

2017 INTERIM RESULTS

2 August 2017



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Basis of presentation

This presentation uses alternative performance measures, including certain underlying measures, to help explain business performance and financial position. Further information on these is set out in the 2017 Interim Results announcement.

AGENDA

- 1 Introduction**
- 2 Business Improvement Actions**
- 3 Regional update**
- 4 2017 Interim Results**
- 5 Q&A**

INTRODUCTION

THE RSA PROPOSITION

- 1 'Focused mid-cap', a proven value creation strategy in P&C Insurance
- 2 A 'self help' story with 'high quality' underpinnings
- 3 Resilient in challenging economic and financial market conditions
- 4 Attractive EPS & dividend increases – delivered and in prospect¹

2017 INTERIM RESULTS HIGHLIGHTS

Winning for customers and for shareholders

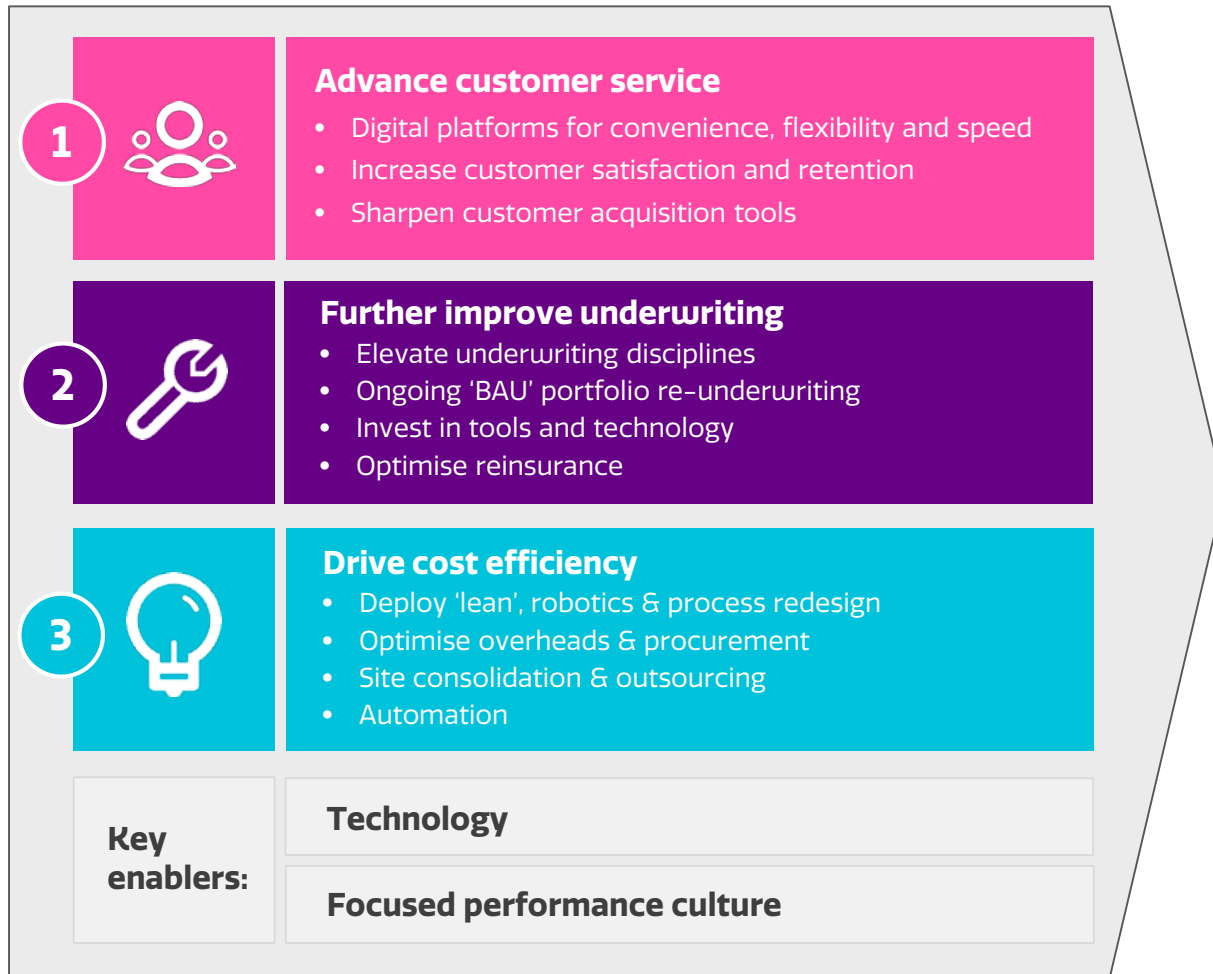
- 1 Strategy & balance sheet where we want it. Restructuring complete
- 2 Outperformance continues, driven by self-help actions
- 3 Record¹ underwriting profits & combined ratio (93.2%)
– Written premiums up, underlying loss ratio and costs down again
- 4 EPS² up 31%, dividend up 32%, ROTE² 16.6%
- 5 Focused on drive towards 'best in class' performance levels

BUSINESS IMPROVEMENT ACTIONS

PURSUIT OF OUTPERFORMANCE

- 1 Strong customer franchises**
- 2 Disciplined strategy, focused on strengths, seeking to avoid mistakes**
- 3 A balance sheet that protects customers and the company**
- 4 Intense and accomplished operational delivery – improving customer service, underwriting and costs**

PERFORMANCE IMPROVEMENT LEVERS



Targets

'Best in class' COR ambitions

- Scandinavia **<85%**
- UK & International **<94%**
- Canada **<94%**



Earnings

- High quality, repeatable earnings
- Attractive EPS increases
- ROTE **13-17%**



Dividend

- Regular payout **40-50%**, plus additional payouts as available and prudent

Underpinned by strong balance sheet and capital management

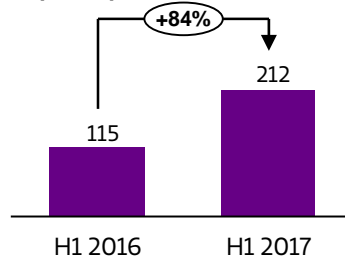
CUSTOMER MEASURES SHOWING CONTINUED IMPROVEMENT

Examples

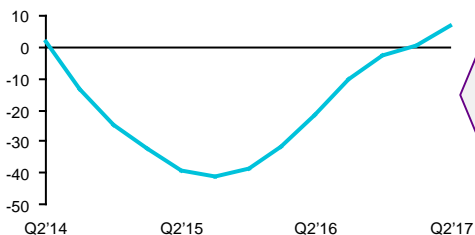
Denmark Commercial:

- Significant new business growth
- Improved risk selection
- Focus on sales capabilities

Denmark Commercial broker new business (DKKm)



Canada Johnson (direct) YoY PIF change



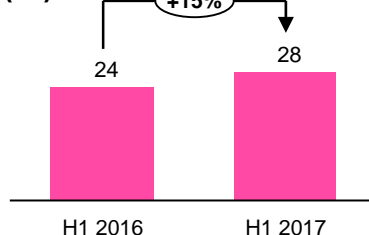
Canada Johnson (direct):

- H1 2017 first period of PIF growth since 2014
- Improved risk models & marketing

UK Commercial Regions:

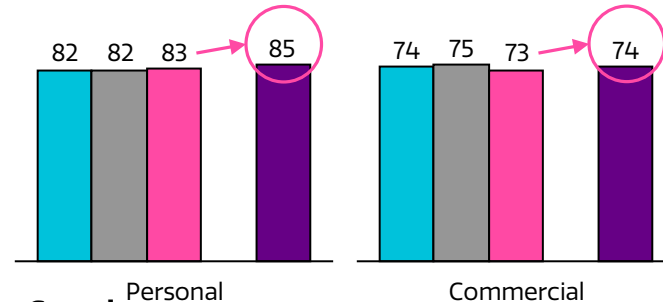
- Increased focus on new business pipeline
- >50% increase in new business per FTE
- No. >£50k cases won up 25%

UK Commercial Regions new business (£m)

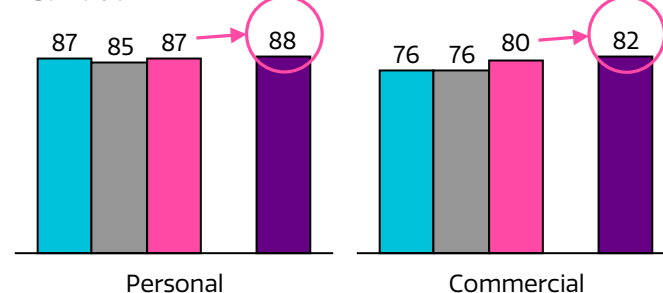


Customer retention (%)

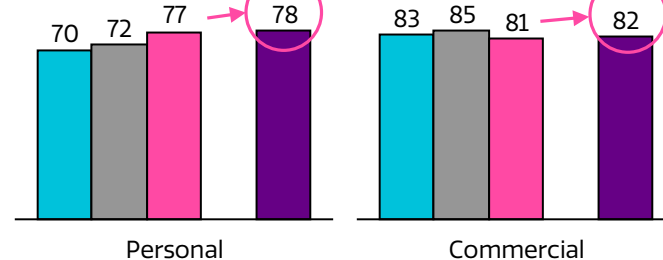
Scandinavia



Canada



UK



FY14 FY15 FY16 H17

CUSTOMER INITIATIVES DELIVERING

Examples

Automated claims handling in Sweden



Opportunity: Improve claims efficiency through automated settlement of single accident motor claims

Approach: Automate end-to-end claims handling process

Outcome: Customer self-serve and straight through processing.

- 70% of single vehicle claims notified on the web
- 80% damage estimates approved by decision logic
- Robotics handling data and processing payments
- 38k automatic SMS status sent (reducing incoming calls by 17%)
- High risk claims passed as exceptions to a claims handler



Other initiatives

- Predictive analytics on quote conversion focuses on quoting and winning business with the highest propensity for success
- Customer Service Platform in Denmark invites customer into the claims process, giving full transparency and access
- Awarded "Best digital customer experience" in Danish insurance market

Johnson Canada digital platform









Opportunity: Accelerate digital capability development to drive growth and improve customer satisfaction

Approach: Deliver an effortless experience at every interaction:

- Digital elements to engage, attract and inform customers
- Combined customer portal for all digital sales
- eCare/online help using digital tools & concierge service online
- Self service transactions
- Analytics & insight

Digital progress to date:

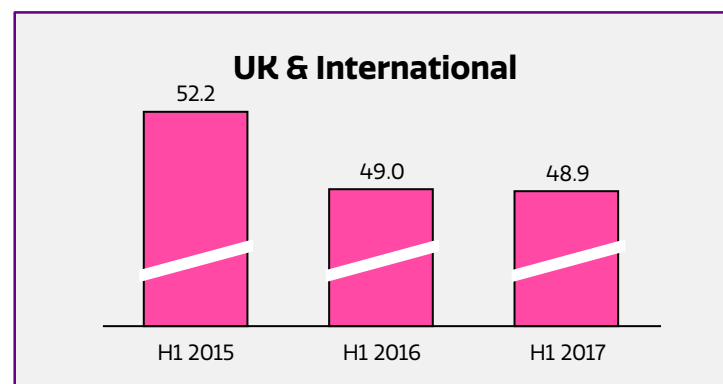
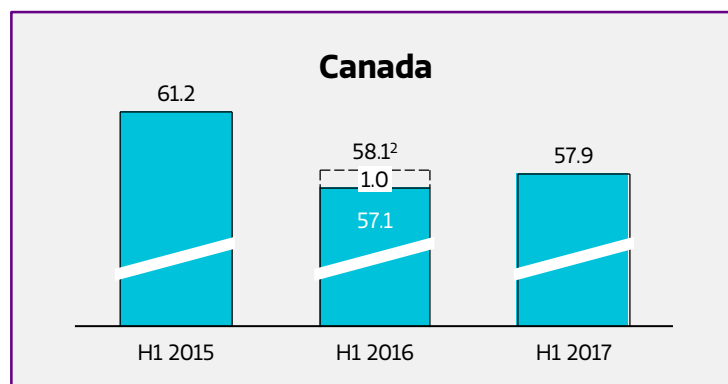
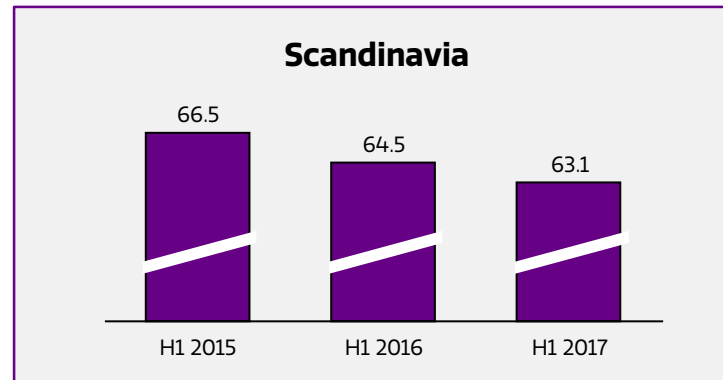
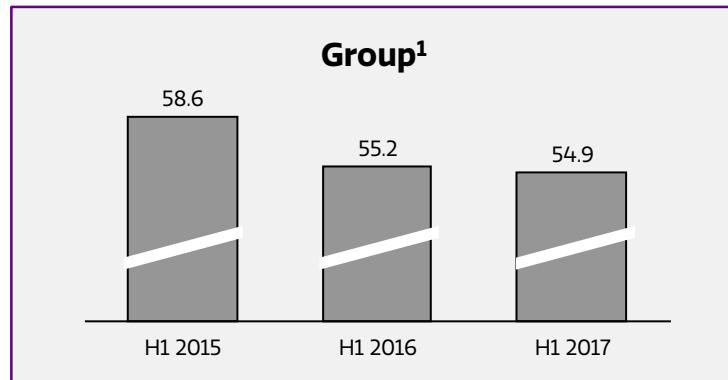
 Organic Growth	New policies sold originating in digital channels, up 27% YoY in 2017
 Quote & Bind	Completed online home and auto quotes, up 36% YoY
 Policy Servicing	Fully embedded digital policy servicing to reduce 16% calls by year end 2017
 Customer Experience	New online support hub to provide instant answers; 86% "very satisfied" with online chat experience
 Affinity Partnerships	Developing digital affinity platform & partnerships with top clients to increase penetration
 Agile & Culture	Highly functioning agile digital teams delivering new capabilities at rapid pace (every 4 weeks)

LOSS RATIO IMPROVEMENTS

Underwriting actions

- 1 Ongoing 'BAU' portfolio re-underwriting
- 2 Tighten underwriting discipline
- 3 Invest in tools and technology

Attritional loss ratio (%)



¹ Group shown ex disposals and at constant exchange rates

² Canada adjusted for c.1pt benign indirect weather, as disclosed at H1 2016. More normal patterns in H1 2017

IMPROVING UNDERWRITING CAPABILITIES

Examples

Machine learning



Opportunity: Machine learning techniques and advanced analytics tools can rapidly process large datasets

Approach: Use of algorithms to identify patterns and generate predictions and insights on structured data

Outcome: Using traditional techniques, a typical postcode classification would take c.2 months to complete. Using machine learning, a new postcode classification is possible **within 4 days** and a refresh is possible in ½ day

Implemented in the UK, with plans to incorporate in Ireland/Scandinavia, and possibly Canada too

Claims Technology – Guidewire



Implementation of Guidewire in Canada started in 2016 with ambition to modernise claims technology and optimise operating models

Guidewire 'ClaimCenter': First release of ClaimCenter now fully developed and going live in Q3, enabling end-to-end claims lifecycle management

Best in class ambition: Continue move to a modern system integrated into digital portals with rules based logic to aid claims processing

Positive results from Radar Live

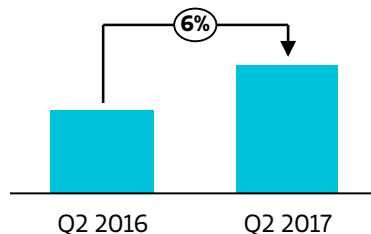


Pricing sophistication in Sweden

Radar Live (real time price optimisation model) now live in Personal Motor

Early results show increased 'hit rate' within target segments, and new business starting to pick up

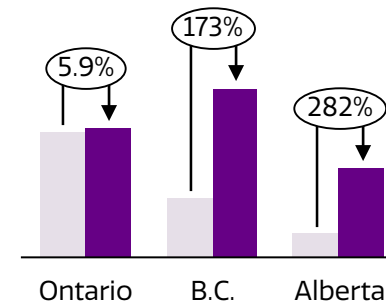
New business growth on Radar Live



Impact of rate change seen in Canada Household

In Canada in 2016, Household books in Ontario, British Columbia and Alberta moved onto Radar Live. One year later, encouraging impacts seen in new business growth

New business growth since moving onto Radar Live (%)



REDUCING OPERATING COSTS A PERMANENT REQUIREMENT

Examples

Robotics

RSA's first process automation portal has been delivered in More Th>n Pet and Motor



	Legacy	Robotics portal
Wrap time	3 mins	40 secs
Systems	3	1
Screens	16	3
Fields	20	6

Initial findings suggest that **30–40% of our processes** could be semi or fully automated by 2020

Canada 'Lean'



Objective: deepen 'Lean' capability across Canada to embed a continuous improvement mindset.

Progress:

- **60%** of RSA Canada now has 'Lean' practices in place
- Achieved **over 20% efficiencies** in some cases
- **c.500** 'waste items' identified in finance and HR processes
- Average personal lines policies underwritten per person per day **more than doubled**

Ambition: 'Lean' in place across **all of RSA Canada by end of 2018**

Site consolidation for Swedish claims



Pre-transformation: 5 operating sites for claims in Sweden

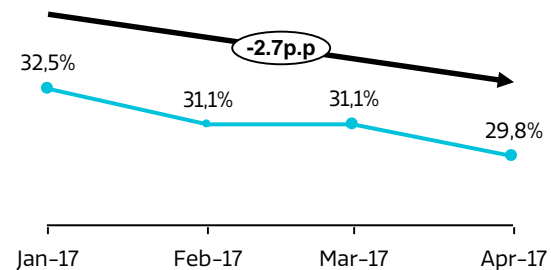
- **Consolidate into 3 sites** – Sundsvall and Gothenburg to move to Malmo
- Go forward claims sites to be in Malmo, Stockholm and Umea
- These changes principally cover routine **high volume, low complexity** claims
- At the same time some **non-core processes are being outsourced**, e.g. scanning

Deploying voice analytics to reduce call demand



Deployed voice analytics in UK personal lines. Early findings show 'First Contact Resolution' results in fewer calls

More Th>n Monthly % of repeat callers



REGIONAL UPDATE

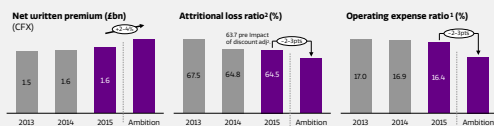
AMBITION FOCUSED ON CLOSING GAPS TO BEST IN CLASS CAPABILITIES AND PERFORMANCE OVERALL

Financial Ambition 'best in class' combined ratios



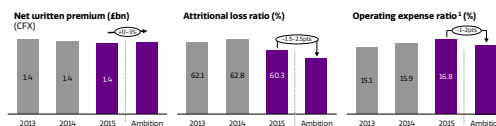
Scandinavia

< 85%



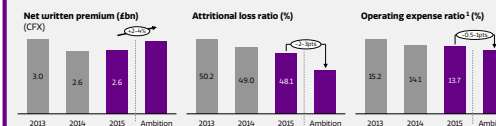
Canada

< 94%



UK & International

< 94%



REGIONAL UPDATE

Scandinavia

	H1'17	v H1'16
NWP	£1,064m	+10%RFX +1%CFX
COR	81.9%	-6.6pts
Attr. loss ratio	63.1%	-1.4pts
Controllable cost ratio ¹	24.0%	-1.1pts

Key achievements in H1'17

- Better top line trend due to customer initiatives across the region. Ambition to improve further.
- Good underwriting progress driven by rating models, disciplined application and claims savings. Denmark off plan in H1 however.
- Strong progress on costs in Sweden and Denmark. Programmes delivering across the board, notably from automation, site consolidation and overheads. 10% year-on-year FTE reduction. More needed and to come.
- COR reflects strong underlying progress but flattered by unusually positive PYD.

Canada

	H1'17	v H1'16
NWP	£728m	+20%RFX +5%CFX
COR	94.8%	+0.3pts
Attr. loss ratio	57.9%	-0.2pts ²
Controllable cost ratio ¹	19.1%	-2.4pts

Key achievements in H1'17

- Pleasing top line improvement. Reflects customer and capability initiatives in all divisions. Volumes up 2% from both retention and new business.
- Loss ratio progress positive, benefiting from new risk models, pricing engines and claims savings. Comparisons impacted by 2016 benign winter and Ontario motor rating changes.
- Strong cost progress. Cost ratio in medium term target zone now. Lean, digital, and site consolidation driving it. More to go for.
- COR closing in on target zone with less reliance on PYD as planned. Nature of Canadian market more volatile than others however.

UK & International

	H1'17	v H1'16
NWP	£1,628m	+7%RFX +4%CFX
COR	95.4% ex Ogden	+0.6pts
Attr. loss ratio	48.9%	-0.1pts
Controllable cost ratio ¹	21.4%	-0.3pts

Key achievements in H1'17

- Good work on top line from both retention and new business initiatives. Portfolio changes continue to distort trends a little.
- Loss ratio progress off plan overall driven by poor household attritionals and elevated commercial large losses. The majority of business performing well as planned on underlying basis.
- Cost progress on plan though impact offset by top line portfolio pruning. More progress needed enabled by but also impacted by technology investment.
- COR moved backwards vs 2016 mainly due to Ogden. Need more work to resume trend towards medium term target. Ireland showing H1 COR of 98.8%, a positive.

SUMMARY

Winning for customers and for shareholders

- 1 Strategy & balance sheet where we want it. Restructuring complete
- 2 Outperformance continues, driven by self-help actions
- 3 Record¹ underwriting profits & combined ratio (93.2%)
– Written premiums up, underlying loss ratio and costs down again
- 4 EPS² up 31%, dividend up 32%, ROTE² 16.6%
- 5 Focused on drive towards 'best in class' performance levels

2017 INTERIM RESULTS

STRONG FIRST HALF RESULTS

£m (unless stated)		H1'17	H1'16
Net written premiums	1	3,449	3,247
<i>NWP ex disposals</i>			3,121
Underwriting result		222	174
COR (%)	2	93.2%	94.7%
Operating result	3	360	312
Underlying PBT ¹		327	258
Profit after tax	4	206	91
Underlying EPS	5	23.3p	17.8p
Underlying ROTE, annualised	6	16.6%	12.8%
Interim dividend	7	6.6p	5.0p
		H1'17	FY16
Tangible net asset value		£2.8bn	£2.9bn

Key comments

- 1 Net written premiums up 11%², with 1% volume growth
- 2 Underwriting result, up 28% with COR of 93.2%
- 3 Operating result up 15% on prior year
- 4 Profit after tax up 126% and includes lower interest costs and non-operating charges
- 5 Underlying EPS up 31%
- 6 Underlying ROTE of 16.6%
- 7 Interim dividend 6.6p, up 32%

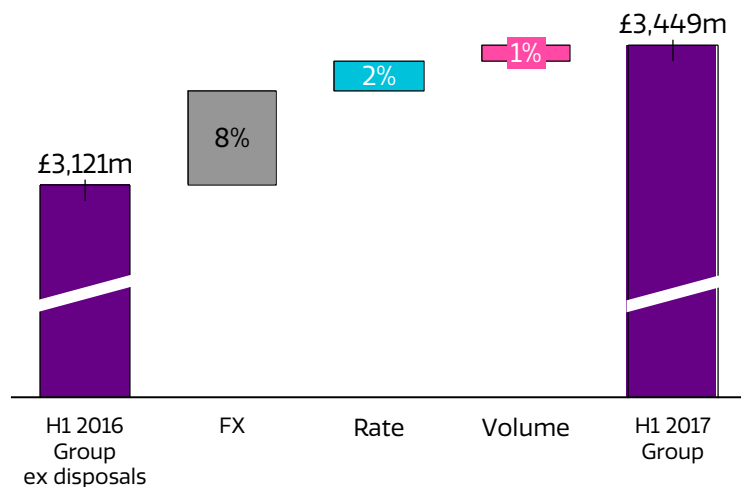
PREMIUM GROWTH

H1 growth Net written premiums **up 11%** at reported fx, and **up 3%** at constant fx

Growth drivers Volume growth added **1%**; rate increases added **2%**

Retention Overall Group retention improved slightly to **81%**

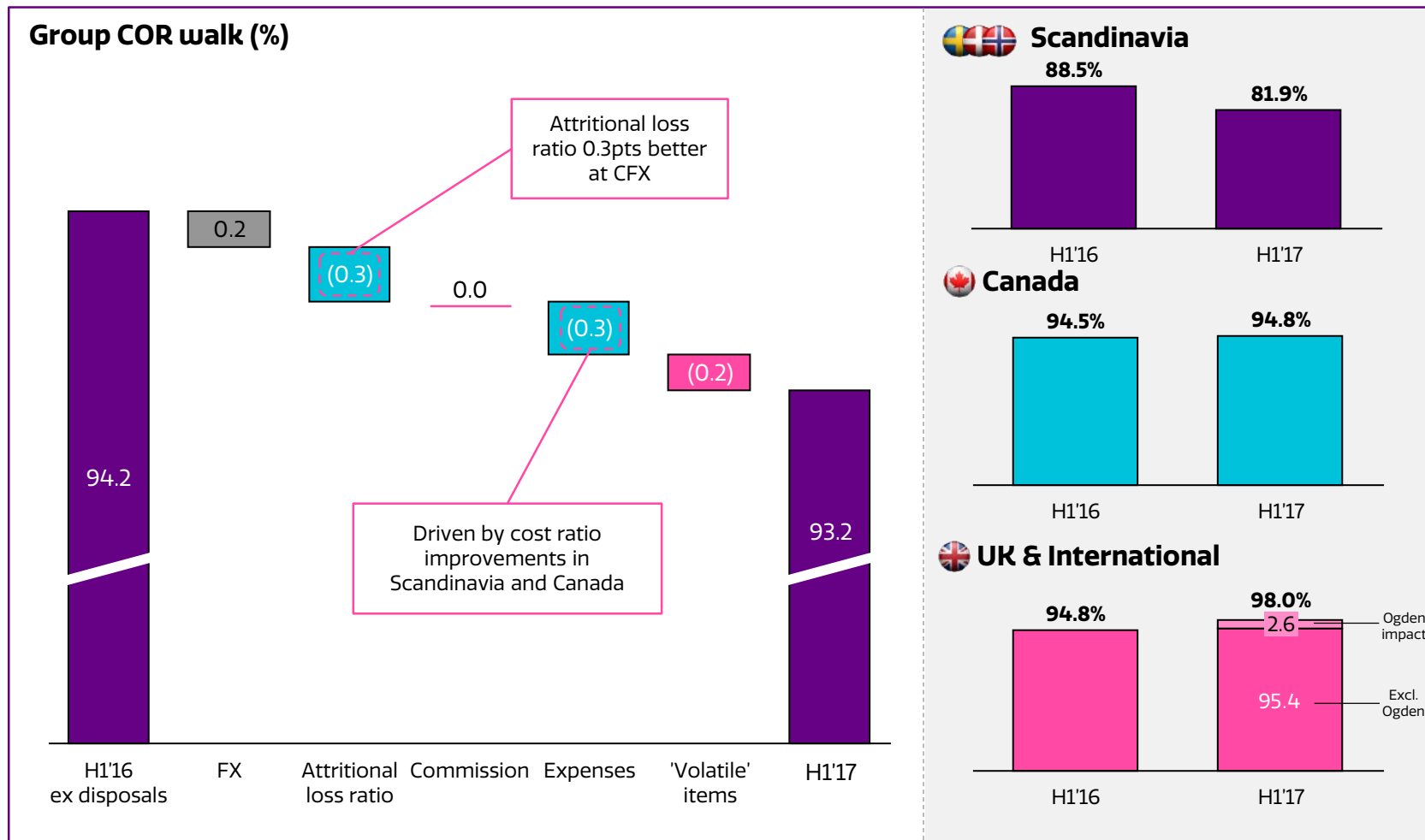
NWP walk H1 2016 to H1 2017



Growth drivers: rate and volume

Region	Rate	Volume
Scandinavia	+2%	-1%
Canada ¹	+1%	+2%
UK & Int'l	+2%	+1%

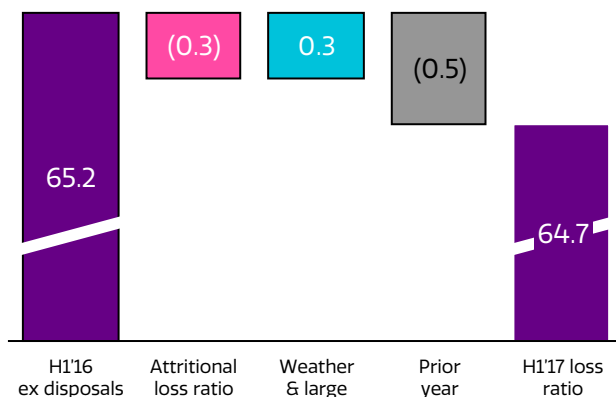
UNDERWRITING PERFORMANCE



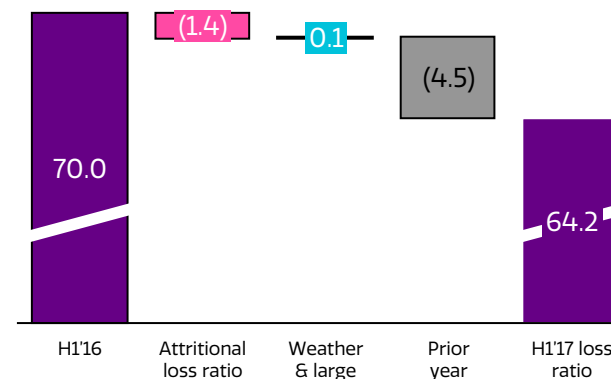
LOSS RATIOS

Loss ratio walks H1 2016 to H1 2017 (%)

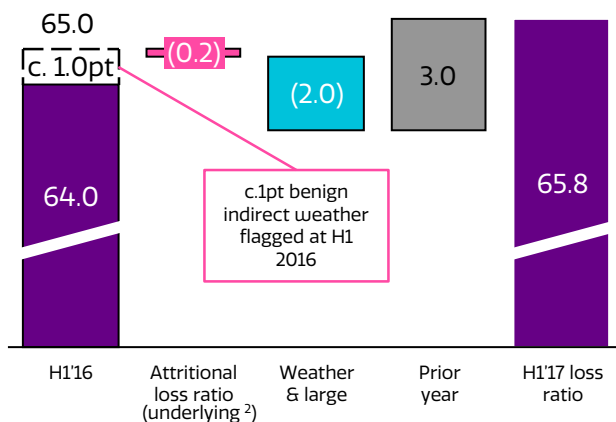
Group¹



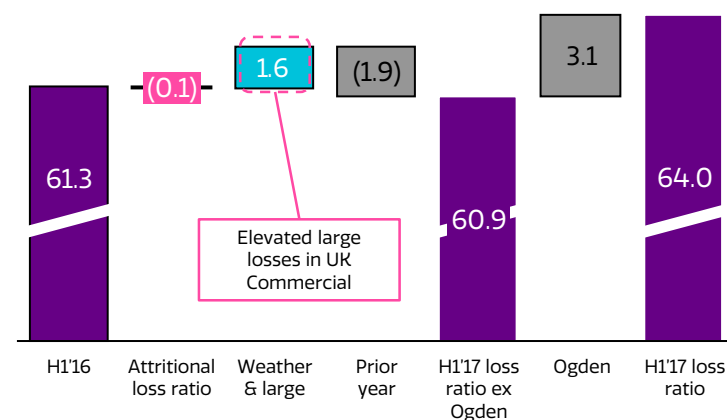
Scandinavia



Canada



UK & International



¹ At constant exchange

² Underlying improvement of c.0.2pts after adjusting for c.1.0pt benign indirect weather flagged at H1 2016

'VOLATILE' UNDERWRITING ITEMS

Weather

Relatively benign event weather in UK & International and Scandinavia

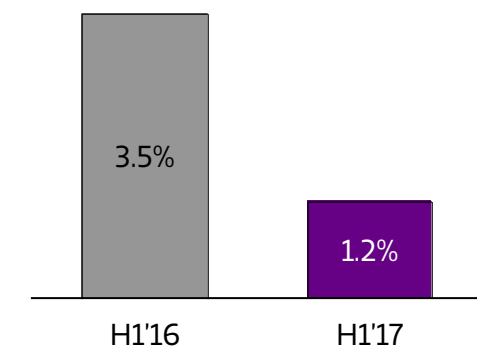
Large losses

Elevated large loss activity, particularly in the UK & International and Canada

Prior year

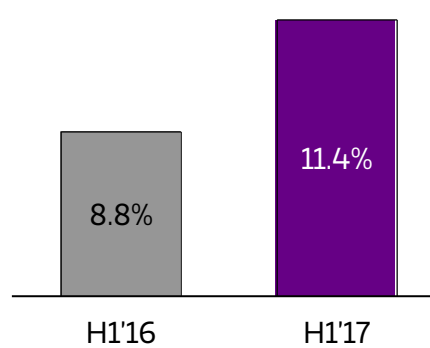
Strong positive PYD. All regions contributing

Weather ratio



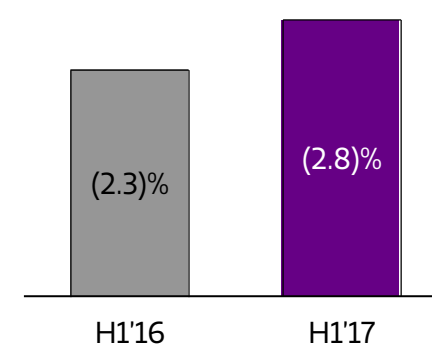
• 5 year average¹: 3.2%

Large loss ratio



• 5 year average¹: 8.6%

Prior year ratio



• Reserve margin 5%

COST REDUCTIONS CONTINUE AHEAD OF PLAN

H1 reductions

Controllable cost reductions of 8% H1 2017 versus H1 2016

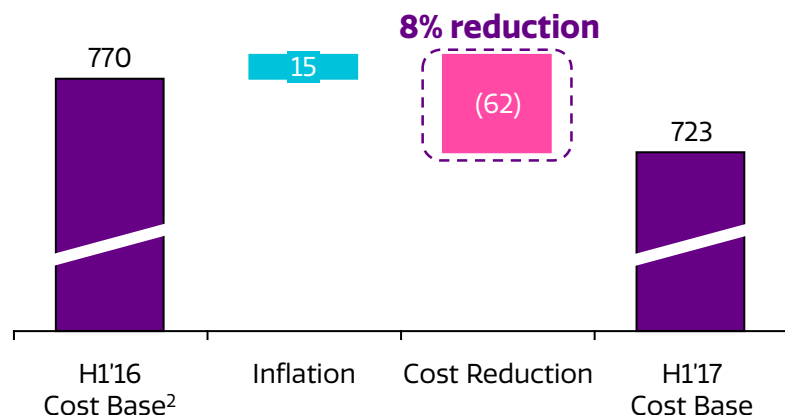
Total reductions

Total programme cost reductions of c.£330m as at H1 2017, up from £290m at FY16

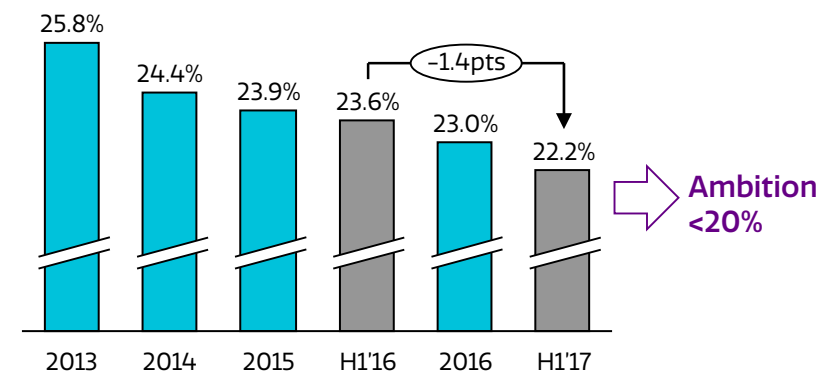
Outlook

On track to achieve >£400m by 2018

Group controllable cost base¹ walk, H1'16 – H1'17 (£m)



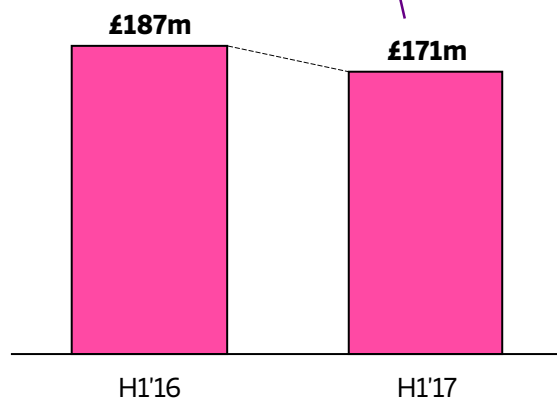
Group (ex disposals) earned controllable expense ratio (%)



INVESTMENT INCOME

Investment income H1'16 v H1'17

Lower investment income reflects Latin America and Legacy disposals together with ongoing reinvestment at lower yields



Expect investment income of c.£315m for full year 2017

Key Comments

- Investment strategy unchanged: High quality, low risk fixed income portfolio
- Average yield on bond portfolios over H1 2017 of 2.4%
- Reinvestment rate of 1.6%
- Unrealised gains £487m. Down 23% in H1 2017 due to Legacy disposal and bond pull-to-par.
- Remainder should largely unwind over next 3.5 years at current forward yields. Expecting pull-to-par of c.£90m in H2 2017, c.£150m in 2018 and c.£110m in 2019.

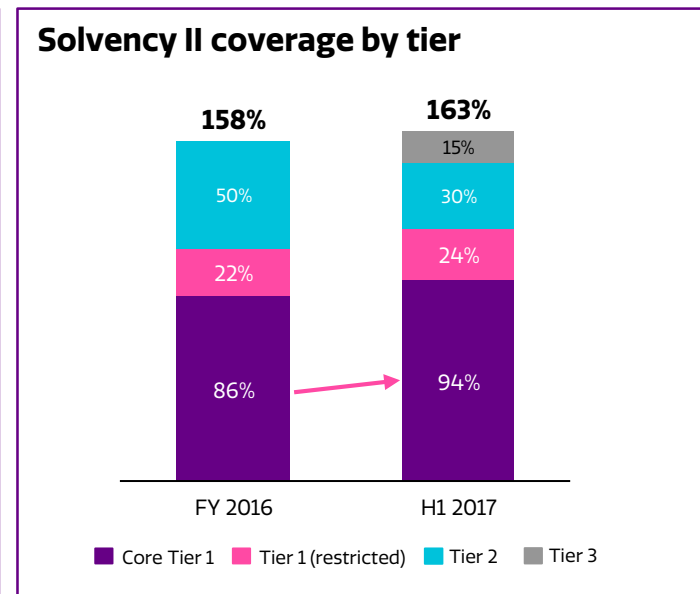
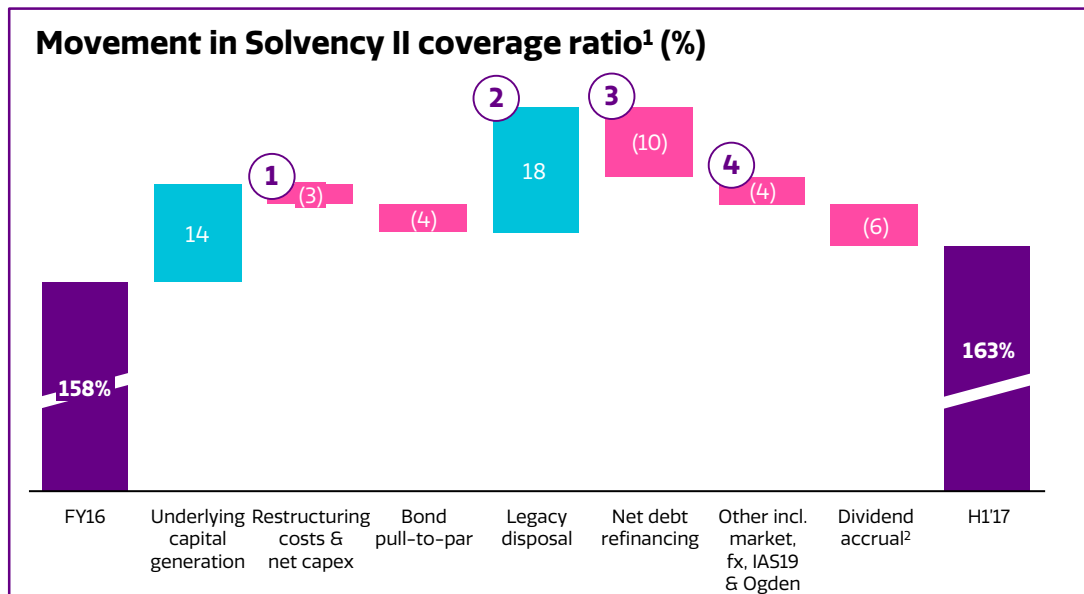
OPERATING PROFIT £360M, UP 15%

£m	H1'17	H1'16
Operating result	360	312
Interest	① (30)	(54)
Other non-operating charges	② (67)	(110)
Profit before tax	263	148
Tax	③ (57)	(57)
Profit after tax	206	91
Non-controlling interest	(10)	(6)
Other equity costs	④ (8)	(5)
Net attributable profit	188	80

Key comments

- ① Interest costs down following debt deleveraging.
- ② H1 2017 includes:
 - £66m gain on transfer of Legacy assets
 - £22m cost of adverse development cover commutation
 - £59m debt buyback costs
 - £41m restructuring costs
- ③ Effective tax rate 21.6% largely reflects tax on overseas profits. Underlying tax rate of 22.4%, trending down towards 20% over next few years.
- ④ Includes £3m coupon costs for new c.£300m Scandinavian restricted tier 1 issue, reflected in statement of changes in equity (as per accounting rules).

SOLVENCY II POSITION



Key comments

- ① Restructuring costs, net capital investments, and other non-operating items
- ② Benefit of disposal of UK legacy liabilities
- ③ Net impact of first half debt retirements and new debt issue in Scandinavia
- ④ Impact of narrower AA corporate bond spreads on IAS 19 pension accounting, offset mainly by positive equities impact. Ogden impact of 3 points.

Target range 130–160% – prefer to operate towards top end of range

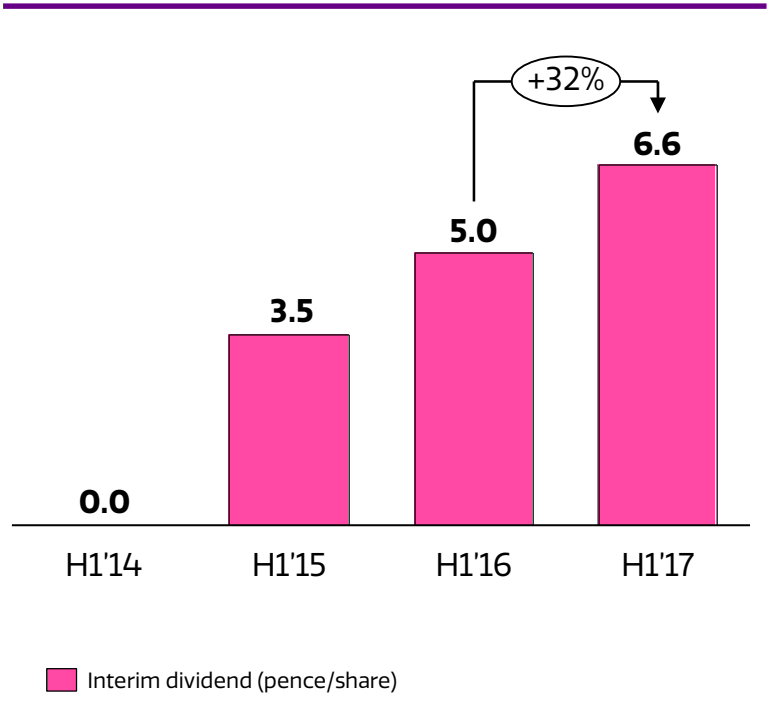


¹ The Solvency II capital position at 30 June 2017 is estimated

² Reflects 6 months accrual of a 'notional' dividend amount for the year. This 'notional' amount should not be considered in any way to be an indication of actual dividend amounts for 2017

INTERIM DIVIDEND

Dividend progress



Dividend policy & payout

- Interim dividend declared of 6.6p per ordinary share (H1 2016: 5.0p).
- Up 32% from H1 2016.
- Continue to target a growing dividend and payout ratio in line with our policy of distributing between 40-50% of earnings, plus additional payouts as available and prudent.

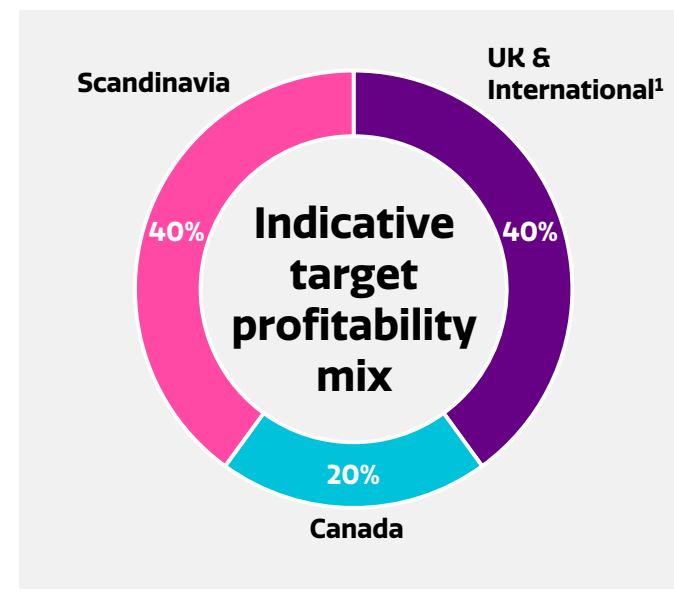
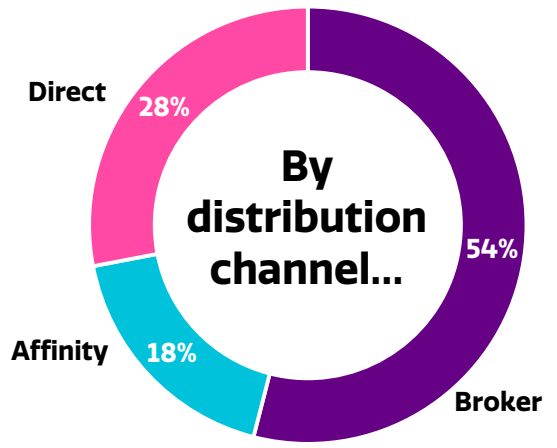
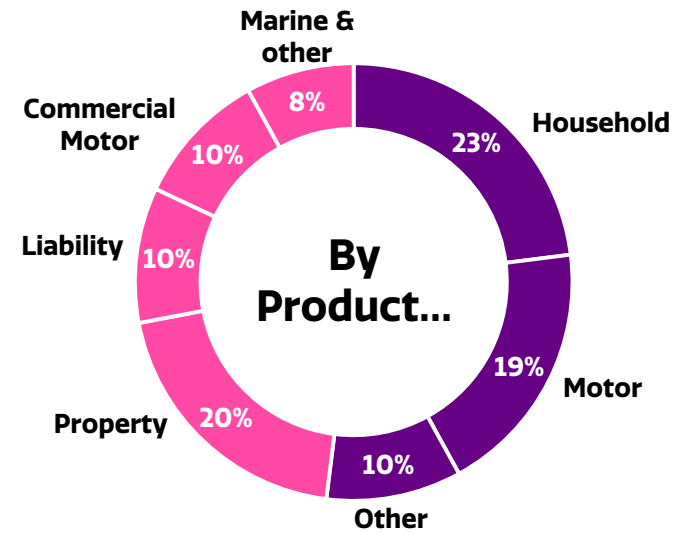
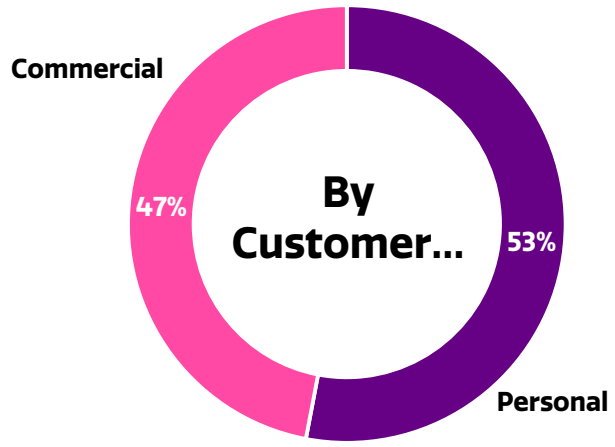
H2 OUTLOOK

H2 priorities	Our priorities for H2 are unchanged: drive for further performance gains
Premiums	Aim for premium growth, but underwriting discipline remains the priority
Loss ratios	Aim for attritional loss ratio to improve again. Volatile items (weather, large losses & PYD) will remain unpredictable
Costs	Further cost reduction and efficiency gains
Performance	Targeting attractive full year 2017 performance, as we continue to build from quality base now established

Q&A

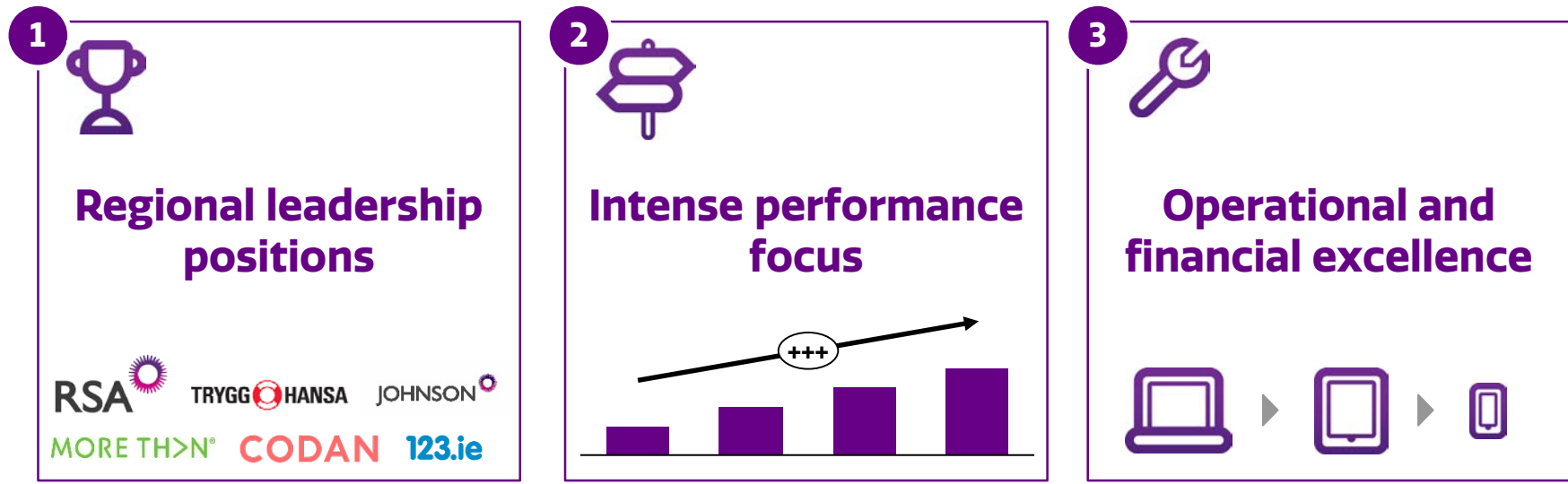
APPENDIX

LEADERS IN OUR MARKETS, WITH ATTRACTIVE BUSINESS BALANCE



¹ Includes Ireland, Specialty businesses in the Eurozone, and Middle East
 Note: Split based on 2016 Core Group NWP, except indicative profitability – based on operating profit ambitions

'FOCUSED MID-CAP' PROPOSITION



Aim to deliver superior performance and justify a superior P/E

PERFORMANCE IMPROVEMENT

Management Approach

What is 'best in class' performance and how do we get there in our markets?

For each activity:

- 1 Compare to 'best in class' in customer capabilities, underwriting excellence, costs and technology
- 2 Identify capability gaps and roadmap to improve
- 3 Validate and sequence change initiatives

Improvement Actions

Performance improvement actions in 5 areas:

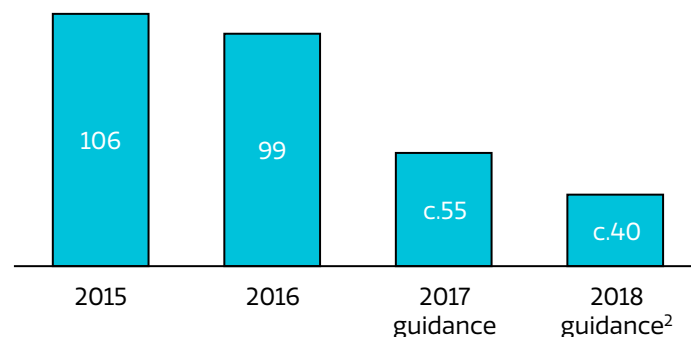
- 1 Customer capabilities
- 2 Underwriting improvements
- 3 Cost efficiency
- 4 Technology
- 5 People

SUCCESSFUL COMPLETION OF PLANNED CAPITAL ACTIONS

RSA's debt instruments as at 1 August 2017

Instrument	Call date	Coupon	Interest cost
£300m Tier 1R	March 2022	4.7% ¹	£14m
£40m Tier 2	May 2019	9.4%	£4m
£400m Tier 2	Oct 2025	5.1%	£21m

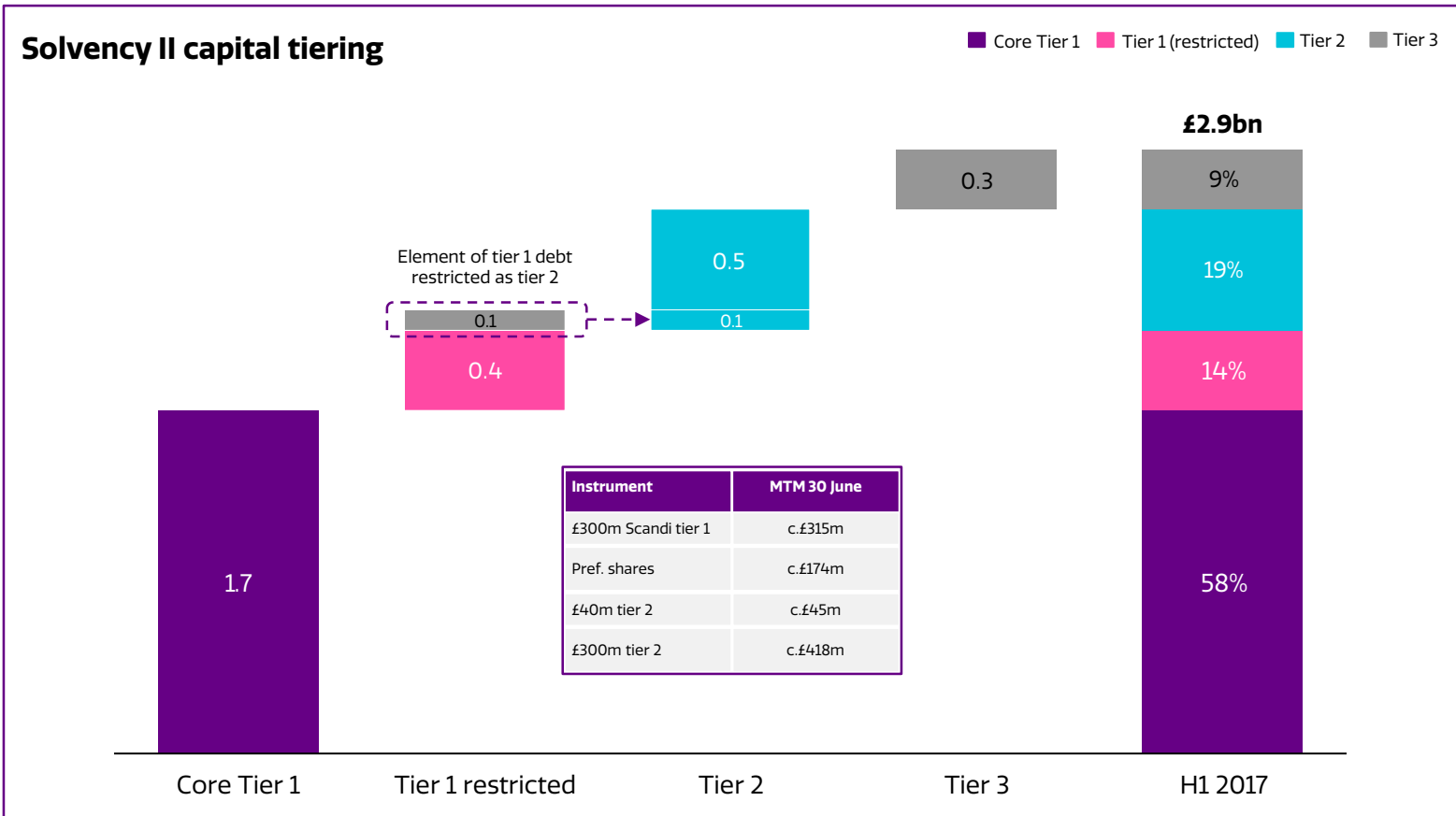
Annual interest costs (£m)



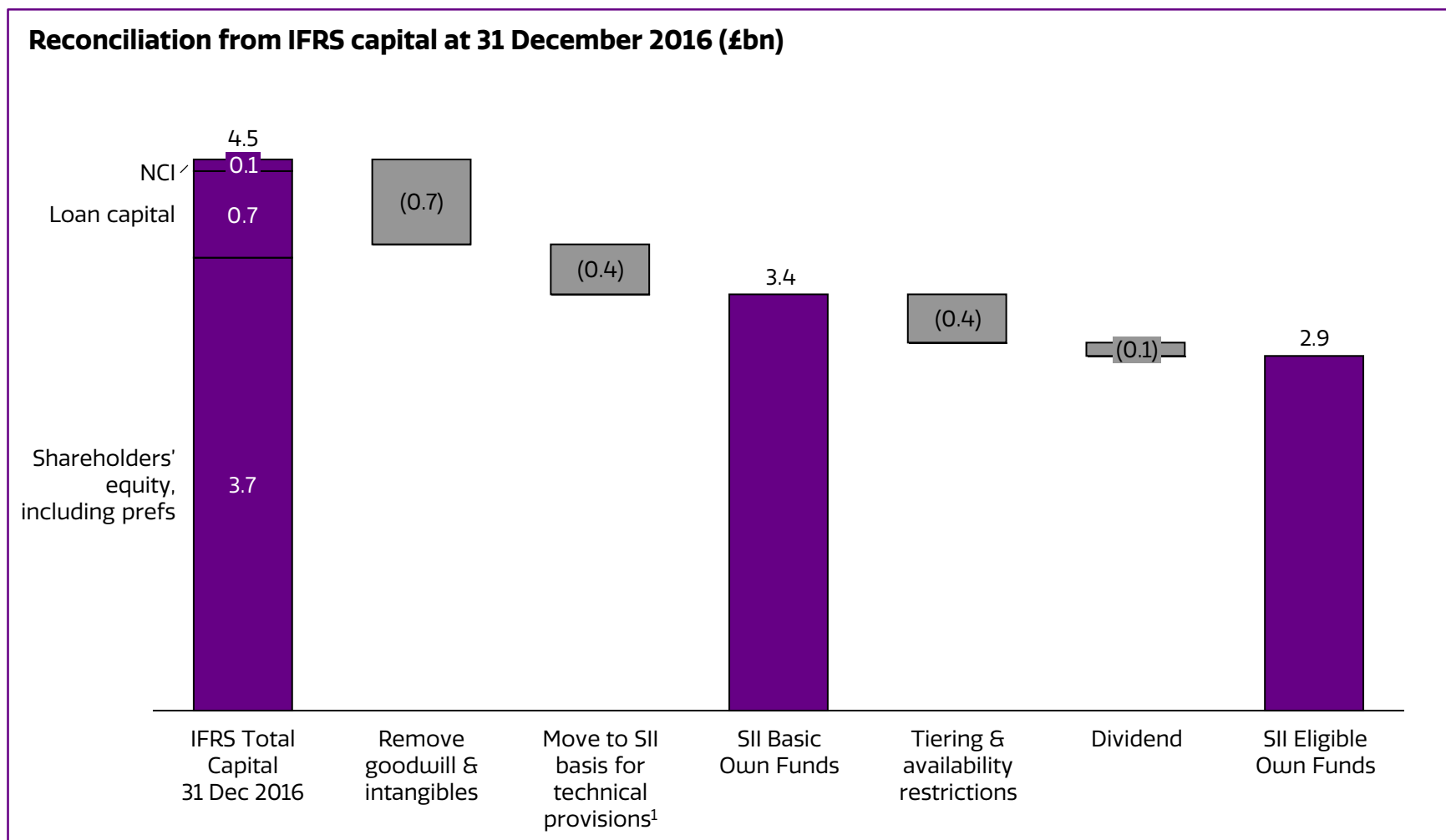
Key comments

- At the end of March, we announced the successful completion of our planned capital actions for 2017.
- These actions comprised the disposal of our UK Legacy liabilities (announced in February); issuance of c.£300m of restricted tier 1 notes in Scandinavia; and retirement of £592m of existing high coupon debt.
- Since March we have retired a further £15m of the 9.4% coupon Tier 2 instrument.

CAPITAL TIERING

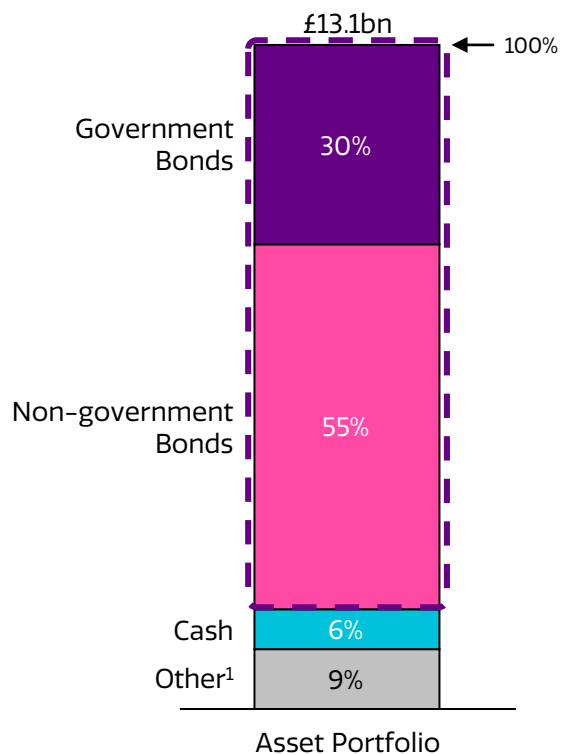


SOLVENCY II: AVAILABLE CAPITAL RECONCILIATION

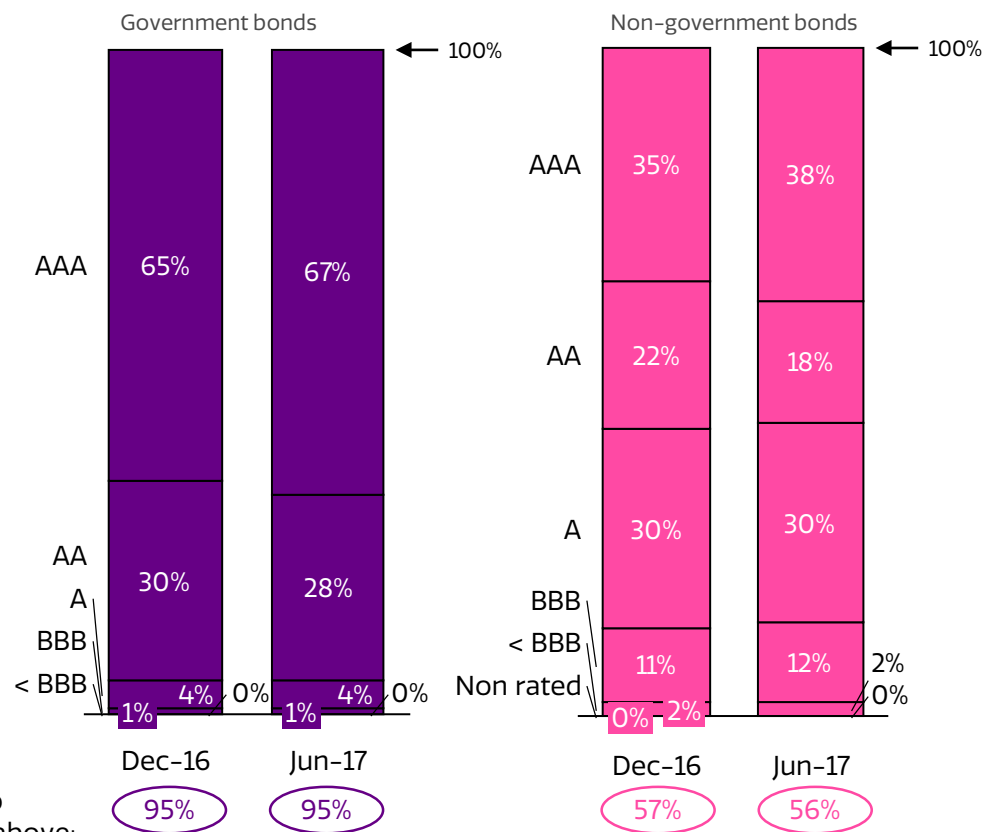


INVESTMENT PORTFOLIO COMPOSITION & CREDIT QUALITY

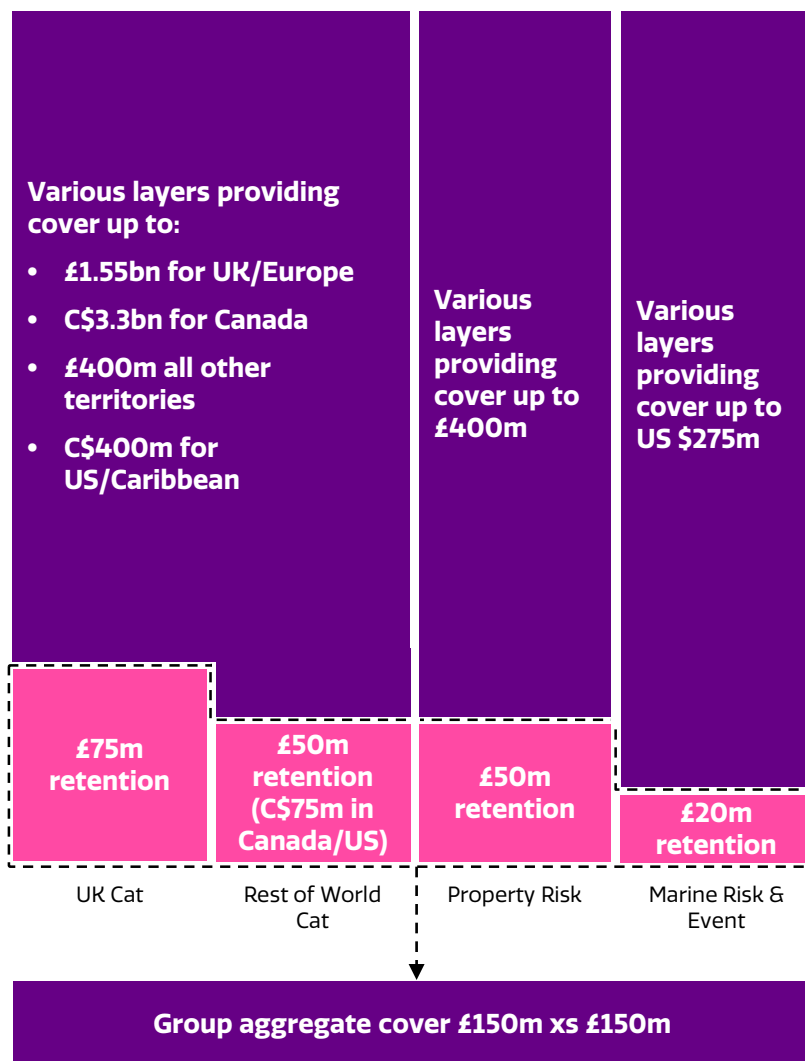
Investment portfolio, June 2017 (£m)



Bond portfolio credit quality (at June 2017)



2017 REINSURANCE PROGRAMME



Key comments

Group aggregate reinsurance cover

- 3 year aggregate cover that commenced in 2015 remains in place
- Events or individual net losses > £10m ('franchise level') are added together across our financial year (when a loss exceeds £10m or local currency franchise level it is included in full)
- Cover attaches when total of these retained losses is greater than £150m
- Limit of cover £150m in 2017