2019 Interim Results Presentation

1 August 2019

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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 2019 Interim Results announcement.

Agenda

1. Introduction
2. Strategy & business improvement actions
3. Regional update
4. 2019 Interim Results
5. Q&A

Introduction

2019 INTERIM RESULTS HIGHLIGHTS

1. Solid first half results; best H1 current year underwriting profit in 10 years[1]
2. For ongoing business[1]:
   - Underwriting profit £181m, of which £155m current year
   - COR 94.3%; underlying EPS 21p per share; ROTE 15%
3. Pricing and underwriting actions on or ahead of plan in every region, full earned effects building into 2020. Attritional loss ratios already improving. Headwinds in PYD and large losses need to fall further
4. UK & International region underwriting profit £86m[1]; COR 94%[1]
   - Lots more work to do but solid start for new team
5. Interim dividend 7.5p per share up 3%, consistent with stated policy. Statutory profit before tax £227m after exits and non-operating charges

[1] Ex. UK/ London Market exit portfolios

Strategy & business improvement actions

UPDATE ON 2019 PRIORITIES

- ☑ Stick to the 'best-in-class' roadmap. Keep improving what's working well:
  - Personal Lines (57% NWP[1]) COR 89.9%[2], underwriting profit up strongly
  - Group costs flat (down 2½% real). Digital investments continuing
- ☑ Execute portfolio exits, especially London Market:
  - All announced exits implemented. NWP reduction vs. 2017 baseline c.£250m; c.£30m NEP still to run-off in H2 (c.£10m in 2020). Will adjust further if necessary
  - Will also progress related new UK cost programme in H2
- ☑ Execute other loss ratio improvement actions:
  - Reinsurance programmes in place – Canada and Denmark Commercial Lines likely to benefit in H2
  - Re-pricing and re-underwriting on or ahead of plan in every region. Commercial Lines a particular focus. H2 an important check point as improvements earn
  - H1 PYD from 2018 accident year a £46m negative swing, mainly Commercial Lines as actuarial estimates were refined. Similar trend as competitors. Should be one-off

[1] Split based on 2018 Group NWP
[2] Ex. UK/ London Market exit portfolios

STRATEGY REMAINS 'PURSUIT OF OUTPERFORMANCE' THROUGH…

1. **Strong customer franchises**
2. **Disciplined business focus, majoring 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

1

Advance customer service

- Digital platforms for convenience, flexibility and speed
- Increase customer satisfaction and retention
- Sharpen customer acquisition tools

2

Further improve underwriting

- Elevate underwriting disciplines
- Ongoing 'BAU' portfolio re-underwriting
- Invest in analytics, tools and technology
- Optimise reinsurance

3

Drive cost efficiency

- Deploy 'lean', robotics & process redesign
- Optimise overheads & procurement
- Site consolidation & outsourcing
- Automation

Key enablers:

- Technology
- Focused performance culture

Targets

'Best-in-class' COR ambitions

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

Earnings

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

Dividend

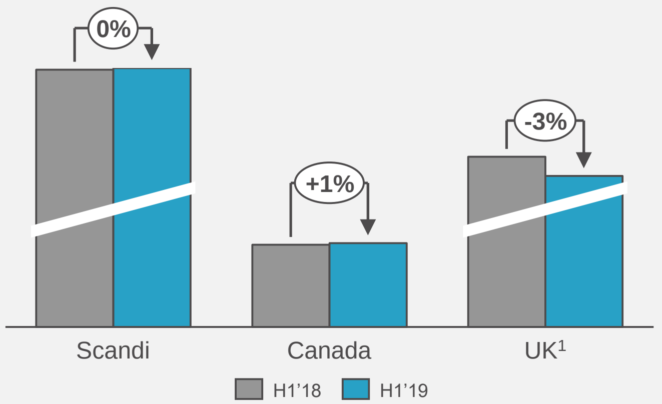
- Regular payout 40-50%, plus additional payouts as available and prudent

Underpinned by strong balance sheet and capital management

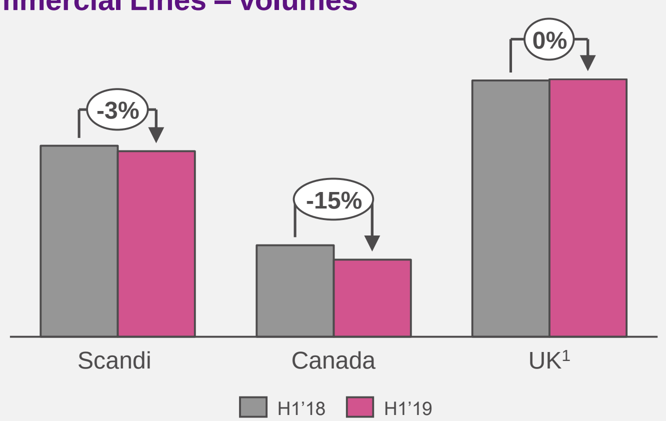
CUSTOMER METRICS STABLE OR IMPROVING EXCEPT WHERE IMPACTED BY UNDERWRITING ACTIONS

Customer retention (%)

Personal Lines – policies in force



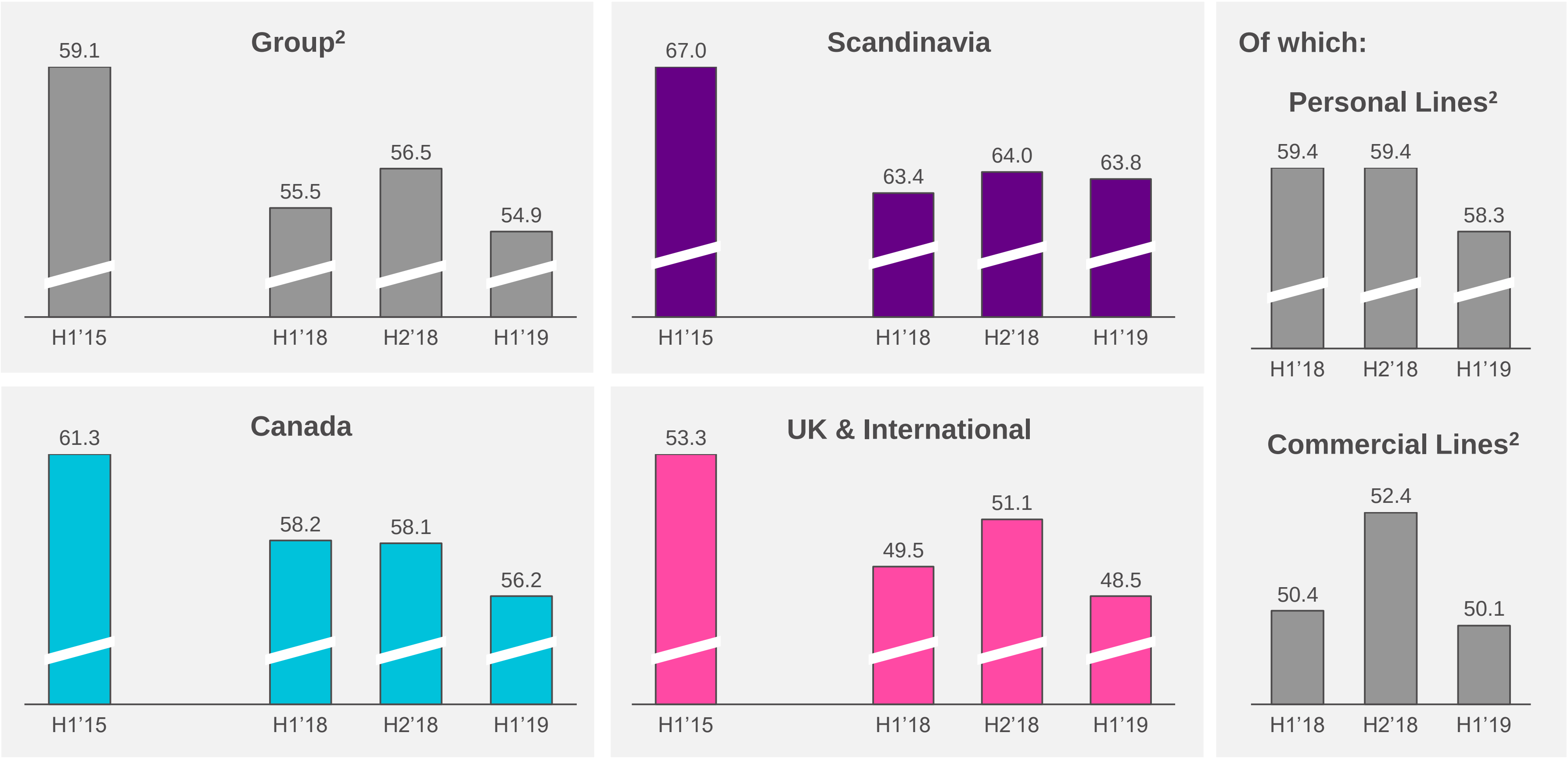
Commercial Lines – volumes



[1] Ex. UK/ London Market exit portfolios

ATTRITIONAL LOSS RATIO RESUMING ITS IMPROVEMENT TREND OVERALL

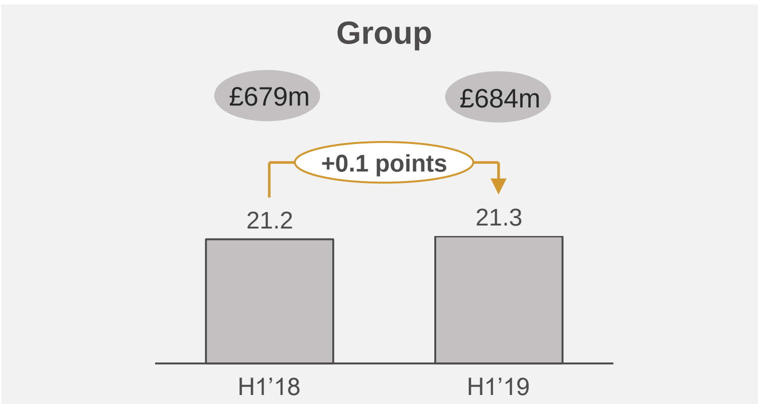
Attritional loss ratios (%)[1]

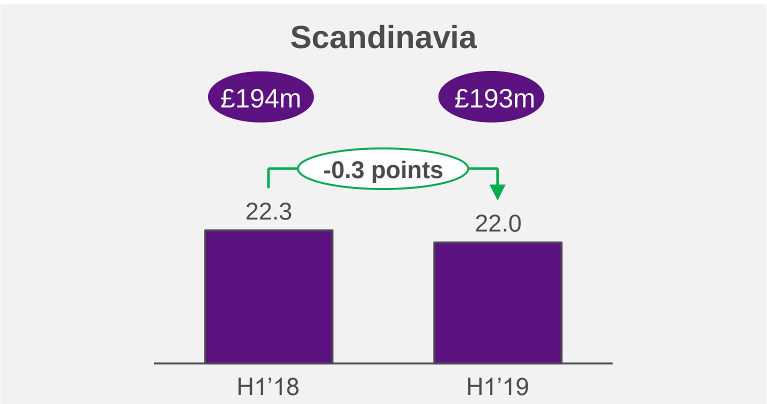


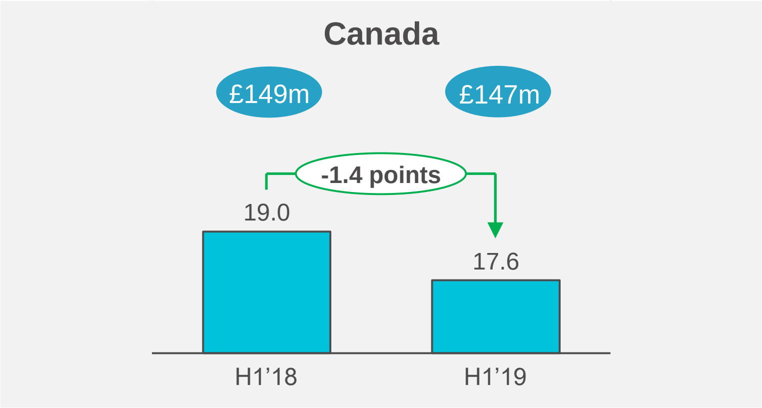
[1] Loss ratios restated for reinsurance changes
[2] At constant FX and ex. disposals where relevant

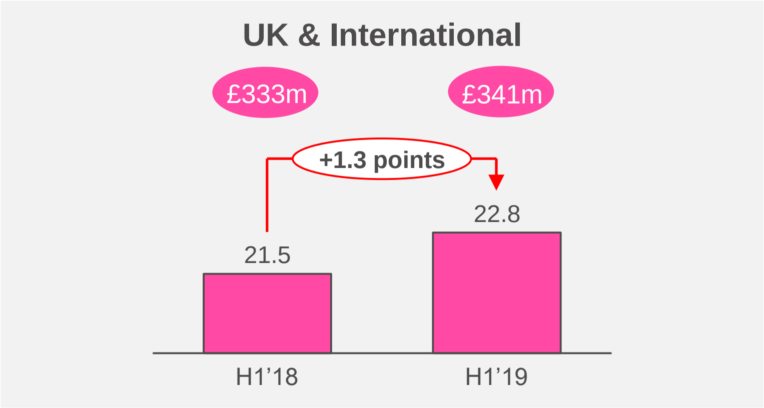
COST COMPETITIVENESS REMAINS IMPORTANT

Goal is controllable cost ratios below 20% in every business





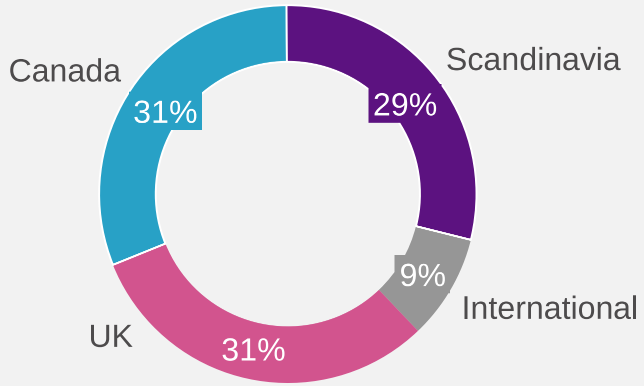




Note: Costs and cost ratios shown on an earned basis and Group at constant FX

UNDERWRITING – PERSONAL LINES

57% of Group Net Written Premiums[1]



Summary results H1'19	H1'19[2]	vs. H1'18[2]
Net Written Premiums[3]	1,759	+0.1%
Attritional loss ratio (%)	58.2%	-1.3 points
Weather ratio (%)	2.9%	-2.8 points
COR (%)	89.9%	-3.5 points
Current year COR (%)	90.7%	-3.8 points

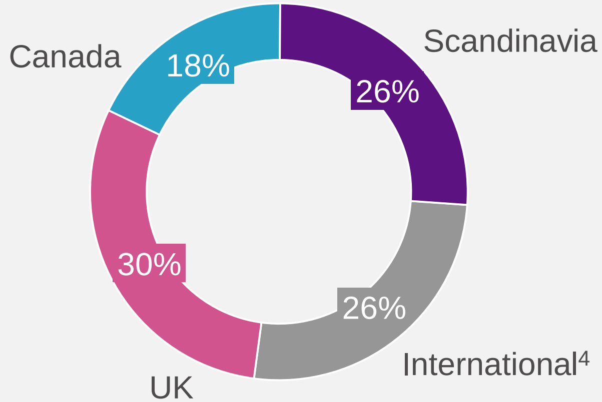
Key points:

- Premium growth in most profitable lines e.g. Sweden +3%[3], Denmark +4%[2] and Canada +8%[2]
- Excellent underwriting results despite continued adverse weather in Canada:
  - Canada: Johnson achieved 9% organic growth and performed well despite tough weather conditions; volumes down, as planned, in Personal Broker; strong rate carried across all portfolios
  - UK & International: Volume reduction driven by corrective action taken in 2018 for Household and Pet; attritional loss ratio 3[2] points better than H1 2018; still work to do on costs and Motor
  - Scandinavia: Sweden in good shape; Denmark good and improving on costs; Norway challenging
- Canada aggregate reinsurance for 2019 likely to benefit H2

[1] Split based on 2018 Group NWP
[2] At constant FX and ex. UK/ London Market exit portfolios
[3] At constant FX and premiums ex. a one-off adjustment in Swedish Personal Accident in Q1 2018

UNDERWRITING – COMMERCIAL LINES (EX. EXITS)

43% of Group Net Written Premiums[1]



Summary results H1'19

	Ex. exits	Inc. exits		
	H1'19[2]	vs. H1'18[3]		
Net Written Premiums	1,447	1,539		
Attritional loss ratio (%)	50.1%	-0.3 points		
	H1'19[2]	H1'19	H1'18[3]	H2'18[3]
Large ratio (%)	18.4%	18.8%	18.2%	26.3%
COR (%)	98.8%	100.4%	95.3%	108.7%
Current year COR (%)	99.6%	101.1%	99.9%	112.5%

Key points:

- Net written premiums down vs. H1 2018, as planned given portfolio pricing and re-underwriting actions
- Attritional loss ratios improved and largely on track across all regions. PYD below both prior year and plan as 2018 accident year estimates were refined
- Underwriting performance held back by large loss experience above plan in Canada and Danish Commercial. UK Commercial Lines large losses better than plan
- Across the Group, programmes continue to re-underwrite and re-price business where needed, or lapsing as necessary. Many of the targeted actions for 2019 have already been implemented. Investment in underwriting capabilities, training and portfolio management continue to receive significant focus across the Group

[1] Split based on 2018 Group NWP
[2] Ex. UK/ London Market exit portfolios
[3] At constant FX and the attritional loss ratio restated for reinsurance changes
[4] Ireland, Middle East, London Market Specialty & Wholesale and European branches

UK EXIT PORTFOLIOS – 80% NEP NOW LAPSED

Exits targeted	Progress at H1 2019: Premium exposure now earned out	Progress at H1 2019: H1 2019 NEP and % change vs. H1 2018	Progress at H1 2019: H1 2019 UW impact[1]	Outlook
Exited business				
• **c.£150m** London Market exits vs. 2017 baseline	c.£120m	£25m -44%	c.£15m loss	• c.£20m to earn out in H2 2019, with a final c.£10m in 2020
• **c.£65m** UK MGA exits over 2018 & 2019	c.£60m	£12m -66%	c.£5m profit	• Remaining £5m premiums largely earn out in H2 2019
• **c.£25m** of exits across European branches in 2019	c.£20m	£5m -38%	c.£8m loss	• Remaining £5m premiums largely earn out in H2 2019
• Other individual scheme/ delegated exits		£15m -32%	c.£10m loss	• Materially complete by year-end
BAU				
• Danish Interconnector (c.£20m 2018 NEP)	c.£6m in H1	£5m -50%	c.£3m loss	• c.£6m premiums earn out in H2 2019 and a further c.£6m in 2020

[1] Included in UK exits underwriting result

Regional update

SCANDINAVIA

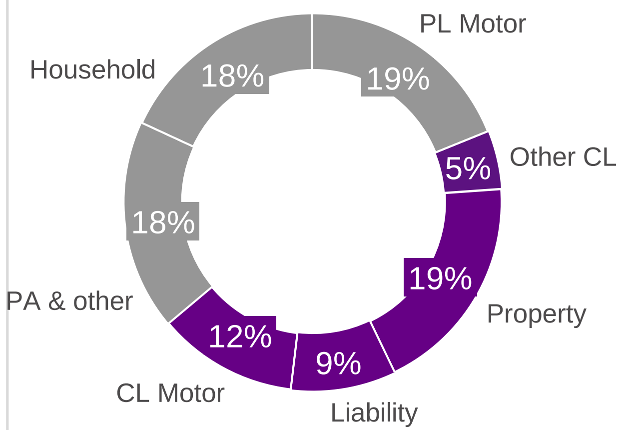
Progress	H1'18	H1'19	Ambition
COR	87.6%	**89.1%**	<85%
Current year COR	89.3%	**90.2%**	
Attritional loss ratio	63.0%	**63.8%**	
Controllable expense ratio[1]	22.3%	**22.0%**	<20%

£1.0bn
H1'19 Scandi NWP

-2% vs. H1'18
+1% at CFX

Medium term outlook:
+1-4% CFX

Split of Scandinavia NWP



Key points

- RSA's most valuable business
- Results down a little vs. H1 2018 but still robust
- Excellent Personal Lines performance continues – COR 79.0%
- Improvement areas showing mixed results:
  - Norway loss ratio improved 11 points, current year loss ratio improved 14 points
  - Sweden Commercial Lines loss ratio improved, COR now in target zone
  - Denmark Commercial Lines not yet visibly improving. Actions continue
- Controllable expense ratio improved again

[1] Earned underwriting controllable cost ratio

CANADA

Progress	H1'18	H1'19	Ambition
COR	100.5%	**97.8%**	<94%
Current year COR	103.8%	**99.3%**	
Attritional loss ratio	58.2%	**56.2%**	
Controllable expense ratio[1]	19.0%	**17.6%**	<20%

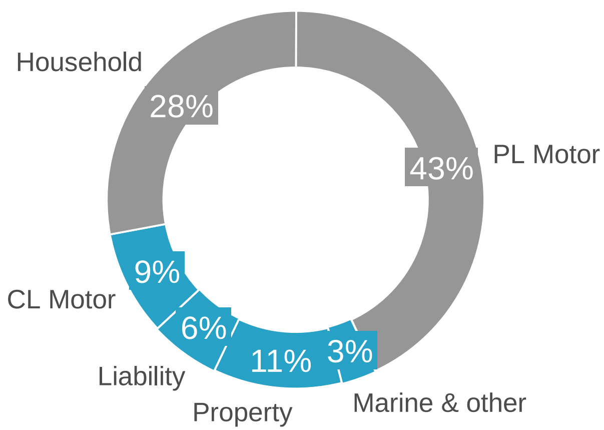
£768m

H1'19 Canada NWP

+5% vs. H1'18
+3% at CFX

Medium term outlook:
+2-4% CFX

Split of Canada NWP



Key points

- Underwriting profit rose substantially despite a tough winter – performance remains excellent relative to competitors
- Weather costs 2.5 points above the five year average[2]
- Pricing and underwriting actions market-wide expected to continue the improvement
- Net written premiums of £768m up 4%[3]
- Attritionals improved 2 points vs. H1 2018 and better across all major lines of business
- Cost competitiveness a continuing success
- Johnson continues to demonstrate strong growth, profitability and excellent customer retention
- Broker businesses still need the most action
- Commercial Lines volumes down 15% as targeted. Need to see better underwriting results from H2

[1] Earned underwriting controllable cost ratio
[2] 5 year annualised average for 2014 to 2018 inclusive
[3] At constant FX and ex. changes in reinsurance

UK & INTERNATIONAL

Progress	H1'18	H1'19	Ambition
COR (ex. exits)[1]	N/A	**94.0%**	<94%
Current year COR (ex. exits) [1]	N/A	**94.3%**	
Attritional loss ratio	49.3%	**48.5%**	
Controllable expense ratio[2]	21.5%	**22.8%**	<20%
COR (inc. exits)	95.3%	**96.1%**	

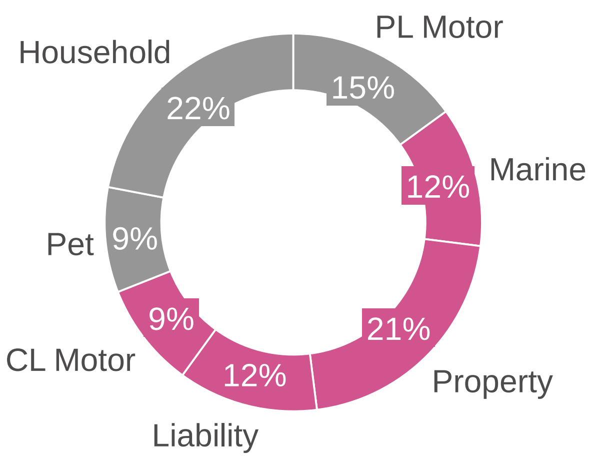
£1.4bn

H1'19 UK & International NWP

-8% vs. H1'18
-8% at CFX

Medium term outlook:
+1-4% CFX

Split of UK&I NWP



Key points

- Pleasing improvement in UK&I results – 'on track' for 2019 targets
- Current year underwriting profit up 126%
- Ireland and Middle East continue stand out performance
- UK COR 96.5%[1]; current year COR 95.6%[1]
- Business exits and other underwriting actions are on track. PYD swing in UK of £62m - impacting results temporarily
- Attritional 0.8 points better – with improvements in UK Household and Pet
- Weather 2.5 points better and better than planned; large losses 0.7 points better
- Costs flat but ratio increased as expected due to premium contraction. New cost programme expected to begin in H2

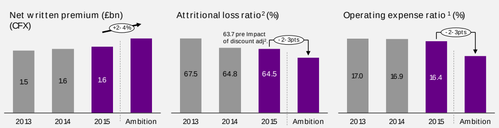
[1] Ex. UK/ London Market exit portfolios
[2] Earned underwriting controllable cost ratio
[3] Comparatives made at constant FX and 2019 excludes UK exit portfolio results

AMBITION REMAINS FOCUSED ON DRIVING TOWARDS BEST-IN-CLASS CAPABILITIES AND PERFORMANCE

Financial ambition
best-in-class combined ratios

Scandinavia

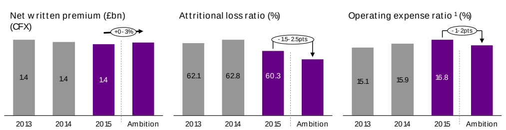
< 85%



2020-21[1]

Canada

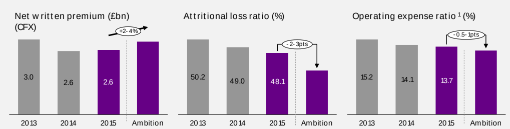
< 94%



2020-21[1]

UK & International

< 94%



2022-23[1]

[1] Represents management ambition assuming 'normal' volatile items

2019 INTERIM RESULTS SUMMARY

1. Solid first half results:
   - Best H1 current year underwriting results in 10 years[1]
2. Personal Lines delivery remains strong – COR 89.9%[1]
3. Improvement actions all on or ahead of schedule:
   - Commercial Lines current year result benefits from exits, but need more, especially in Canada and Denmark
   - Headwinds from PYD and investment income
4. Exits all proceeding as expected
5. Focused on continuing the progress in H2

[1] Ex. UK/ London Market exit portfolios

2019 Interim Results

PERFORMANCE SUMMARY

£m (unless stated)		H1'19 Ex. exits[1]	H1'19 Inc. exits	H1'18
Net Written Premiums	1	3,242	3,254	3,219
Underwriting result	2	181	153	171
Current year underwriting result		155	134	79
COR (%)		94.3%	95.2%	94.7%
Operating profit	3	308	280	304
Profit before tax		255	227	296
Profit after tax			4 183	245
EPS			15.3p	21.8p
Underlying EPS	5	20.9p	18.6p	21.0p
Underlying ROTE, annualised	6	15.0%	13.4%	15.6%
Interim dividend			7.5p	7.3p

		H1'19	H1'19	H1'18
Tangible net asset value	7	£2.9bn	£2.9bn	£2.9bn

Key comments

1. Group Net Written Premiums up 1% at constant FX, down 2%[2] underlying or up 0.5% ex. exits
2. Excellent current year underwriting results offset by lower prior year development
3. Operating profit reflects robust underwriting result but lower investment income
4. Profit after tax impacted by exits and non-operating charges
5. Underlying EPS 20.9p[1]
6. Underlying ROTE of 15%[1] versus 13-17% target range
7. TNAV up 2% driven by profits and fair value mark-to-market movements

Note: H1 2018 comparative numbers shown at reported exchange
[1] Ex. UK/ London Market exit portfolios
[2] Ex. 2018 GVC renewal and 2019 reinsurance changes

PREMIUMS[1]

Growth	Group Net Written Premiums up 1% at constant FX, down 2%[1] underlying or up 0.5% ex. exits
Growth drivers	Personal Lines growth in Canada and Scandinavia; Commercial Lines growth in Scandinavia
Retention	Retention up in Scandinavia and UK & International Personal Lines; down in Canada and UK & International Commercial Lines

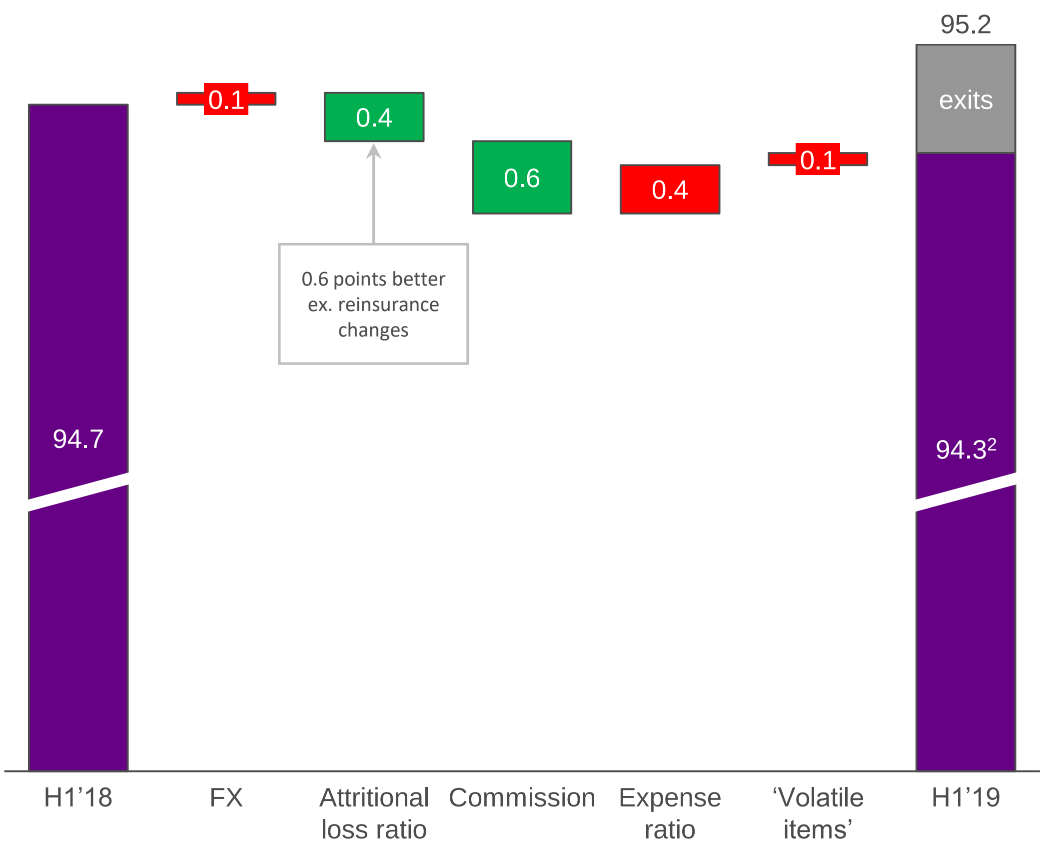
	Personal Lines		Commercial Lines	
	CFX growth	Policy count growth	CFX growth	Volume growth[2]
1 Scandinavia	3%[3]	0%	3%	(3%)
2 Canada	8%	1%	(5%)	(15%)
3 UK (ex. exits)	(10%)	(3%)	2%	0%

1. Growth in Personal Lines (premiums up 3%[3] in Sweden and up 4%[4] in Denmark) and Commercial Lines with rate increases in all lines dampened by a reduction in volumes
2. Johnson premiums up 11%[4], while Personal Broker premiums up 2%[4]; Commercial Lines premiums down 5%[4] with a 15% reduction in volumes partly offset by strong rate
3. Personal Lines premiums down 10% reflecting strong rating action taken to address profitability in 2018; Commercial Lines premiums up 2% with rate positive across all major lines

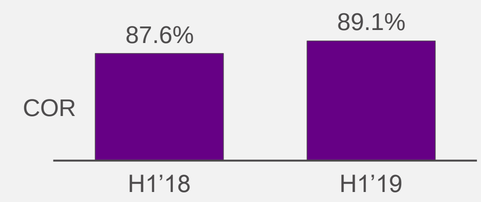
[1] Ex. 2018 GVC renewal and 2019 reinsurance changes
[2] Volume growth represents the value of new business net of lapses
[3] At constant FX and ex. a one-off adjustment in Q1 2018
[4] At constant FX

UNDERWRITING RESULTS

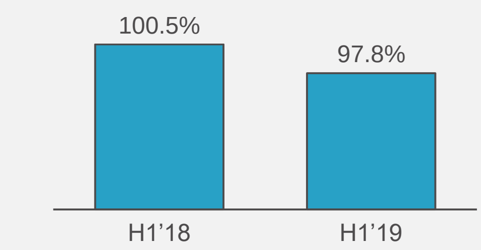
Group COR walk (%)[1]



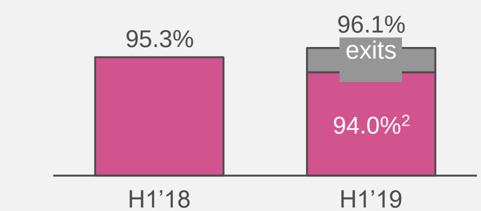
Scandinavia



Canada



UK & International

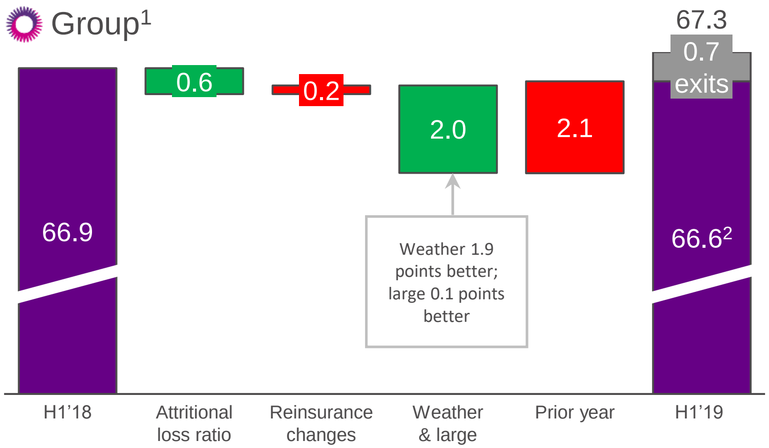


[1] Ratio movements at constant FX
[2] Ex. UK/ London Market exit portfolios

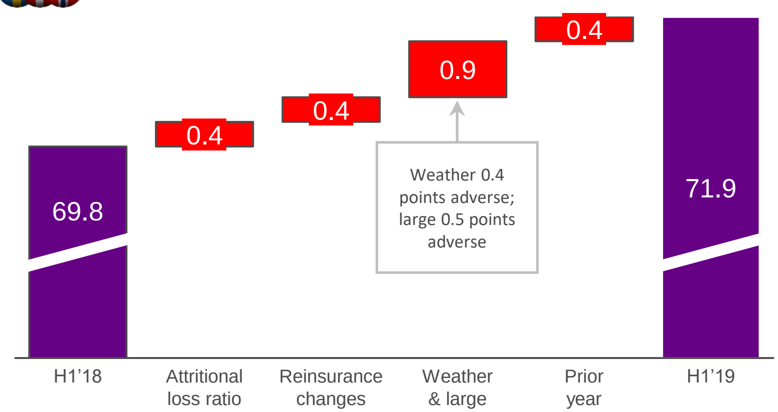
LOSS RATIOS

Loss ratio walks H1'18 to H1'19 (%)

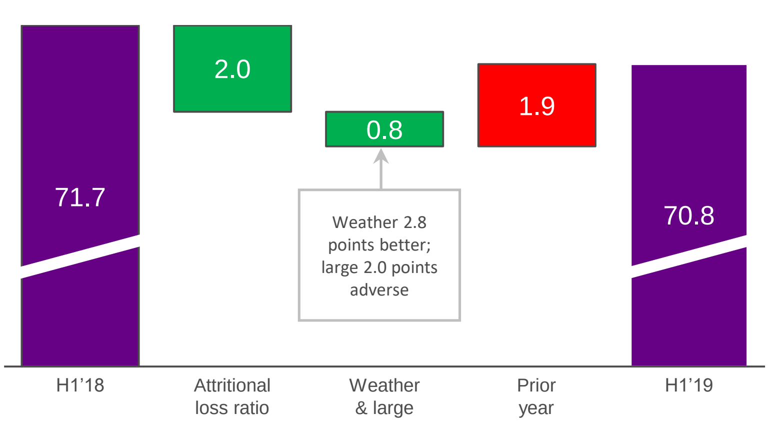
Group[1]



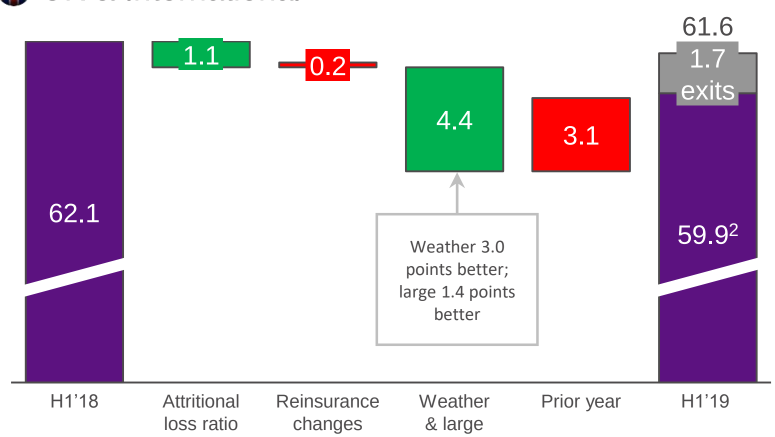
Scandinavia



Canada



UK & International

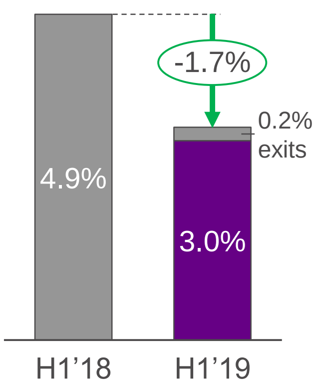


[1] At constant FX
[2] Ex. UK/ London Market exit portfolios

‘VOLATILE’ UNDERWRITING ITEMS

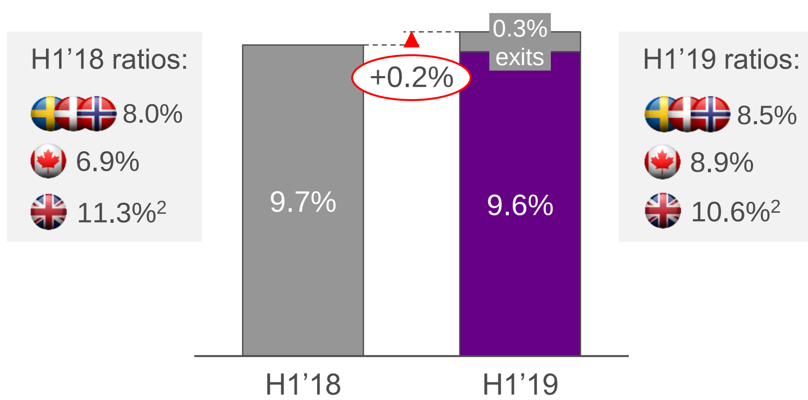
Weather	Adverse weather in Canada, benign in the UK&I
Large	Adverse large loss experience in Canada and Scandinavia. Improved large losses in UK&I
Prior year	Ex. exits, all regions contributed lower (but still positive) prior year development. In particular, PYD was sharply lower in UK & International driven by the 2018 accident year

Weather ratio



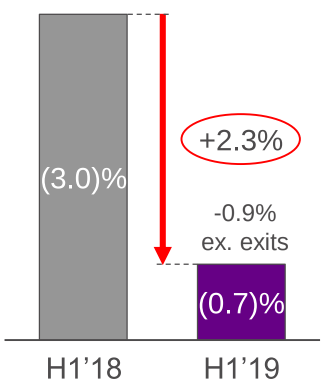
- 5 year average: 3.1%[1]

Large loss ratios



- 5 year average: 9.6%[1]

Prior year ratio



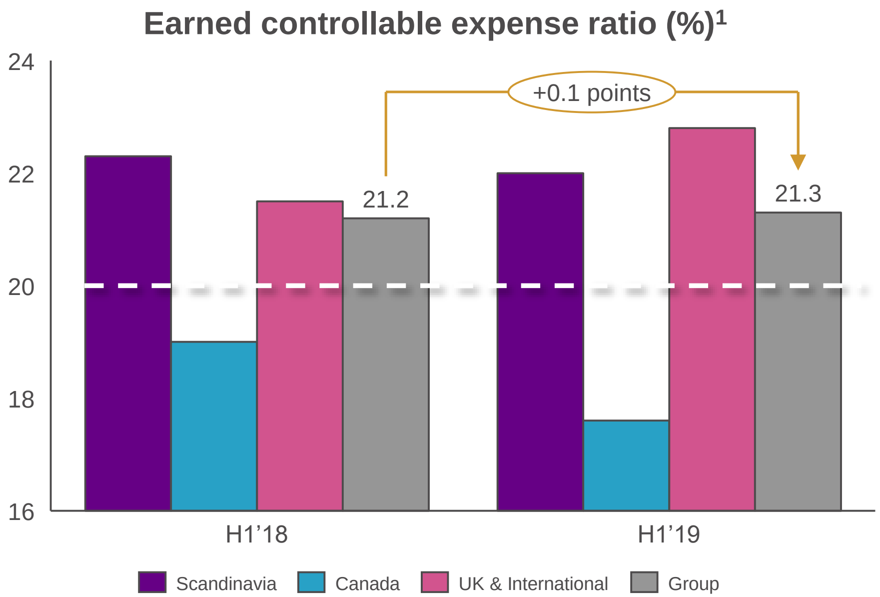
- Reserve margin 5%

[1] 5 year averages are for Group ex. disposals; they are annual averages for 2014 to 2018 inclusive
[2] UK & International

CONTROLLABLE COSTS

H1 2019 — Group earned controllable cost ratio 21.3% broadly flat versus H1 2018. Written controllable costs £694m down in real terms (H1 2018: £697m)

Regional view — Canada and Scandinavia ratios improved vs. H1 2018; UK & International up (as guided) due to planned premium contraction



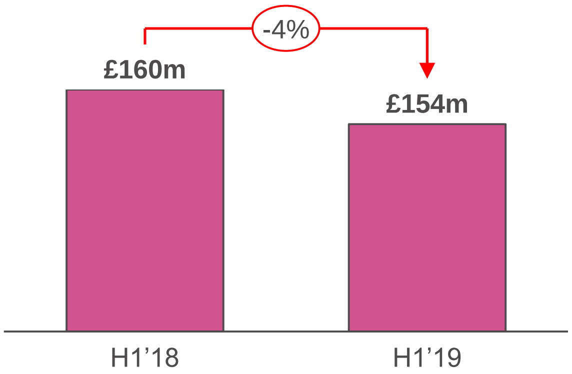
Regional update

- Scandinavia controllable expense ratio down 0.3 points vs. H1 2018; progress in Sweden and Denmark
- Canada controllable expense ratio down 1.4 points vs. H1 2018 and ahead of target ambition
- UK & International controllable expense ratio 1.3 points up due to impact of premium contraction. New cost programme to start in H2

[1] Group at constant FX

INVESTMENT INCOME

Gross investment income H1'2018 vs. H1'2019



Key comments

- Investment strategy unchanged: High quality, low risk fixed income portfolio
- Average income yield on bond portfolios in H1 2019 of 2.2% (H1 2018: 2.3%)
- Average reinvestment rate on bond portfolios of 1.3% (H1 2018: 1.5%)
- Unrealised gains of £431m pre-tax (£445m relating to bonds) increased by £181m in H1 2019, mainly positive mark-to-market on bond holdings

Gross investment income guidance

£m	2019 guidance	2020 guidance	2021 guidance
Investment income	c.£285-295m	c.£255-275m	c.£240-260m

Key comments

- Guidance based on forward yields and FX
- Increase in AFS reserve and flattening of yield curves means that, if yield curves were to stay as they are, gains are predicted to take around 7 to 8 years to fully unwind
- Bond pull-to-par capital impact c.£40m for H2 2019 and c.£70m for 2020

STATUTORY PROFIT AFTER TAX £183M

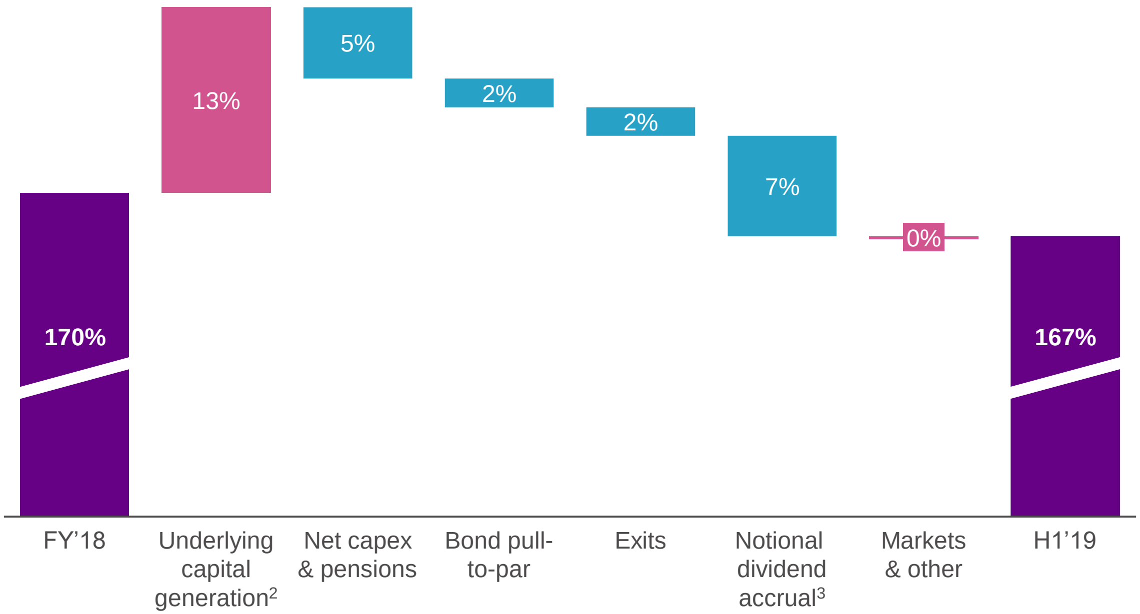
£m		H1'19	H1'18
Operating profit ex. exits		**308**	
Operating profit inc. exits		*280*	*304*
Interest	1	(16)	(13)
Other non-operating charges	2	(37)	5
Profit before tax		**227**	**296**
Tax	3	(44)	(51)
Statutory profit after tax		**183**	**245**
Non-controlling interest	4	(13)	(10)
Other equity costs	5	(12)	(12)
Net attributable profit		**158**	**223**

Key comments

1. Interest expense increased due to IFRS 16 adoption (£7m cost per annum)
2. Non-operating charges included £17m for completion of the UK legacy sale and £15m from a reduction in the discount rate on long-term insurance liabilities in Denmark (both non-capital items)
3. Effective tax rate 20% (H1 2018: 17%) and underlying tax rate 18% (H1 2018: 19%)
4. Primarily relates to Middle East minorities
5. Other equity costs include £7m coupon costs on restricted Tier 1 securities and £5m preference dividend

SOLVENCY II POSITION

Movement in Solvency II coverage ratio[1] (%)



Solvency II coverage by tier

Target range 130-160%: Prefer to operate above top end of range

[1] The Solvency II position at 30 June 2019 is estimated
[2] Represents profit after tax (ex. exits) attributable to ordinary shareholders, adjusted for changes in intangible assets and other non-capital items
[3] 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 2019

TO CONCLUDE…

1. Solid first half results:
   - Best H1 current year underwriting results in 10 years[1]
2. Personal Lines delivery remains strong – COR 89.9%[1]
3. Improvement actions all on or ahead of schedule:
   - Commercial Lines current year result benefits from exits, but need more, especially in Canada and Denmark
   - Headwinds from PYD and investment income
4. Exits all proceeding as expected
5. Focused on continuing the progress in H2

[1] Ex. UK/ London Market exit portfolios

Appendix

UK&I UPDATE – SCOTT EGAN

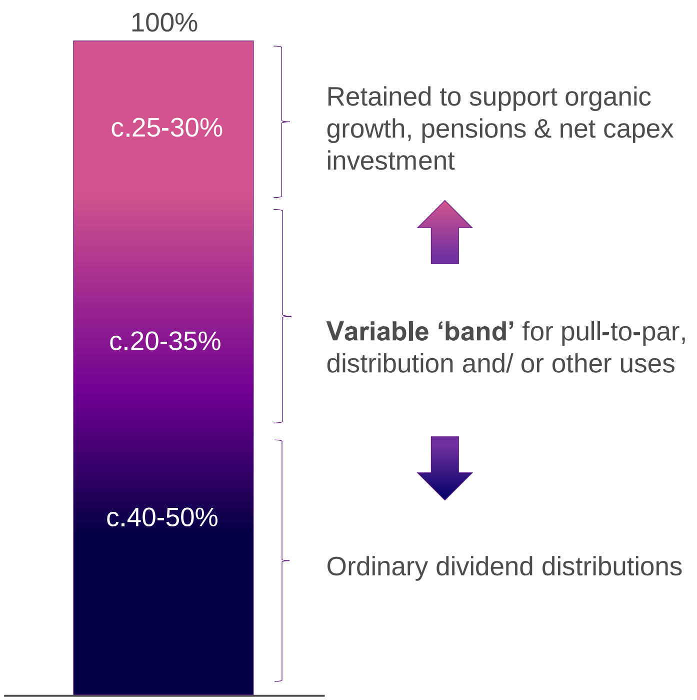
Focus areas	Update
1 Deliver underwriting actions and claims initiatives	Rate ahead of plan; claims savings ahead of plan; underwriting actions materially complete
2 Complete portfolio review; finalise exits	Portfolio remediation and exits 85% complete; continued vigilance
3 Find more cost improvements; complete re-platforming	Targeting structural cost opportunities of c.2% of UK COR; full run rate by 2021
4 Sustain performance of Ireland & Middle East	Exceptional performance; strong PYD and benign weather
5 Improve quality of execution, focus, agility & pace	Exec team refreshed; attritionals better; beginnings of growth in key areas; staff engagement up
6 Target 96-97%[1] COR in 2019 and establish platform for better in 2020	Promising start, aiming for lower end of range (subject to weather)

[1] Ex. UK/ London Market exit portfolios

Commitment to 'best-in-class' ambition < 94%

DIVIDEND POLICY

Illustrative use of earnings



Earnings and dividends

- Attractive earnings progression our goal, with increasing proportion available for distribution
- Around 25-30% of earnings used for organic growth, net capex investment and pensions
- Continue to plan for base dividend payout of 40-50% with some look through of volatility
- Leaves a variable 'band' of 20-35% for additional distributions, to fund pull-to-par or for any other need (e.g. exit costs, restructuring charges, acquisitions)
- Pull-to-par effect impacts dependant on yield curves
- Emphasis will continue to be that shareholder reward follows performance, but does not lead