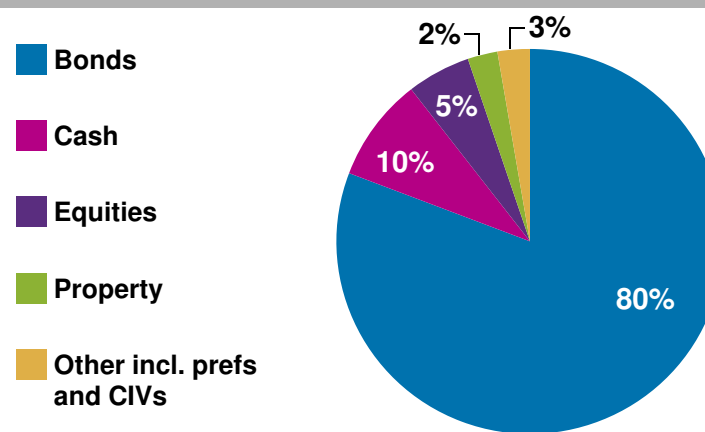
INCOME STATEMENT

(£m)	H1 2012	H1 2011	Mvt.	
Operating Result	316	408	(23)%	• Total gains of £34m mainly reflect equity sales during the period
Total gains	34	59	(42)%	• Solvency II implementation costs of £16m; still expect full year charge to be c£30m
Interest and other	(78)	(78)	-	
Solvency II costs	(16)	(9)	(78)%	• Reorganisation costs include
Reorganisation costs	(19)	-	n/a	
Acquisitions and disposals	(4)	(4)	-	• Run-off of Czech Direct operation
Profit before tax	233	376	(38)%	
Tax	(69)	(99)	30%	• Group Corporate Centre restructuring
Profits after tax	164	277	(41)%	• Tax charge of £69m; effective rate of c30%

INVESTMENT PORTFOLIO

- Total investment portfolio of £14.1bn
- High quality, low risk strategy unchanged
 - 90% remains invested in high quality bonds and cash
- Average duration increased to 3.7 years
- Minimal exposure to peripheral Europe
 - Government bonds of £144m
 - Bank debt also limited at £60m
- Ongoing action to mitigate declining yields

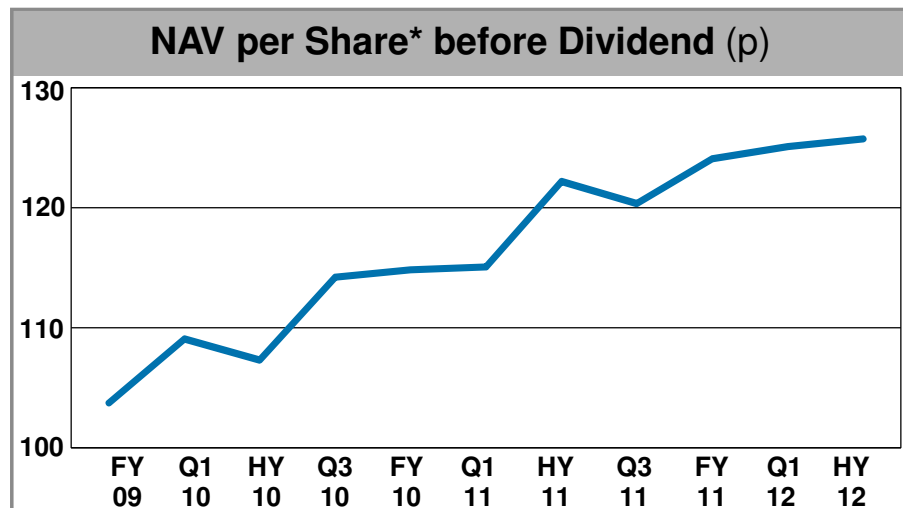
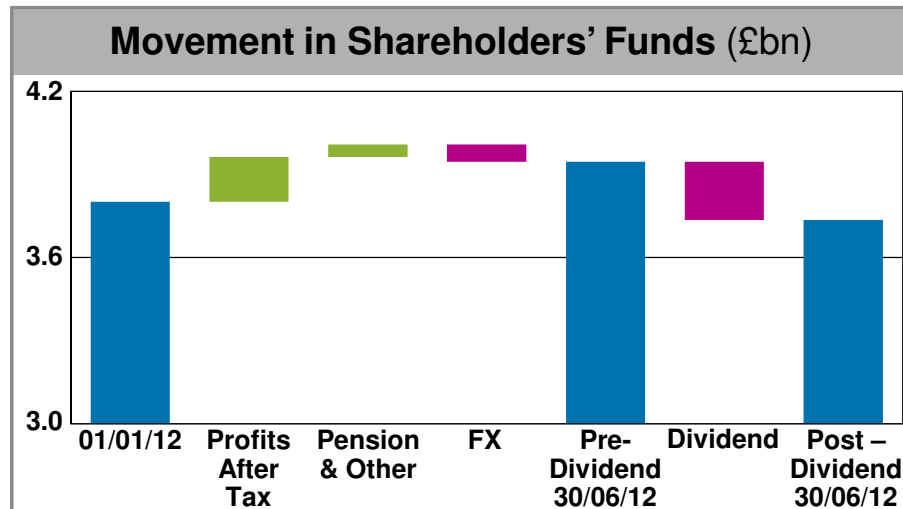
Investment Portfolio (%)



Peripheral Europe Government Debt (£m)

	H1 2012	FY 2011	Mvt.
Ireland	71	71	-
Italy	51	42	9
Spain	22	23	(1)
Greece	-	2	(2)
	144	138	6

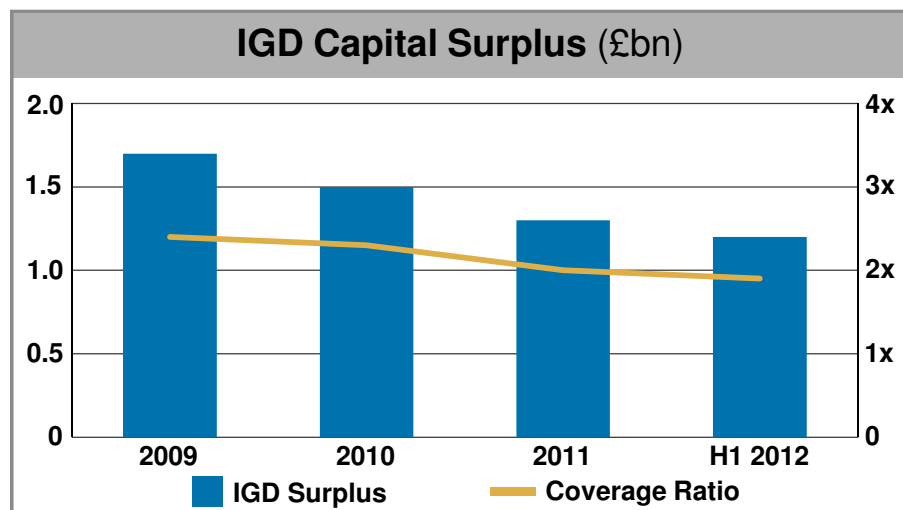
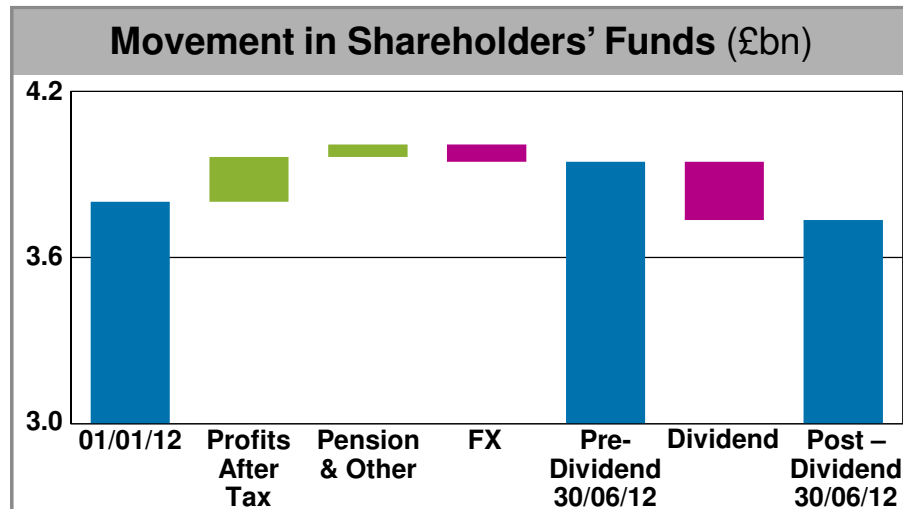
SHAREHOLDERS' FUNDS & CAPITAL POSITION



* Excludes pension scheme and rebased using shares in issue at 30 June 2012

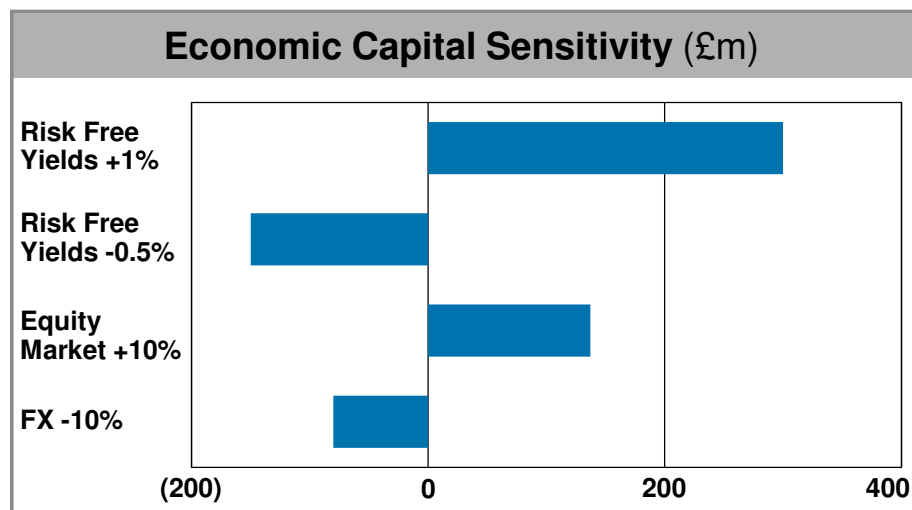
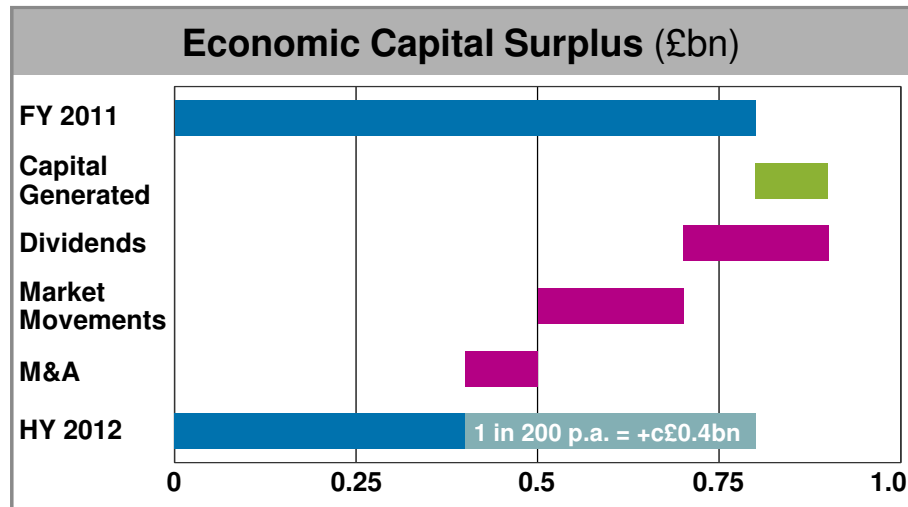
- Maintained strong capital positions
- Shareholders' funds of £3.7bn; profits offset by fx losses and 2011 final dividend
- Pension fund deficit reduced to £71m compared with £140m at the start of 2012
- IGD surplus of £1.2bn and coverage of 1.9x the requirement remain strong
- Continued good progress on Solvency II
- Upgraded to 'A+' stable outlook by S&P
- Agreed new £500m senior debt facility

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ECONOMIC CAPITAL POSITION



- Surplus remains strong at £0.4bn
 - Capital generated offset by dividends
 - Risk free yield compression drives £0.2bn market movement decline
 - M&A relates to deals signed but not closed in Canada and Argentina
- Internal model is based on an 'A' rating
 - Equivalent to a probability of insolvency over 1 year of 1 in 1,250
- Surplus c£0.4bn greater under the 1 in 200 probability used in Solvency II

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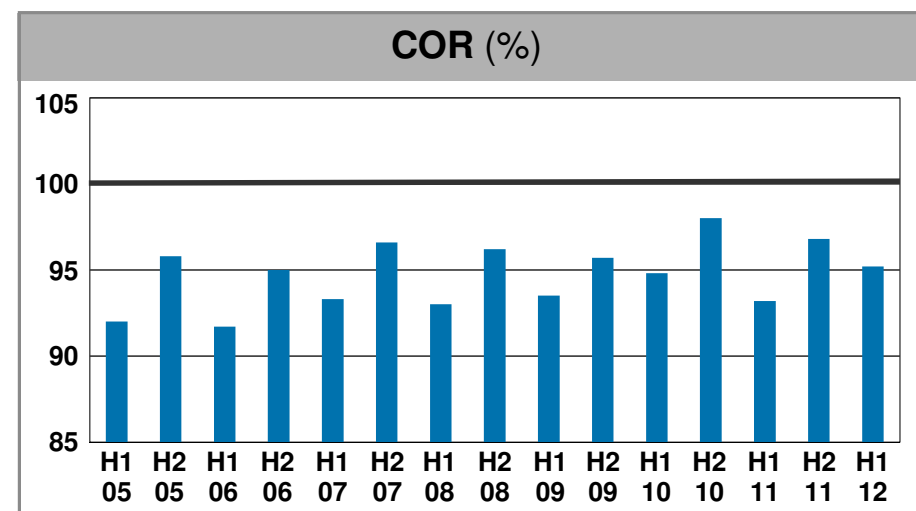
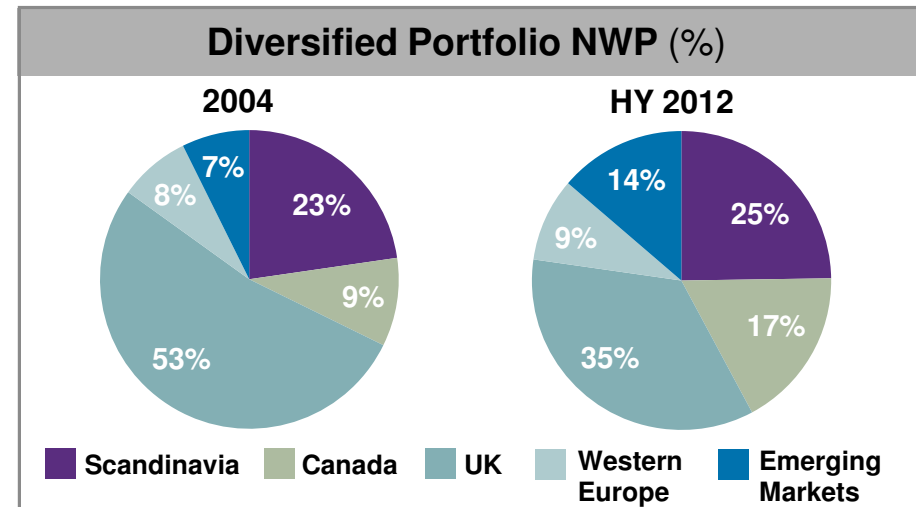
Outlook

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Question & Answers

CONTINUING STRATEGIC PROGRESS

- Made good progress; focusing on
 - Driving targeted growth
 - Protecting strategic advantages
 - Continuing to strengthen distribution
- Remain confident of delivering a good operating performance in 2012
 - COR now to be better than 96%
 - Investment income to be c£500m
- 2% increase in interim dividend to 3.41p



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, currency changes, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax or 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. 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.



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