

**NOT FOR RELEASE INTO THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN**

**IMMEDIATE**

**24 MAY 2007**

**Royal & SunAlliance announces a recommended cash offer to purchase the minority shares in Codan and an equity placing to raise around £300m**

Royal & Sun Alliance Insurance Group plc ("R&SA") through its wholly-owned subsidiary RSA Overseas Holdings B.V. ("RSA B.V.") today announces a cash tender offer (the "Tender Offer") for all of the outstanding shares in Codan A/S ("Codan") it does not own (the "Codan Minority Shares"). The Tender Offer is open to all Codan shareholders (except those in Canada, Australia or Japan or any other jurisdictions in which the making of the Tender Offer or the acceptance thereof would be contrary to the laws of the relevant jurisdiction) at a price of DKK 605 per share, valuing the Codan Minority Shares at DKK 6,414 million (£584 million).

Consistent with R&SA's objective of maintaining financial flexibility and rating agency capital, the Tender Offer will be funded through a combination of around £300m of equity and existing resources. The transaction will simplify the Group structure and capital position.

The Codan Board has unanimously recommended the Tender Offer to Codan's shareholders. The three directors who are R&SA employees did not participate in the deliberations or the Codan Board resolution.

**Andy Haste, Group CEO commented**

"We have a strong portfolio of businesses and are committed to delivering sustainable profitable performance. Codan is a core part of the Group. The acquisition of the minority shareholding demonstrates the strategic importance of Codan and enhances our platform for delivering profitable growth. The transaction is expected to be mildly earnings accretive in 2008 and I am confident in the long term prospects for this business.

We have made a strong start to the year and we reaffirm our expectation that the Group will deliver a combined operating ratio of better than 95% for 2007."

## **Tender Offer**

- The consideration offered under the Tender Offer is DKK 605 in cash per Codan share. The Tender Offer, unless extended, will expire on 21 June 2007 at 20:00 (CET). If the conditions of the Tender Offer are either met or waived at this time, settlement is expected on or before 29 June 2007.
- The offer price represents a premium of 15% to Codan's closing share price of DKK 525 on 23 May 2007 and 18% to the 6-month volume weighted average.
- As Codan is core to the R&SA Group and its objective of delivering sustainable profitable performance, RSA B.V. welcomes any additional shares it can obtain. Consequently, this Tender Offer is not subject to a specific acceptance level.
- If, upon settlement RSA B.V. owns more than 90% of Codan's outstanding share capital, RSA B.V. intends to initiate compulsory acquisition procedures and seek to de-list Codan shares from the Copenhagen Stock Exchange (the "CSE").
- Completion of any compulsory acquisition procedures is expected to be early January 2008.
- Copies of the Offer Document are available from ABN AMRO and on the R&SA website [www.royalsunalliance.com](http://www.royalsunalliance.com).

## **Equity placing**

Consistent with the objective of maintaining financial flexibility and rating agency capital, R&SA is today undertaking a private placing of new R&SA ordinary shares of 27.5p each (the "Ordinary Shares") to raise around £300m in connection with the Tender Offer (the "Placing").

JPMorgan Cazenove and Merrill Lynch are acting as joint lead managers and bookrunners (together the "Managers") to the Placing. The Placing will be fully underwritten by J.P.Morgan Securities Limited ("JPMSL") and Merrill Lynch (together with JPMorgan Cazenove the "Banks") and will be conducted in accordance with the terms and conditions set out in the Appendix to this announcement.

The Placing will be effected, subject to the satisfaction of certain conditions, by way of an accelerated bookbuild placing of Ordinary Shares (the "Placing Shares") to be launched immediately following this announcement. The bookbuilding is expected to close today at 17:00 GMT but may be closed earlier or later at the discretion of the Managers. The Placing price of the Placing Shares will be determined by the Managers at the close of the bookbuild and announced as soon as practicable thereafter.

--ENDS--

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**Notes to editors:**

1. The R&SA Group is a leading general insurer with operations in 27 countries. It is committed to delivering sustainable profitable performance, targeted growth and continuous operational improvement. The business has strong positions within each of its markets and is well positioned to continue delivering a profitable performance. In 2006 the Group delivered an operating result of £780 million and in 2007 expects to deliver a combined ratio better than 95%.
2. Codan (together with its subsidiaries and subsidiary undertakings, the "Codan Group") is the third largest insurer in the Nordic region and a material part of the R&SA Group. As reported in the R&SA Annual Report and Accounts for the year ended 31 December 2006, the Codan Group's net written premiums totalled £1.4bn, representing 25% of the net written premiums of the R&SA Group. Its main operations are in Denmark, Sweden, Latvia and Lithuania, with smaller operations in Norway and Finland.
3. As reported in the R&SA Annual Report and Accounts for the year ended 31 December 2006, the Codan Group made a pre-tax profit of £174 million and had gross assets of £4,494 million. Codan has today reaffirmed its expectation of delivering a combined ratio of between 91-93% for 2007 (90-92% under Danish IFRS).
4. As of market close on 23 May 2007 RSA B.V. held 71.66% of Codan share capital, or 75.34% of the share capital excluding shares held as treasury shares by Codan (the "Treasury Shares"). On 13 March 2007, Codan announced that it held 4.89% of its share capital as Treasury Shares and Codan is currently in the process of canceling these shares.
5. The Codan management team will continue to be headed by its current Chief Executive, Rickard Gustafson.
6. The consideration per Codan share is subject to an adjustment for dividends and other distributions, if any, declared or paid by Codan prior to the settlement of the Tender Offer.
7. For more information about the Tender Offer, including information on all terms and conditions and instructions on how to accept the Tender Offer, reference is made to the Tender Offer document (released today through the CSE).
8. For more information on the declaration by the Codan Board in respect of the Tender Offer, reference is made to Codan's announcement released today through the CSE.

9. The Offer Document, including the acceptance form and the advertisement published pursuant to Danish law requirements, will be distributed to Codan's registered shareholders by Codan, except to shareholders resident in jurisdictions in which the Tender Offer or the acceptance thereof would be contrary to applicable law (including, but not limited to Canada, Australia and Japan).
10. The Tender Offer as well as acceptance thereof shall be subject to Danish law.
11. The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of such Ordinary Shares after the date of issue of the Placing Shares.
12. Application will be made to the Financial Services Authority (the "FSA") for admission of the Placing Shares to the official list maintained by the FSA and to the London Stock Exchange (the "LSE") for admission to trading of the Placing Shares on the LSE's market for listed securities (together "Admission"). It is expected that Admission will take place on or before 30 May 2007 and that dealings in the Placing Shares on the LSE's main market for listed securities will commence at the same time.
13. In relation to the Tender Offer, R&SA has been advised by ABN AMRO, JPMorgan Cazenove and Merrill Lynch. For any questions on the Tender Offer document please contact ABN AMRO on +45 3396 1200.
14. All references to the "Group" and the "R&SA Group" refer to Royal & Sun Alliance Insurance Group plc, including its subsidiaries and subsidiary undertakings. For the avoidance of doubt, this includes the Codan shares currently held by RSA B.V. but not the Codan Minority Shares.
15. Exchange rate as at 23 May 2007 £1 = 10.99 DKK.

## **Disclaimer**

*This announcement is for information purposes only and does not constitute an offer or an invitation to acquire or dispose of any securities or investment advice in any jurisdiction. In particular, this announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for securities in the United States or any other jurisdiction and should not be relied upon in connection with any decision to dispose of Codan shares or acquire any shares issued pursuant to the proposed placing by R&SA. The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from R&SA and that will contain detailed information about R&SA and its management, as well as financial statements.*

*This announcement may contain “forward-looking statements” (as defined in the US Private Securities Litigation Reform Act of 1995) with respect to certain of the R&SA Group’s (including R&SA and RSA B.V.) and/or Codan’s plans and their 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 control of the R&SA Group (including R&SA and RSA B.V.) and/or Codan, 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 relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the R&SA Group (including R&SA and RSA B.V.), Codan and their respective affiliates operate. As a result, the actual future financial condition, performance and results of the R&SA Group’s (including R&SA and RSA B.V.) and/or Codan may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Neither the R&SA Group (including R&SA and RSA B.V.) or Codan undertakes any obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation.*

*No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earning per share of R&SA or Codan for the current or future financial years would necessarily match or exceed the historical published earnings per share of either company.*

*The Banks, each of which is authorised and regulated by the FSA, are acting for R&SA in connection with the Placing and no-one else and will not be responsible to anyone other than R&SA for providing the protections afforded to their respective clients or for providing advice in relation to the Placing or any matter referred to in this announcement.*

## **Appendix - Terms and conditions of equity placing**

### **Important information on the Placing**

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#### **IMPORTANT INFORMATION FOR PLACEES ONLY REGARDING THE PLACING**

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN ARE DIRECTED ONLY AT PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING AND DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESS AND WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ARE (1) QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF FSMA, BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2.1(e)(i), (ii) OR (iii) OF DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE") AND (2) IN THE UNITED KINGDOM FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "ORDER") OR ARE PERSONS WHO FALL WITHIN ARTICLE 49(2)(a) TO (d) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC") OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN AND THE ANNOUNCEMENT OF WHICH IT FORMS PART) MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS DISTRIBUTING THIS APPENDIX (AND THE ANNOUNCEMENT OF WHICH IT FORMS PART) MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. THIS APPENDIX DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN R&SA PLC.

THERE IS NO PUBLIC OFFERING OF SECURITIES OF R&SA PLC IN THE UNITED STATES. ANY SECURITIES OF R&SA PLC OFFERED OR SOLD IN THE UNITED STATES ARE NOT BEING, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT AND ARE NOT, AND WILL NOT BE, OFFERED AND SOLD, IN THE UNITED STATES, EXCEPT ON THE BASIS OF APPLICABLE EXEMPTIONS FROM REGISTRATION. FOLLOWING THE PLACING, IT MAY BE DIFFICULT FOR PLACEES IN THE UNITED STATES TO ENFORCE THEIR RIGHTS AND ANY CLAIM ARISING OUT OF THE US FEDERAL SECURITIES LAWS AGAINST R&SA PLC SINCE R&SA PLC IS LOCATED OUTSIDE OF THE UNITED STATES, AND SOME OR ALL OF THEIR OFFICERS AND DIRECTORS MAY BE RESIDENT OUTSIDE OF THE UNITED STATES. PLACEES IN THE UNITED STATES MAY NOT BE ABLE TO SUE A FOREIGN COMPANY OR ITS OFFICERS OR DIRECTORS IN A FOREIGN COURT FOR VIOLATIONS OF THE US SECURITIES LAWS. FURTHER, IT MAY BE DIFFICULT TO COMPEL A FOREIGN COMPANY AND ITS AFFILIATES TO SUBJECT THEMSELVES TO A US COURT'S JUDGMENT.

EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISORS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF A PURCHASE OF PLACING SHARES.

This announcement and any offer if made subsequently is only addressed to and directed at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("Qualified Investors").

**By participating in the Bookbuilding and the Placing, Placees will be deemed to have read and understood this Appendix in its entirety, to be participating, making an offer and acquiring Placing Shares on the terms and conditions contained herein and to be providing the representations, warranties, acknowledgements and undertakings contained herein.**

In particular each such Placee represents, warrants and acknowledges that it:

1. is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;

2. in the case of a Relevant Person in a member state of the EEA which has implemented the Prospectus Directive (each a "Relevant Member State") who acquires any Placing Shares pursuant to the Placing:

(i) it is a Qualified Investor; and

(ii) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive,

(a) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of Merrill Lynch and JPMorgan Cazenove (together, the "Managers") has been given to the offer or resale; or

(b) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons; and

3. is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion, and that it (and any such account) is outside the United States, or it is a dealer or other professional fiduciary in the United States acting on a discretionary basis for non-US beneficial owners (other than an estate or trust), in reliance on Regulation S under the Securities Act; or if it is in the United States, it is a QIB.

This announcement (including this Appendix) does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction including, without limitation, the United Kingdom, the United States, Canada, Australia or Japan. This announcement and the information contained herein is not for publication or distribution, directly or indirectly, to persons in the United States, Canada, Australia, Japan or in any jurisdiction in which such publication or distribution is unlawful.

The Placing Shares referred to in this announcement have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered, sold or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any offering to be made in the United States will be made to a limited number of QIBs pursuant to an exemption from registration under the Securities Act or in a transaction not involving any public offering. The Placing Shares are being offered and sold outside the United States in accordance with Regulation S under the Securities Act.

The distribution of this announcement and the Placing and/or issue of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, the Managers, or any of their respective Affiliates, that would permit an offer of the Placing Shares or possession or distribution of this announcement or any other offering or publicity material relating to such Placing Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions.

In this Appendix, unless the context otherwise requires, the "Company" means Royal and Sun Alliance Insurance Group plc and "Placee" includes a person (including individuals, funds or others) on whose behalf a commitment to acquire Placing Shares has been given.

### **No prospectus**

No prospectus or other offering document has been or will be submitted to be approved by the Financial Services Authority (the "FSA") in relation to the Placing and the Placees' commitments will be made solely on the basis of the information contained in this announcement, the Pricing Announcement and any information publicly announced to a Regulatory Information Service by or on behalf of the Company on or prior to the date of this announcement (the "Publicly Available Information"). Each Placee, by participating in the Placing, agrees that it has neither received nor relied on any information, representation, warranty or statement made by or on behalf of any of the Managers or the Company other than the Publicly Available Information and none of the Managers, the Company nor any person acting on such person's behalf nor any of their Affiliates has or shall have any liability for any Placee's decision to accept this invitation to participate in the Placing based on any other information, representation, warranty or statement. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.



## **Details of the Placing Agreement and the Placing Shares**

The Managers and JPMSL (together the "Banks") have entered into a placing agreement (the "Placing Agreement") with the Company under which the Managers have undertaken, on the terms and subject to the conditions set out in the Placing Agreement, acting severally, and not jointly or jointly and severally, to use their reasonable endeavours to procure Placees for, and the Banks (other than JPMorgan Cazenove) have undertaken to underwrite the Placing.

The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing issued ordinary shares of 27.5 pence per share in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of such Ordinary Shares after the date of issue of the Placing Shares.

## **Application for admission to listing and trading**

Application will be made to the FSA for admission of the Placing Shares to the official list maintained by the FSA (the "Official List") and to the London Stock Exchange for admission to trading of the Placing Shares on the London Stock Exchange's market for listed securities (together "Admission"). It is expected that Admission will take place on or before 31 May 2007 and that dealings in the Placing Shares on the London Stock Exchange's main market for listed securities will commence at the same time.

## **Bookbuilding**

The Managers will today commence the Bookbuilding to determine demand for participation in the Placing by Placees. This Appendix gives details of the terms and conditions of, and the mechanics of participation in, the Placing. No commissions will be paid to Placees or by Placees in respect of any Placing Shares.

The Managers and the Company shall be entitled to effect the Placing by such alternative method to the Bookbuilding as they may, in their sole discretion, determine.

## **Principal terms of the Bookbuilding and Placing**

1. Participation in the Placing will only be available to persons who may lawfully be, and are, invited by the Managers to participate. Each of the Managers is entitled to enter bids in the Bookbuilding.
2. The Bookbuilding will establish a single price (the "Placing Price") payable to the Managers by all Placees whose bids are successful. The Placing Price and the aggregate proceeds to be raised through the Placing will be agreed between the Managers and the Company following completion of the Bookbuilding and any discount to the market price of the ordinary shares of the Company will be determined in accordance with the Listing Rules. The Placing Price will be announced (the "Pricing Announcement") on a Regulatory Information Service following the completion of the Bookbuilding.

3. To bid in the Bookbuilding, Placees should communicate their bid by telephone to their usual sales contact at Merrill Lynch or JPMorgan Cazenove respectively. Each bid should state the number of shares in the Company which a prospective Placee wishes to acquire at either the Placing Price which is ultimately established by the Company and the Managers or at prices up to a price limit specified in its bid. Bids may be scaled down by the Managers on the basis referred to in paragraph 7 below. Each of the Managers is arranging the Placing severally, and not jointly, or jointly and severally, as agent of the Company.

4. The Bookbuilding is expected to close no later than 5.00 p.m. (GMT) on 24 May 2007 but may be closed earlier or later at the discretion of the Managers. The Managers may, in agreement with the Company, accept bids that are received after the Bookbuilding has closed. The Company reserves the right to reduce or seek to increase the amount to be raised pursuant to the Placing, in its discretion.

5. Allocations will be confirmed orally by the relevant Manager as soon as practicable following the close of the Bookbuilding. The relevant Manager's oral confirmation of an allocation will give rise to a legally binding commitment by the Placee concerned, in favour of the relevant Manager and the Company, under which it agrees to acquire the number of Placing Shares allocated to it on the terms and subject to the conditions set out in this Appendix and the Company's Memorandum and Articles of Association.

6. The Company will make a further announcement following the close of the Bookbuilding detailing the number of such shares to be issued and the price at which such shares have been placed.

7. Subject to paragraphs 4 and 6 above, the Managers may choose to accept bids, either in whole or in part, on the basis of allocations determined at its discretion (in agreement with the Company) and may scale down any bids for this purpose on such basis as they may determine. They may also, notwithstanding paragraphs 4 to 6 above, subject to the prior consent of the Company (a) allocate Placing Shares after the time of any initial allocation to any person submitting a bid after that time and (b) allocate Placing Shares after the Bookbuilding has closed to any person submitting a bid after that time.

8. A bid in the Bookbuilding will be made on the terms and subject to the conditions in this Appendix and will be legally binding on the Placee on behalf of which it is made and except with the relevant Manager's consent will not be capable of variation or revocation after the time at which it is submitted. Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to the relevant Manager, to pay to it (or as it may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire.

9. Except as required by law or regulation, no press release or other announcement will be made by the Managers or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.

10. Irrespective of the time at which a Placee's allocation(s) pursuant to the Placing is/are confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the same time, on the basis explained below under "Registration and Settlement".

11. All obligations under the Bookbuilding and Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Termination of the Placing".

12. By participating in the Bookbuilding each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.

13. To the fullest extent permissible by law, none of the Banks nor any of their Affiliates shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise). In particular, none of the Banks nor any of their Affiliates shall have any liability (including, to the extent permissible by law, any fiduciary duties) in respect of the Managers' conduct of the Bookbuilding or of such alternative method of effecting the Placing as the Managers and the Company may agree.

### **Registration and Settlement**

If Placees are allocated any Placing Shares in the Placing they will be sent a contract note or electronic confirmation which will confirm the number of Placing Shares allocated to them, the Placing Price and the aggregate amount owed by them to the relevant Manager. Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which they have in place with the relevant Manager.

Settlement of transactions in the Placing Shares following Admission will take place within the CREST system. Settlement through CREST will be on a T +3 basis unless otherwise notified by the Managers and is expected to occur on or before 31 May 2007. Settlement will be on a delivery versus payment basis. However, in the event of any difficulties or delays in the admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company and the Managers may agree that the Placing Shares should be issued in certificated form. The Managers reserve the right to require settlement for the Placing Shares, and to deliver the Placing Shares to Placees, by such other means as they deem necessary if delivery or settlement to Placees is not practicable within the CREST system or would not be consistent with regulatory requirements in a Placee's jurisdiction.

Interest is chargeable daily on payments not received on the due date in accordance with the arrangements set out above, in respect of either CREST or certificated deliveries, at the rate of 2 percentage points above prevailing LIBOR.

If Placees do not comply with their obligations the relevant Manager may sell their Placing Shares on their behalf and retain from the proceeds, for its own account and benefit, an amount equal to the Placing Price of each share sold plus any interest due. Placees will, however, remain liable for any shortfall below the Placing Price and for any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of their Placing Shares on their behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees must ensure that, upon receipt, the conditional contract note is copied and delivered immediately to the relevant person within that organisation.

## Conditions of the Placing

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of the under the Placing Agreement are, and the Placing is, conditional on, inter alia:

(a) Admission occurring no later than 8 a.m. (London time) on 31 May 2007 (or such later time and/or date as may be agreed between the Company and the Managers, not being later than 5 June 2007);

(b) save to the extent not materially adverse in the context of the Placing, the warranties given by the Company in the Placing Agreement being true and accurate and not misleading in any respect on and as of the date of the Placing Agreement and at any time prior to Admission; and

(c) the fulfilment by the Company of its obligations under the Placing Agreement which are required to be performed or satisfied on or prior to Admission, save to the extent that any non-compliance is not material in the context of the Placing.

If the conditions in the Placing Agreement are not satisfied or waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and the Managers may agree), or the Placing Agreement is terminated in accordance with its terms, the Placing will lapse and the Placee's rights and obligations shall cease and terminate at such time and each Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

By participating in the Bookbuilding, each Placee agrees that its rights and obligations cease and terminate only in the circumstances described above and under "Termination of the Placing" below and will not be capable of rescission or termination by it.

The Managers may, at their joint agreement and discretion and upon such terms as they jointly think fit, waive compliance by the Company, or extend the time and /or date for fulfilment by the Company, with the whole or any part of any of the Company's obligations in relation to the conditions in the Placing Agreement, save that certain conditions including the condition relating to Admission referred to in paragraph (a) above may not be waived. Any such extension or waiver will not affect Placees' commitments as set out in this Appendix.

Neither of the Managers nor any of their Affiliates nor the Company shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision any of them may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision any of them may make as to the satisfaction of any condition or in respect of the Placing generally.

## **Termination of the Placing**

The Banks may, at their absolute discretion (acting in good faith) and after consultation with the Company where practicable, by joint notice in writing to the Company, terminate the Placing Agreement at any time prior to Admission if, inter alia:

(a) they become aware that the Company is in breach of any of its obligations under the Placing Agreement, save to the extent that any breach is not materially adverse in the context of the Placing; or

(b) they become aware that any of the warranties given by the Company in the Placing Agreement is, or if repeated at any time up to and including Admission (by reference to the facts and circumstances then existing) would be, untrue, inaccurate, incorrect or misleading, save to the extent not materially adverse in the context of the Placing; or

(c) there has been a material adverse change, or development reasonably likely to involve a material adverse change, in the condition (financial, operational, legal or otherwise) or in the earnings, business affairs, solvency or, so far as the directors of the Company are aware, prospects of the Company and the Group, whether or not arising in the ordinary course of business, since the date of the Placing Agreement; or

(d) the Banks request the Company to make a public announcement pursuant to Clause 8.5 of the Placing Agreement and the Company declines to make such an announcement; or

(e) there has been or, in the good faith opinion of the Banks, it is reasonably likely that there will occur:

(i) any material adverse change in the international financial, political, economic or stock market conditions,

(ii) any outbreak or escalation of hostilities, war, act of terrorism or declaration of emergency or martial law or other calamity or crisis; or

(iii) trading in any securities of the Company has been suspended or limited by the London Stock Exchange on any exchange or over-the-counter market, or if trading generally on the London Stock Exchange has been suspended or limited; or

(iv) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or in Europe; or

(v) the application of the Company for Admission is withdrawn or is refused by the FSA or the London Stock Exchange; or

(vi) a banking moratorium has been declared by the United Kingdom,

in each case the effect of which (either singly or together with any of the events in (i) to (vi) above) is such as would in the opinion of the Banks (acting in good faith) make it impracticable or inadvisable to market the Placing Shares or to enforce contracts for sale of the Placing Shares or which may prejudice the success of the Placing or dealings in the Placing Shares in the secondary market.

If the Placing Agreement is terminated in accordance with its terms, the rights and obligations of each Placee in respect of the Placing as described in this announcement (including this Appendix) shall cease and terminate at such time and no claim can be made by any Placee in respect thereof.

By participating in the Placing, each Placee agrees with the Company and the Banks that the exercise by the Company or the Banks of any right of termination or any other right or other discretion under the Placing Agreement shall be within the absolute discretion of the Company or the Banks (as the case may be) and that neither the Company nor the Banks need make any reference to such Placee and that neither the Company, the Banks nor any of their respective Affiliates shall have any liability to such Placee (or to any other person whether acting on behalf of a Placee or otherwise) whatsoever in connection with any such exercise.

By participating in the Placing, each Placee agrees that its rights and obligations terminate only in the circumstances described above and will not be capable of rescission or termination by it after oral confirmation by the Managers following the close of the Bookbuilding.

### **Representations and further terms**

By submitting a bid in the Bookbuilding, each prospective Placee (and any person acting on such Placee's behalf) represents, warrants, acknowledges and agrees (for itself and for any such prospective Placee) that:

1. it has read this announcement (including this Appendix) in its entirety and that its purchase of the Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained herein;
2. it has not received a prospectus or other offering document in connection with the Placing and acknowledges that no prospectus or other offering document has been or will be prepared in connection with the Placing;
3. if the Placing Shares were offered to it in the United States, it represents and warrants that in making its investment decision, (i) it has consulted its own independent advisers or otherwise has satisfied itself concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws generally and the US Employee Retirement Income Security Act of 1974, the US Investment Company Act of 1940 and the Securities Act, (ii) it has had access to such financial and other information (including the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Placing and the Placing Shares, as well as the opportunity to ask questions) concerning the Company, the Placing and the Placing Shares that it believes is necessary or appropriate in order to make an investment decision in respect of the Company and the Placing Shares and (iii) it is aware and understands that an investment in the Placing Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of the Placing Shares;

4. (i) it has made its own assessment of the Company, the Placing Shares and the terms of the Placing based on Publicly Available Information, (ii) none of the Banks, their respective Affiliates or the Company has made any representation to it, express or implied, with respect to the Company, the Placing or the Placing Shares or the accuracy, completeness or adequacy of the Publicly Available Information and (iii) it has conducted its own investigation of the Company, the Placing and the Placing Shares, satisfied itself that the information is still current and relied on that investigation for the purposes of its decision to participate in the Placing;

5. the content of this announcement is exclusively the responsibility of the Company and that none of the Banks nor any person acting on their behalf is responsible for or has or shall have any liability for any information or representation relating to the Company contained in this announcement or the Publicly Available Information nor will be liable for any Placee's decision to participate in the Placing based on any information, representation, warranty or statement contained in this announcement, the Publicly Available Information or otherwise. Nothing in this Appendix shall exclude any liability of any person for fraudulent misrepresentation;

6. it is not, and at the time the Placing Shares are acquired will not be a resident of Australia, Canada or Japan, and each of it and the beneficial owner of the Placing Shares is, and at the time the Placing Shares are acquired will be, (i) not in the United States and acquiring the Placing Shares in an 'offshore transaction' in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) a QIB acquiring the Placing Shares in accordance with an exemption from registration under the Securities Act who has returned an "investor letter" substantially in the form provided, and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares, will not look to the Banks for all or part of any such loss it may suffer, is able to bear the economic risk of an investment in the Placing Shares, is able to sustain a complete loss of the investment in the Placing Shares and has no need for liquidity with respect to its investment in the Placing Shares and represents and, in the case of (ii) above, warrants that it is acquiring the Placing Shares for its own account or for one or more accounts as to each of which it exercises sole investment discretion and each of which is a QIB, for investment purposes and not with a view to any distribution or for resale in connection with, the distribution thereof in whole or in part, in the United States;

7. the Placing Shares have not been registered or otherwise qualified, and will not be registered or otherwise qualified, for offer and sale nor will a prospectus be cleared in respect of any of the Placing Shares under the securities laws of the United States, Australia, Canada or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within the United States, Australia, Canada or Japan;

8. it and/or each person on whose behalf it is participating:

(i) is entitled to acquire Placing Shares pursuant to the Placing under the laws of all relevant jurisdictions;

(ii) has fully observed such laws;

(iii) has capacity and authority and is entitled to enter into and perform its obligations as an acquirer of Placing Shares and will honour such obligations;  
and

(iv) has obtained all necessary consents and authorities (including, without limitation, in the case of a person acting on behalf of a Placee, all necessary consents and authorities to agree to the terms set out or referred to in this Appendix) to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto;

9. the Placing Shares have not and will not be registered under the Securities Act, or under the securities laws of any state of the United States, and are being offered and sold on behalf of the Company in offshore transactions (as defined in Regulation S under the Securities Act) and to QIBs in accordance with an exemption from, or transaction not subject to, the registration requirements under the Securities Act;

10. the Placing Shares offered and sold in the United States are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

11. so long as the Placing Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will not deposit the Placing Shares into any unrestricted depositary receipt facility maintained by any depositary bank in respect of the Company's Ordinary Shares and it understands that the Placing Shares will not settle or trade through the facilities of DTC, the NYSE, NASDAQ or any other US exchange or clearing system;

12. it will not reoffer, sell, pledge or otherwise transfer the Placing Shares except (i) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act; (ii) pursuant to an exemption from, or a transaction not subject to, registration under the Securities Act (if available), or (iii) pursuant to an effective registration statement under the Securities Act and that, in each such case, such offer, sale, pledge, or transfer will be made in accordance with any applicable securities laws of any state of the United States;

13. if it is acquiring Placing Shares for the account of one or more QIBs, it has full power to make the acknowledgements, representations, warranties and agreements herein on behalf of each such account;

14. if it is a pension fund or investment company, its acquisition of Placing Shares is in full compliance with applicable laws and regulations;

15. no representation has been made as to the availability of any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Placing Shares;

16. participation in the Placing is on the basis that it is not and will not be a client of any of the Banks and that the Banks have no duties or responsibilities to a Placee for providing protections afforded to their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement;

17. it will make payment to the Managers in accordance with the terms and conditions of this announcement on the due times and dates set out in this announcement, failing which the relevant Placing Shares may be placed with others on such terms as the Managers determine;



18. the person who it specifies for registration as holder of the Placing Shares will be (i) the Placee or (ii) a nominee of the Placee, as the case may be. The Banks and the Company will not be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. It agrees to acquire Placing Shares pursuant to the Placing on the basis that the Placing Shares will be allotted to a CREST stock account of one of the Banks who will hold them as nominee on behalf of the Placee until settlement in accordance with its standing settlement instructions with it;

19. the allocation, allotment, issue and delivery to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a stamp duty or stamp duty reserve tax liability under (or at a rate determined under) any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services) and that it is not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue or delivery of Placing Shares would give rise to such a liability;

20. it and any person acting on its behalf falls within Article 19(5) and/or 49 (2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;

21. it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85 (1) of the Financial Services and Markets Act 2000 (the "FSMA");

22. it is a qualified investor as defined in section 86(7) of FSMA, being a person falling within Article 2.1(e)(i), (ii) or (iii) of the Prospectus Directive;

23. it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to Placing Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person;

24. it has complied and it will comply with all applicable provisions of the FSMA with respect to anything done by it or on its behalf in relation to the Placing Shares in, from or otherwise involving the United Kingdom;

25. it has not offered or sold and will not offer or sell any Placing Shares to persons in the European Economic Area prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in any member state of the European Economic Area within the meaning of the Prospectus Directive (which means Directive 2003/71/EC and includes any relevant implementing measure in any member state);

26. it has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, and the Money Laundering Regulations (2003) (the "Regulations") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;

27. the Company, the Banks and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements;

28. the Placing Shares will be issued subject to the terms and conditions of this Appendix; and

29. this Appendix and all documents into which this Appendix is incorporated by reference or otherwise validly forms a part will be governed by and construed in accordance with English law. All agreements to acquire shares pursuant to the Bookbuilding and/or the Placing will be governed by English law and the English courts shall have exclusive jurisdiction in relation thereto except that proceedings may be taken by the Company or the Banks in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange.

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) agrees to indemnify and hold the Company and the Banks harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the provisions of this Appendix shall survive after completion of the Placing.

Please also note that the agreement to allot and issue Placing Shares to Placees (or the persons for whom Placees are contracting as agent) free of stamp duty and stamp duty reserve tax in the UK relates only to their allotment and issue to Placees, or such persons as they nominate as their agents, direct by the Company. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depository receipts or to transfer the Placing Shares into a clearance service. If there were any such arrangements, or the settlement related to other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable, for which neither the Company nor the Banks would be responsible. If this is the case, it would be sensible for Placees to take their own advice and they should notify the relevant Manager accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares.

The representations, warranties, acknowledgements and undertakings contained in this Appendix are given to the Banks for itself and on behalf of the Company and are irrevocable.

The Banks are acting exclusively for the Company and no one else in connection with the Bookbuilding and the Placing, and the Banks will not be responsible to anyone (including any Placees) other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the Bookbuilding or the Placing or any other matters referred to in this press announcement.

Each Placee and any person acting on behalf of the Placee acknowledges that none of the Banks owes fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings or indemnities in the Placing Agreement.

Each Placee and any person acting on behalf of the Placee acknowledges and agrees that each of the Managers may (at its absolute discretion) satisfy its obligations to procure Placees by itself agreeing to become a Placee in respect of some or all of the Placing Shares or by nominating any connected or associated person to do so.

When a Placee or any person acting on behalf of the Placee is dealing with any of the Managers, any money held in an account with any Manager on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules and regulations of the Financial Services Authority which therefore will not require the Managers to segregate such money, as that money will be held by it under a banking relationship and not as trustee.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

All times and dates in this announcement may be subject to amendment. The relevant Managers will notify Placees and any persons acting on behalf of the Placees of any changes.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires:

"Affiliate" means in respect of a person, any holding company or subsidiary undertaking of such person or any subsidiary undertaking of any such holding company, or any of their respective associated undertakings;

"Banks" means Merrill Lynch, JPMorgan Cazenove and JPMSL;

"Bookbuilding" means the process to be carried out by the Managers to establish demand at different prices from potential Placees for the Placing Shares;

"Company" means Royal and Sun Alliance Insurance Group plc, a company incorporated and registered under the laws of England whose registered office is at 9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD;

"FSA" means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission of securities to the Official List otherwise than in accordance with Part VI of the FSMA;

"Managers" means Merrill Lynch and JPMorgan Cazenove;

"Merrill Lynch" means Merrill Lynch International Limited, a company incorporated and registered under the laws of England and Wales whose registered office is at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ;

"Group" means the Company and its subsidiary undertakings;

"JPMorgan Cazenove" means JPMorgan Cazenove Limited, a company incorporated and registered under the laws of England and Wales and whose registered office is at 20 Moorgate, London, EC2R 6DA;

"JPMSL" means J.P. Morgan Securities Limited, a company incorporated and registered in England and Wales and whose registered office is at 125 London Wall, London EC2Y 5AJ

"Listing Rules" means the listing rules produced by the FSA under Part VI of the FSMA and forming part of the FSA's Handbook of rules and guidance, as amended from time to time;

"London Stock Exchange" means London Stock Exchange plc;

"Ordinary Shares" means ordinary shares of 27.5p each in the capital of the Company;

"Placees" means persons (including individuals, funds or others) on whose behalf a commitment to acquire Placing Shares has been given and Placee means any one of them;

"Placing Price" means the price per Ordinary Share at which the Placing Shares are to be placed with Placees;

"QIB" means qualified institutional buyer within the meaning of Rule 144A of the Securities Act;

"Regulation S" means Regulation S promulgated under the Securities Act;

"Regulatory Information Service" means any of the regulatory information services included within the list maintained on the London Stock Exchange's website;

"Securities Act" means the United States Securities Act of 1933;

"United Kingdom" or "UK" means the United Kingdom of Great Britain and Northern Ireland; and

"United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

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