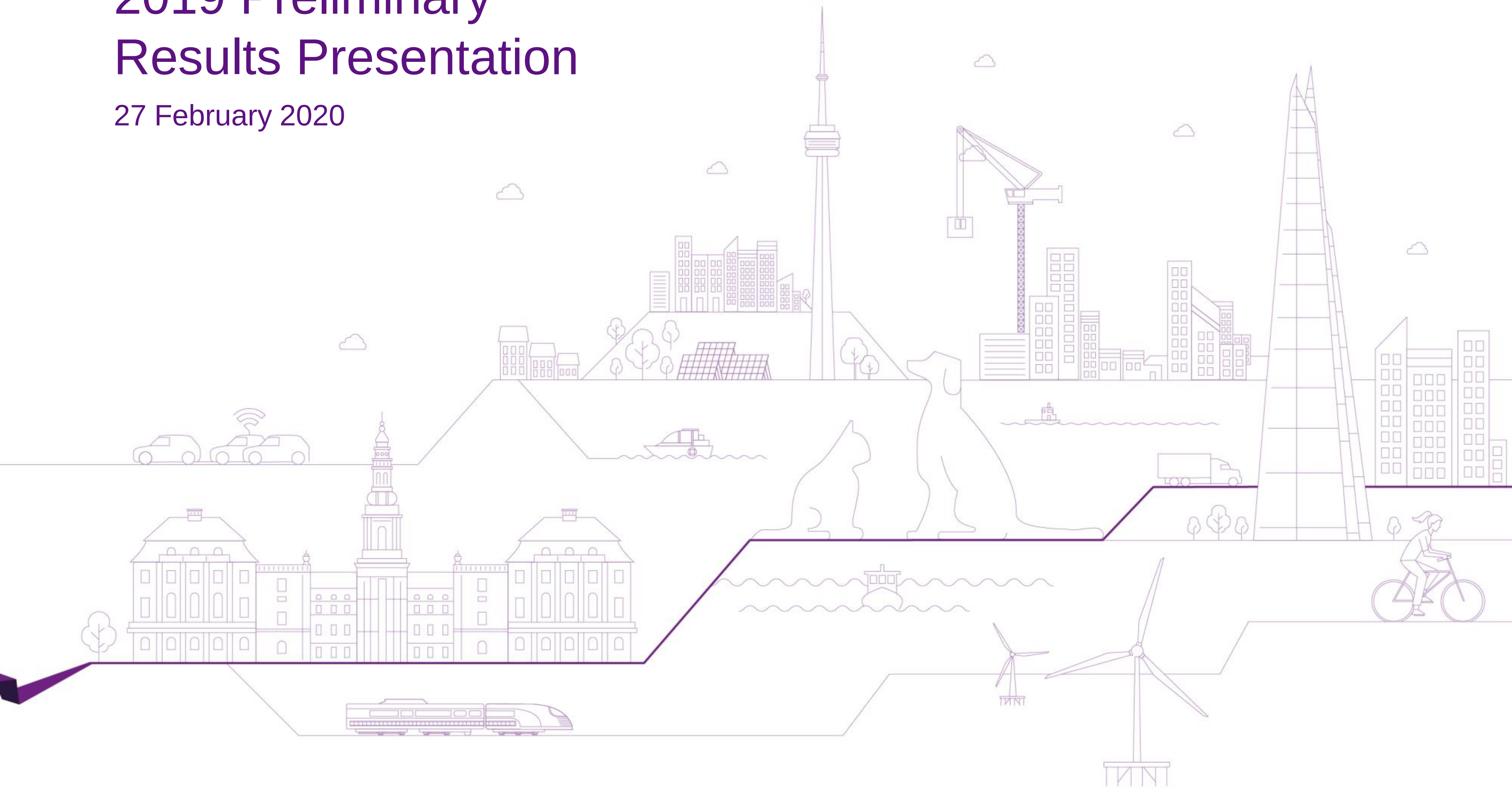
2019 Preliminary Results Presentation

27 February 2020



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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 Preliminary Results announcement.

Agenda

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

Introduction

2019 Preliminary Results highlights

1. Strong results; total Group profits up on all measures
   - Record current year underwriting result and COR
2. For ongoing business[1]:
   - Underwriting profit £405m and COR 93.6%
   - Underlying EPS 44.5p per share; underlying ROTE 16%
3. Pricing and underwriting actions on or ahead of plan in every region. Attritional loss ratios improving. Large losses reduced; but need to fall further. Lower PYD
4. UK & International region underwriting profit £144m[1]; COR 95%[1]
   - Lots more work to do but very pleasing start for new team
   - >£50m p.a. cost reduction by 2021 – programme well advanced
5. Total dividends per share 23.1p, up 10%. Dividend payout policy increased to 50-60%. Statutory profit before tax £492m after exits and other charges

[1] Ex. UK&I exit portfolios

Strategy & business improvement actions

Update on 2019 priorities

- ☑ Financial targets and ambitions re-affirmed
- ☑ Stick to the 'best-in-class' roadmap. Keep improving what's working well:
  - Personal Lines (57% NWP) COR 88.5%[1], underwriting profit up strongly
  - Group costs flat (down 2% real). Digital investments continuing
- ☑ Execute portfolio exits, especially London Market:
  - All announced exits implemented. NWP reduction vs. 2017 baseline c.£250m; c.£15m NEP still to run-off
  - Strong progress on related new UK cost programme and new UK management team
- ☑ Other loss ratio improvement actions:
  - Reinsurance programmes paid off in Canada and Denmark Commercial Lines
  - Focus was Commercial lines. Good improvement in UK&I. More to do in Canada and Denmark; expect better 2020

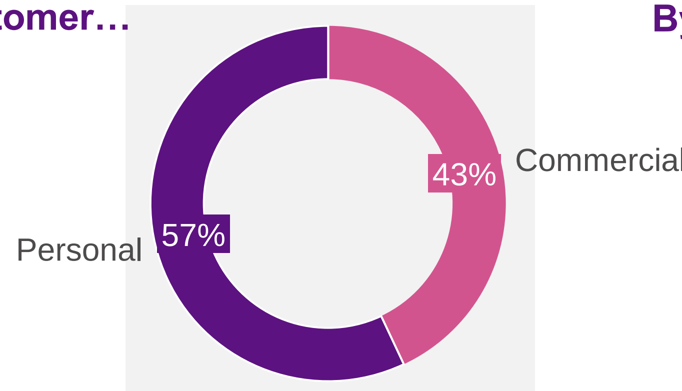
[1] Ex. UK&I exit portfolios

Strategy is ‘pursuit of outperformance’ through…

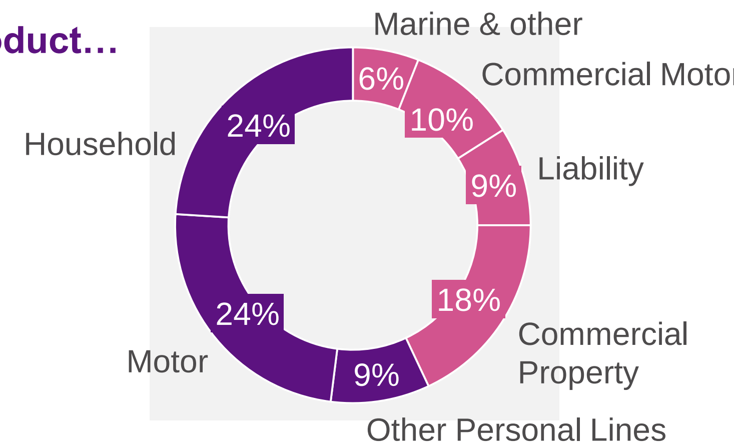
1. Strong customer franchises
2. Disciplined business focus, majoring on strengths, seeking to avoid mistakes
3. A balance sheet that protects customers and the company
4. Intense and accomplished operational delivery – improving customer service, underwriting and costs

Amongst the leaders in our markets, with attractive business balance

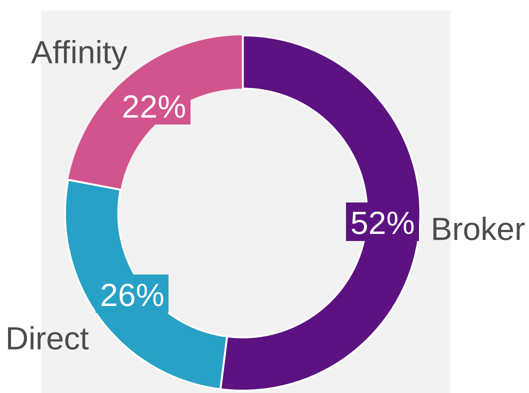
By customer…



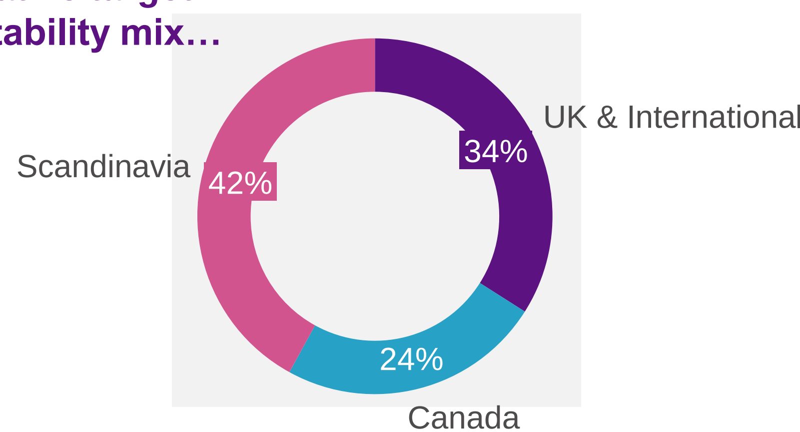
By product…



By distribution channel…



Indicative target profitability mix…



Notes:
[1] UK & International includes Europe, Ireland, the Middle East, and global risks written through the 'London Market'
[2] Spilt based on 2019 Group NWP except indicative target profitability mix which is based on medium-term business operating result ambitions

Performance improvement levers

Targets

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

'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

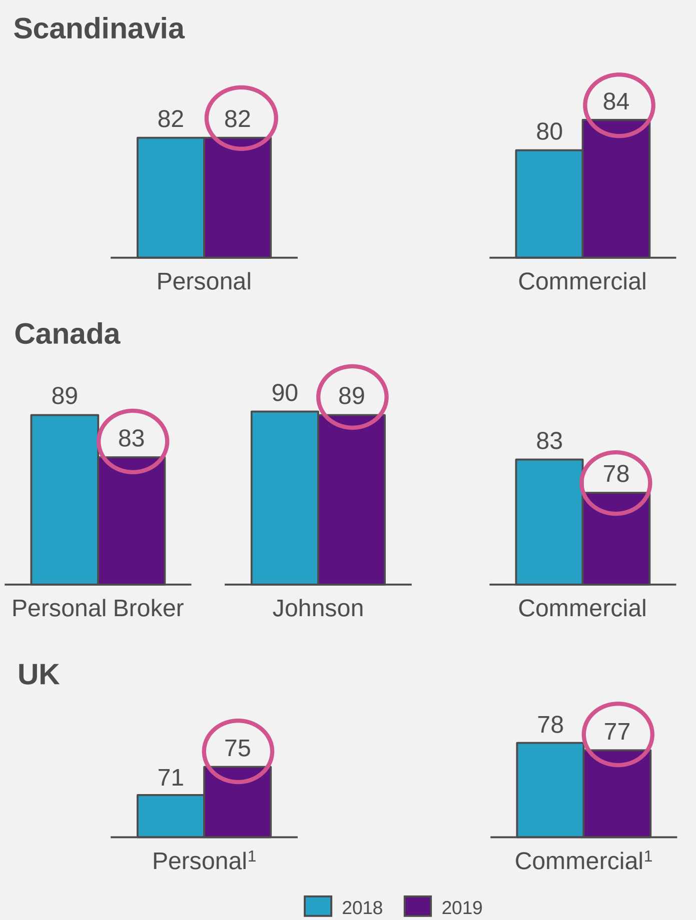
Dividend

- Target payout 50-60% of underlying EPS

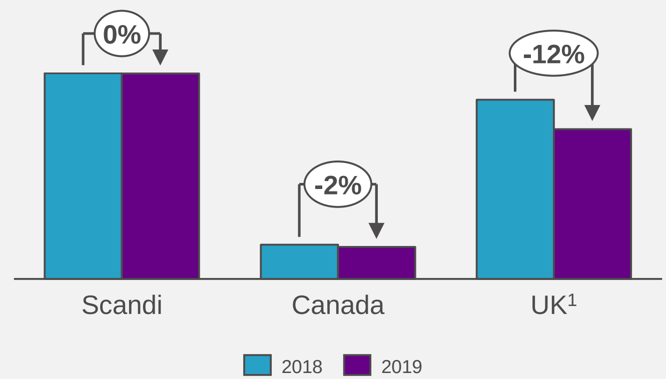
Underpinned by strong balance sheet and capital management

2019 customer metrics stable or improving except where impacted by underwriting actions

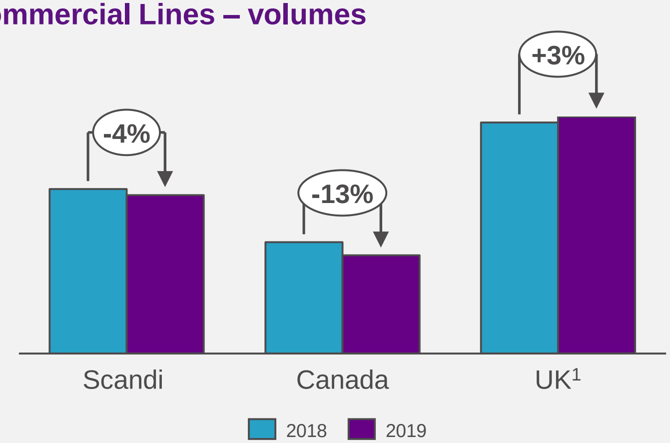
Customer retention (%)



Personal Lines – policies in force



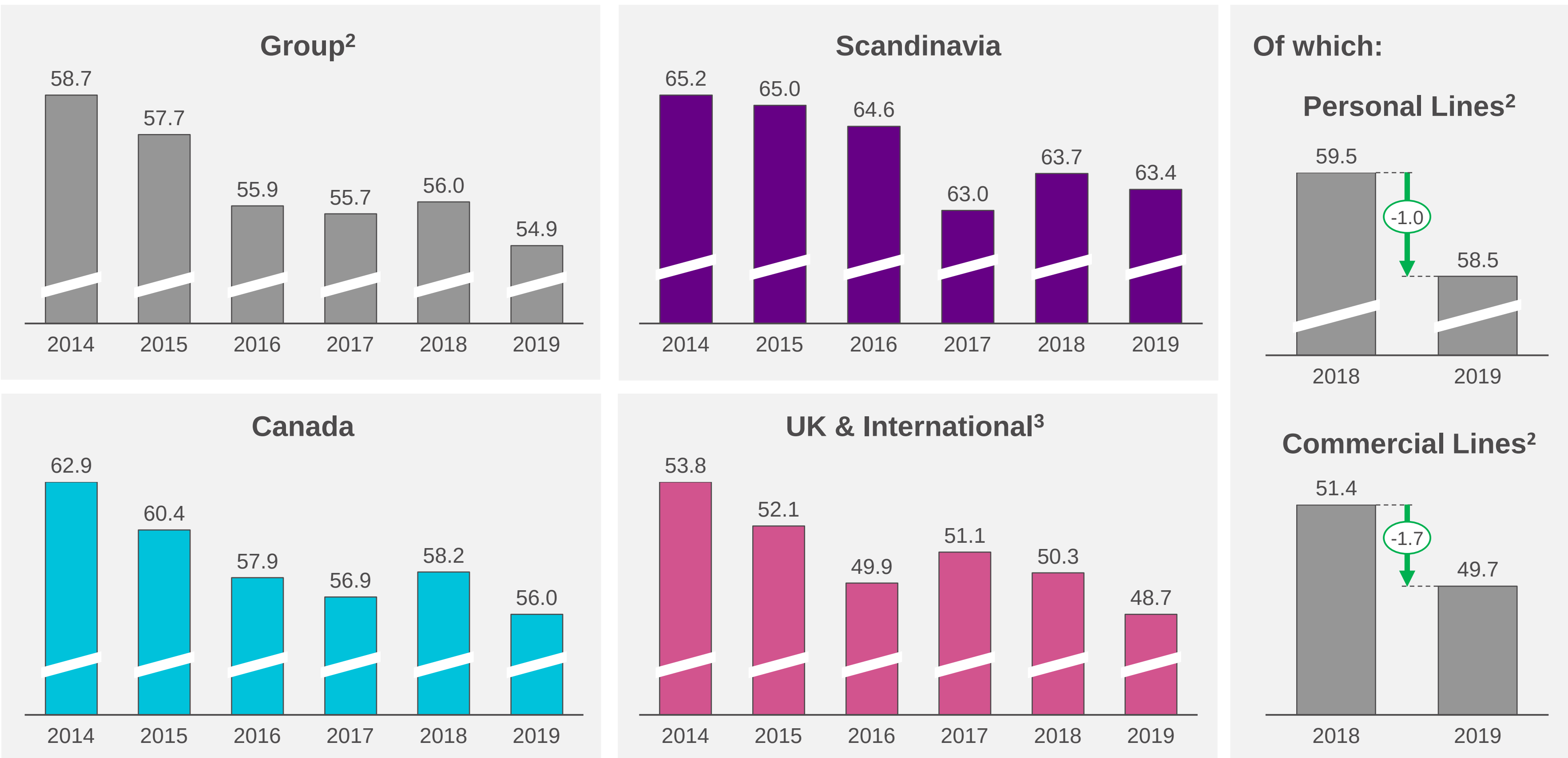
Commercial Lines – volumes



[1] Ex. UK&I exit portfolios

Attritional loss ratio improving further

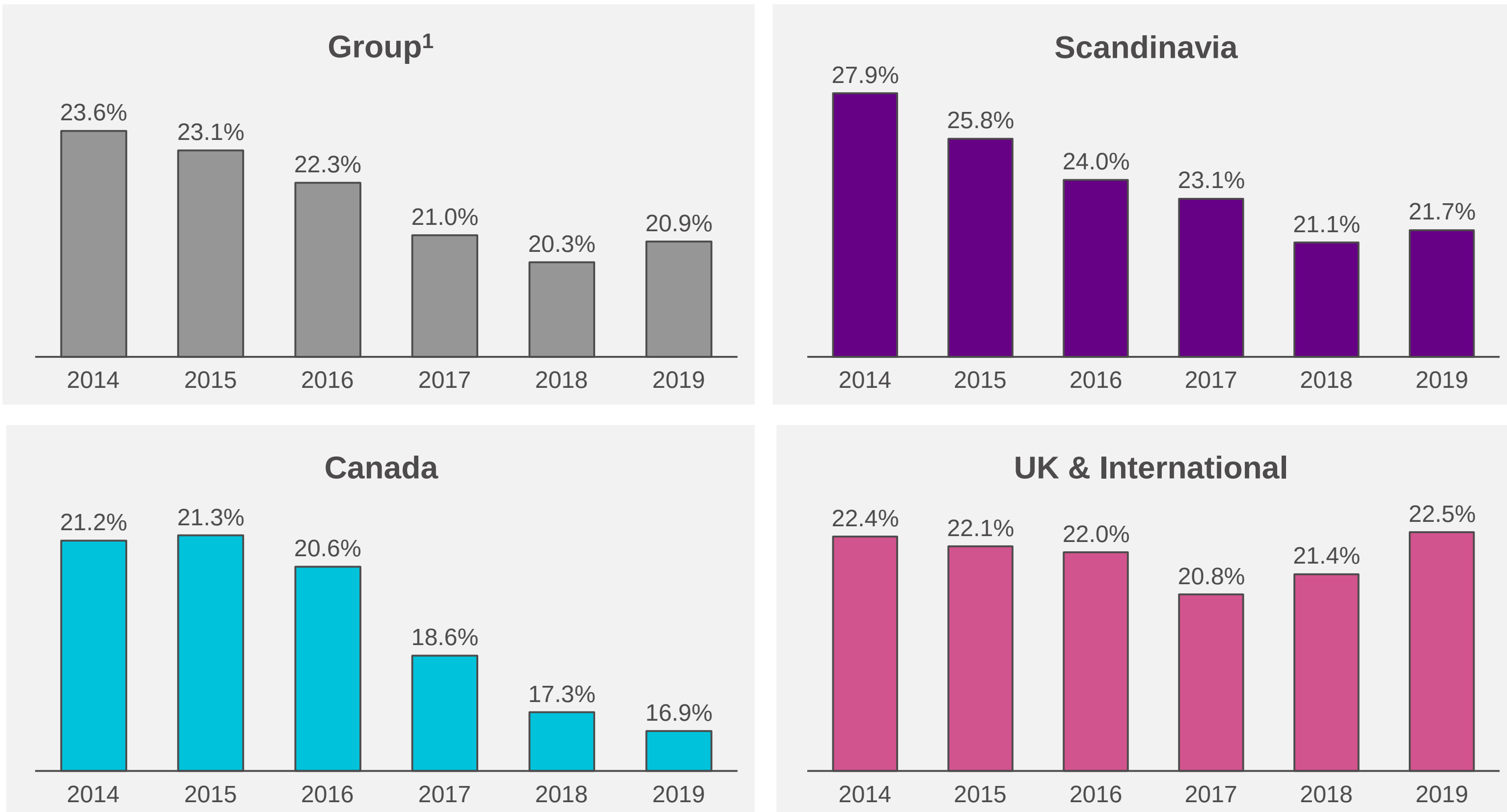
Attritional loss ratios (%)[1]



[1] Loss ratios restated for reinsurance changes
[2] At constant FX and ex. disposals where relevant. 2019 excluding UK&I exits.
[3] 2019 excluding UK&I exits

Cost competitiveness remains key part of strategy

Goal is controllable cost ratios below 20% in every business

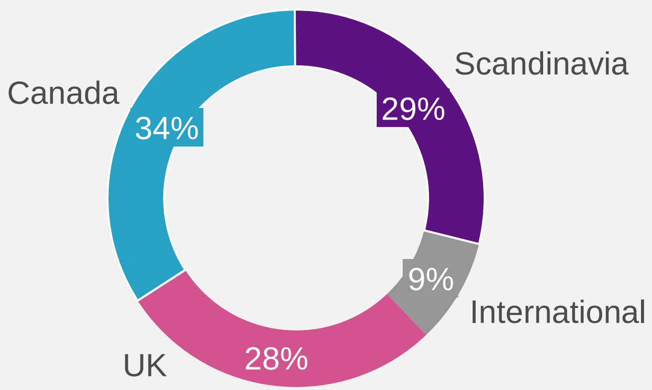


Note: Cost ratios shown on an earned basis

[1] At constant FX and ex. disposals

Underwriting – Personal Lines

57% of Group Net Written Premiums



Summary results 2019

	Ex. exits	Inc. exits	Inc. exits
	2019[1]	2019	2018[2]
Net Written Premiums	£3.7bn		£3.7bn
Attritional loss ratio (%)	58.5%		59.5%
Weather ratio (%)	2.5%		4.4%
COR (%)	88.5%	89.0%	92.5%
Current year COR (%)	89.8%	89.9%	93.9%

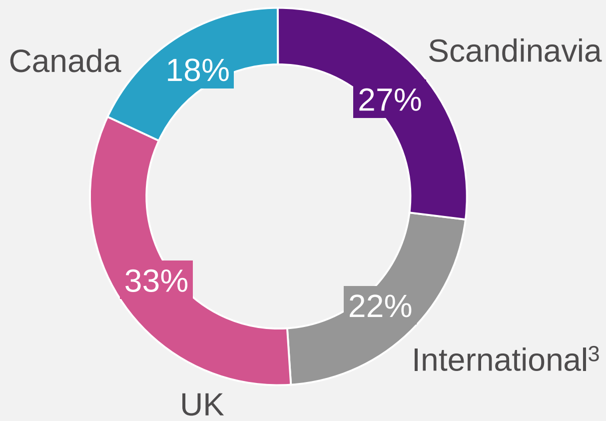
Key points:

- Premium growth in most profitable lines e.g. Sweden +2%[3] and Johnson +13%[2]
- Excellent underwriting results with improvements in every region:
  - Scandinavia: Sweden in good shape; Denmark good with improving attritionals; Norway improved but remains challenging
  - Canada: Johnson performed very well despite elevated weather; Personal broker volumes down, as planned, with COR sharply improved. Strong rate carried across all portfolios
  - UK & International: Volume reduction driven by corrective action taken in 2018 for UK Household and Pet; attritionals much improved. Work to do in Motor and on costs

[1] Ex. UK&I exit portfolios
[2] At constant FX and attritional loss ratio restated for reinsurance changes
[3] At constant FX and premiums ex. a one-off adjustment in Sweden Personal Accident in Q1 2018

Underwriting – Commercial Lines

43% of Group Net Written Premiums



Summary results 2019

	Ex. exits	Inc. exits	Inc. exits
	2019[1]	2019	2018[2]
Net Written Premiums	£2.7bn		£2.8bn
Attritional loss ratio (%)	49.7%	50.0%	51.4%
Large ratio (%)	18.1%	18.7%	22.3%
COR (%)	98.5%	100.1%	102.0%
Current year COR (%)	98.6%	100.2%	106.2%

Key points:

- Net written premiums down, as planned, given portfolio pricing and re-underwriting actions
- Attritional loss ratios improved everywhere except Denmark; PYD flat and significantly lower than 2018
- Large losses lower than last year. Expect further improvements as underwriting and pricing actions earn through
- Underwriting performance improved in UK&I and Sweden. Canada and Denmark still disappointing
- Across the Group, programmes continue to re-underwrite and re-price business where needed, or lapsing as necessary. Action particularly focused on remaining underperformers

[1] Ex. UK&I exit portfolios
[2] At constant FX and attritional loss ratio restated for reinsurance changes

[3] Europe, Ireland, Middle East and London Market Specialty & Wholesale (London Markets Specialty & Wholesale reported in UK Commercial)

Regional update

Scandinavia

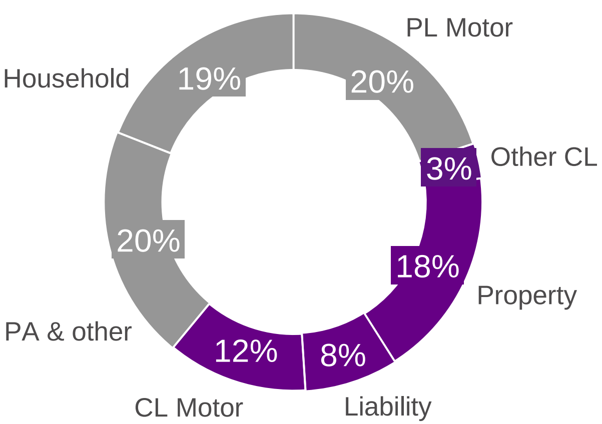
Progress	2018[1]	2019	Ambition
COR	87.0%	**87.4%**	<85%
Current year COR	90.0%	**88.6%**	
Attritional loss ratio[2]	63.8%	**63.4%**	
Controllable expense ratio[3]	21.2%	**21.7%**	<20%

£1.8bn
2019 Scandi NWP

+1% vs. 2018[2]
0% at CFX

Medium term outlook:
+1-4% CFX

Split of Scandinavia NWP



Key points

- RSA's most valuable business
- Results flat vs. 2018[1] but current year improved
- Excellent Personal Lines performance continues – COR 77.8%
- Significant management change in 2019, Denmark focused
- Improvement areas showing mixed results:
  - Sweden Commercial Lines in good shape
  - Denmark Commercial Lines not yet visibly improved. Action plan in place to address
  - Norway loss ratio improved 2 points, current year loss ratio improved 11 points
- Controllable expense ratio improved in Sweden. Improvement required in Denmark and Norway

[1] At CFX
[2] At CFX and excluding changes in reinsurance
[3] Earned underwriting controllable cost ratio

Canada

Progress	2018	2019	Ambition
COR	98.5%	**94.5%**	<94%
Current year COR	101.3%	**95.3%**	
Attritional loss ratio	58.1%	**56.0%**	
Controllable expense ratio[1]	17.3%	**16.9%**	<20%

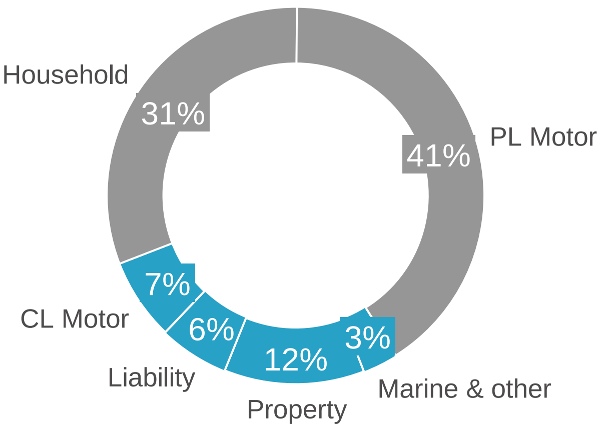
£1.7bn

2019 Canada NWP

+5% vs. 2018
+3% at CFX

Medium term outlook:
+2-4% CFX

Split of Canada NWP



Key points

- Underwriting profit rose substantially – performance is excellent relative to competitors
- Pricing and underwriting actions market-wide expected to continue the improvement
- Net written premiums of £1.7bn up 3%[3]
- Attritionals improved 2.1 points vs. 2018
- Weather costs 0.3 points above the five year average[2]
- Cost competitiveness a continuing success
- Johnson continues to demonstrate strong growth, profitability and excellent customer retention
- Broker Personal Lines improved sharply with more to go
- Commercial Lines volumes down 13% as targeted. Need to see better underwriting results in 2020

[1] Earned underwriting controllable cost ratio
[2] 5 year annualised average for 2015 to 2019 inclusive
[3] At constant FX and ex. changes in reinsurance

UK & International

Progress	2018	2019	Ambition
COR (ex. exits)[1]	N/A	**95.0%**	<94%
Current year COR (ex. exits)[1]	N/A	**95.5%**	
Attritional loss ratio	50.1%	**49.1%**	
Controllable expense ratio[2]	21.4%	**22.5%**	<20%
COR (inc. exits)	101.4%	**97.1%**	

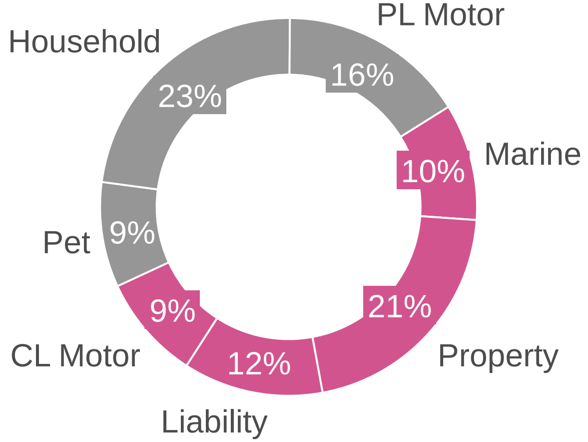
£2.9bn

2019 UK & International NWP

-7% vs. 2018[3]
-7% at CFX

Medium term outlook:
+1-4% CFX

Split of UK&I NWP



Key points

- Pleasing improvement in UK&I results – beating 2019 targets
- Current year underwriting profit up 177%
- Extensive management and structural changes
- Ireland and Middle East continue stand out performance. Europe much improved.
- UK COR 97.7%[1]; current year COR 97.2%[1]
- Business exits substantially accomplished and c.£15m remains to run-off
- Attritional 1 point better – with improvements in UK Household and Pet
- Weather 3.2 points better and better than planned; large losses 3.0 points better
- Costs flat but ratio increased as expected due to premium contraction. New cost programme (>£50m p.a.) well underway

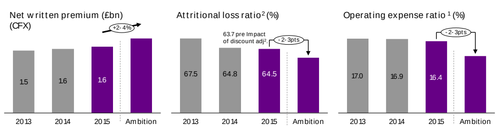
[1] Ex. UK&I exit portfolios
[2] Earned underwriting controllable cost ratio
[3] At CFX and excluding changes in reinsurance

Ambition remains focused on driving towards best-in- class capabilities and performance

Financial ambition
best-in-class combined ratios

Scandinavia

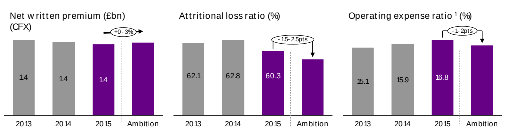
< 85%



2020-21[1]

Canada

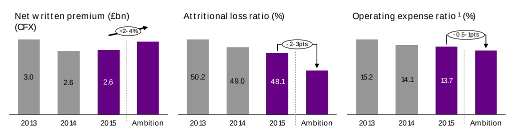
< 94%



2020-21[1]

UK & International

< 94%



2022-23[1]

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

2019 Preliminary Results summary

1. Strong results, total Group profits up on all measures:
   - Record current year underwriting result and COR
2. Underlying EPS 44.5p per share[1]; underlying ROTE[1] 16%; Dividends up 10%
3. Personal Lines delivery remains strong – COR 88.5%[1]
4. Improvement actions all on or ahead of schedule:
   - Commercial Lines current year result improved, but need more, especially in Canada and Denmark
   - Headwinds from PYD, FX and investment income
5. UK&I progress particularly positive
6. Focused on continuing to progress in 2020

[1] Ex. UK&I exit portfolios

2019 Preliminary Results

Performance summary

£m (unless stated)		2019 Ex. exits[1]	2019 Inc. exits	2018
Net Written Premiums	1	**6,400**	6,417	6,470
Underwriting result	2	**405**	346	250
Current year underwriting result		**360**	314	85
COR (%)		**93.6%**	94.6%	96.2%
Business operating result	3	**656**	597	517
Profit before tax		**551**	492	480
Profit after tax	4		383	372
EPS			32.6p	31.8p
Underlying EPS	5	**44.5p**	39.4p	34.1p
Underlying ROTE	6	**16.0%**	14.2%	12.6%

		2019	2018
Tangible net asset value	7	£2.91bn	£2.87bn

Key comments

1. Group Net Written Premiums down 1% at constant FX, down 2% underlying[2] or flat ex. exits[1,2]
2. Excellent current year underwriting results, partly offset by lower prior year development
3. Business operating profit reflects strong underwriting result but investment income lower (as expected)
4. Profit after tax impacted by exits and other charges including UK restructuring
5. Underlying EPS 44.5p[1]
6. Underlying ROTE of 16%[1] in the upper part of 13-17% target range
7. TNAV up 1% driven by profits and fair value mark-to-market movements

Note: 2018 comparative numbers shown at reported exchange
[1] Ex. UK&I exit portfolios
[2] At constant FX and excluding changes in reinsurance

Premiums

Growth	Group Net Written Premiums down 1%, down 2% underlying[1] or flat ex. exits[1] (all at constant FX)
Growth drivers	Personal Lines growth in Canada and Sweden; Commercial Lines growth in Scandinavia
Retention	Retention up in Scandinavia and UK Personal Lines; down in Canada and UK Commercial Lines (ex-exits)

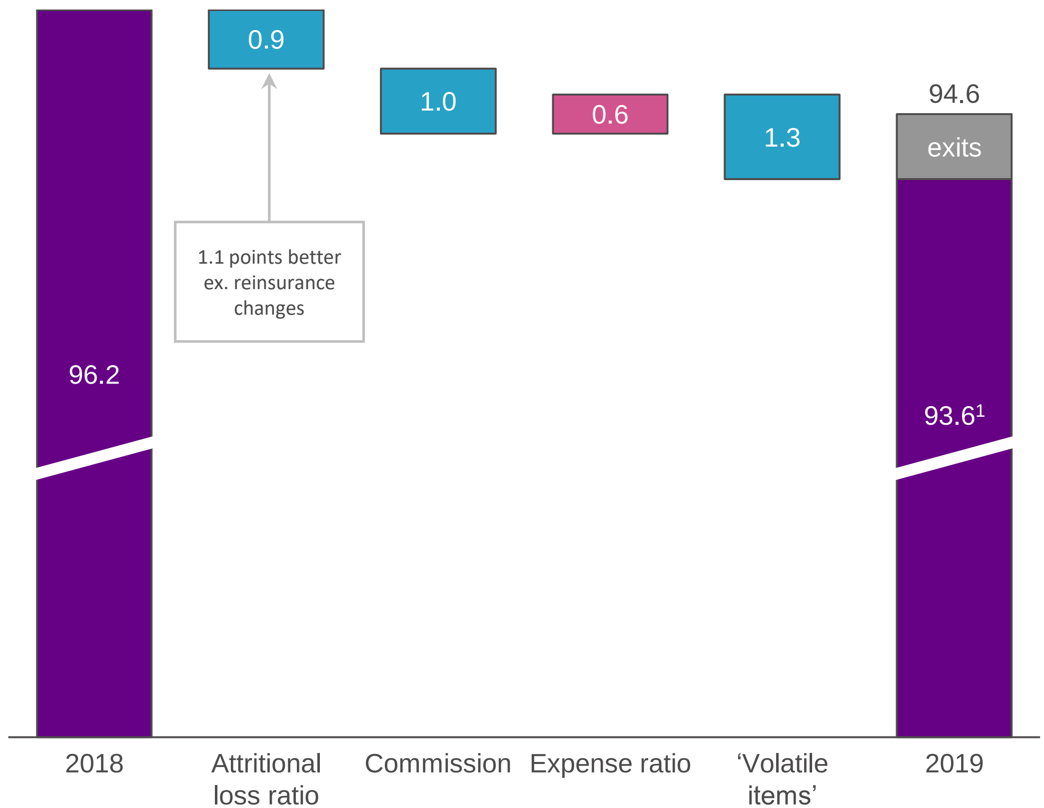
	Personal Lines		Commercial Lines	
	CFX growth[1]	Policy count growth	CFX growth[1]	Volume growth[2]
1 Scandinavia	0%[3]	0%	2%	(4%)
2 Canada	6%	(2%)	(4%)	(13%)
3 UK (ex. exits)	(10%)	(12)%	5%	3%

1. Personal Lines includes Swedish growth of 2%[3]; Commercial Lines saw rate increases in all lines dampened by a reduction in volumes
2. Johnson premiums up 13%[4] with Personal Broker premiums down 3%[4]; Commercial Lines premiums down 4%[4] with a 13% reduction in volumes partly offset by strong rate
3. Personal Lines premiums down 10% reflecting strong rate action taken to address profitability in 2018; Commercial Lines premiums up 5% with rate positive across all major lines

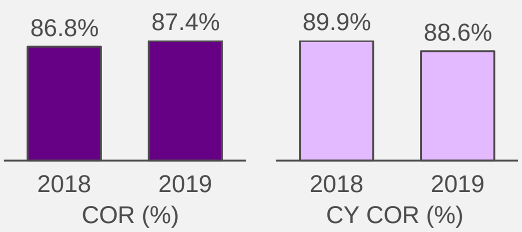
[1] Ex. 2018 GVC renewal and 2019 reinsurance changes
[2] Volume growth represents the value of new business net of lapses
[3] At constant FX and ex. a one-off adjustment in Q1 2018
[4] At constant FX

Underwriting results

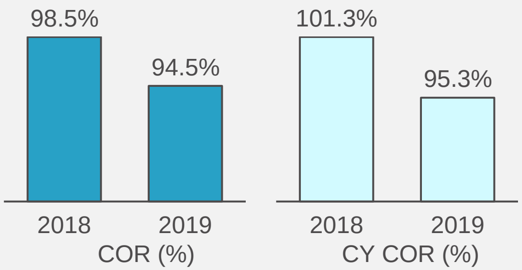
Group COR walk (%) (UWR: £405m[1])



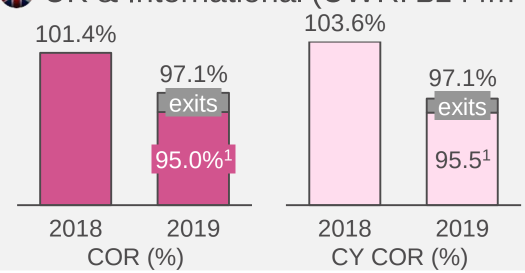
Scandinavia (UWR: £223m)



Canada (UWR: £94m)



UK & International (UWR: £144m[1])

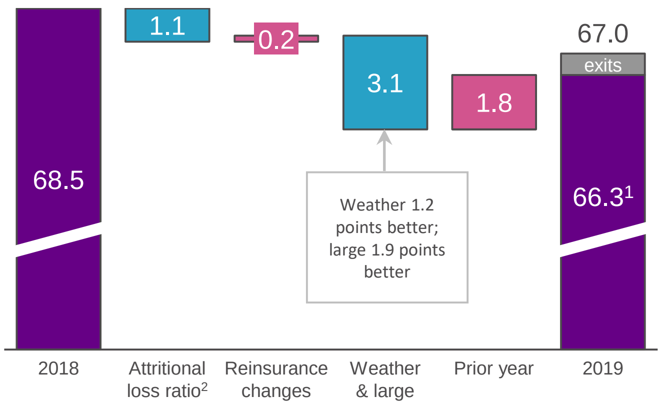


[1] Ex. UK&I exit portfolios

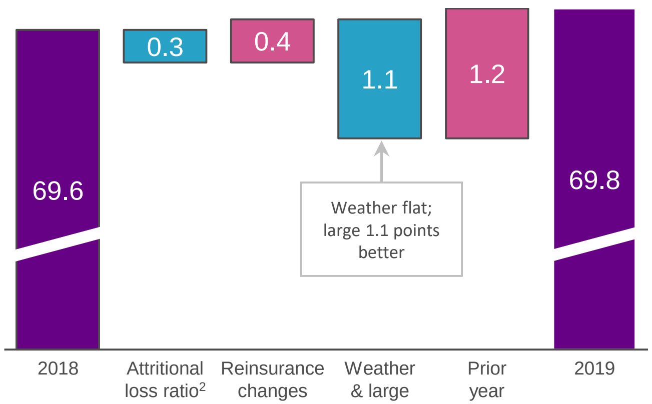
Loss ratios

Loss ratio walks 2018 to 2019 (%)

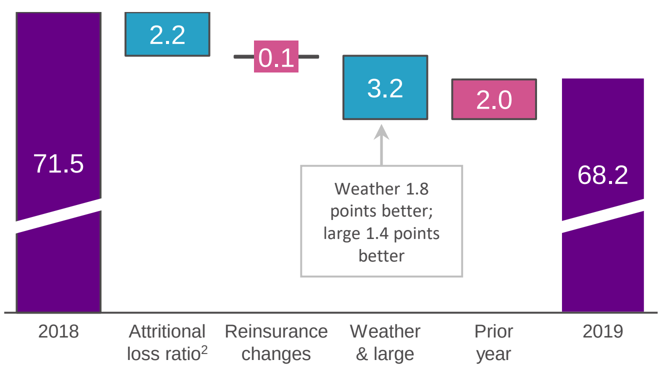
Group



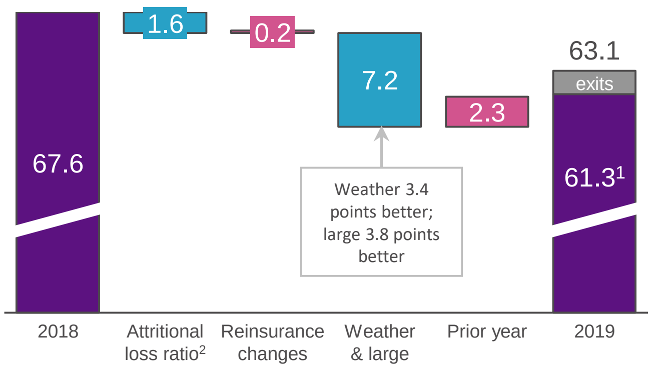
Scandinavia



Canada



UK & International

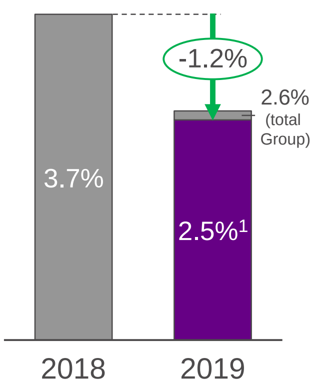


[1] Ex. UK&I exit portfolios
[2] Excludes impact of reinsurance changes

‘Volatile’ underwriting items

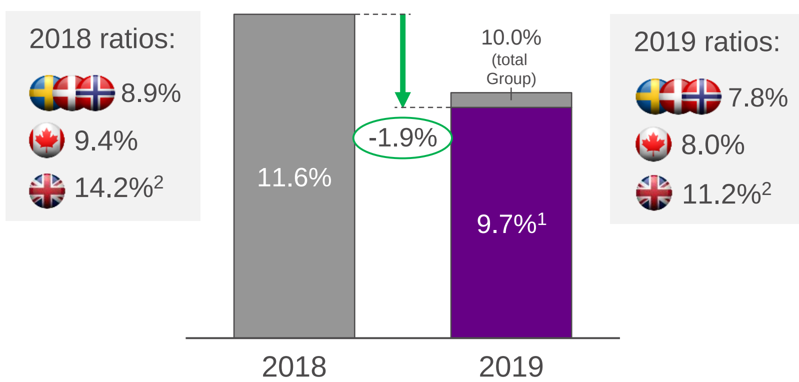
Weather	Weather slightly above the five year average in Canada, benign in the UK&I
Large	Improved large losses in all regions, particularly in the UK&I
Prior year	Ex. exits all regions contributed lower (but still positive) prior year development

Weather ratio



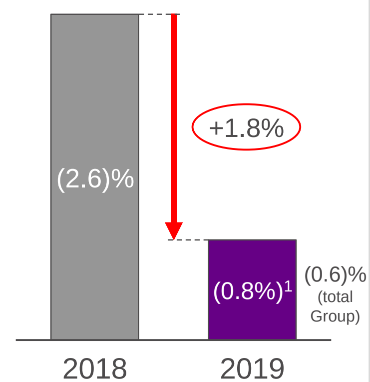
- 5 year average: 2.9%[3]

Large loss ratios



- 5 year average: 10.0%[3]

Prior year ratio

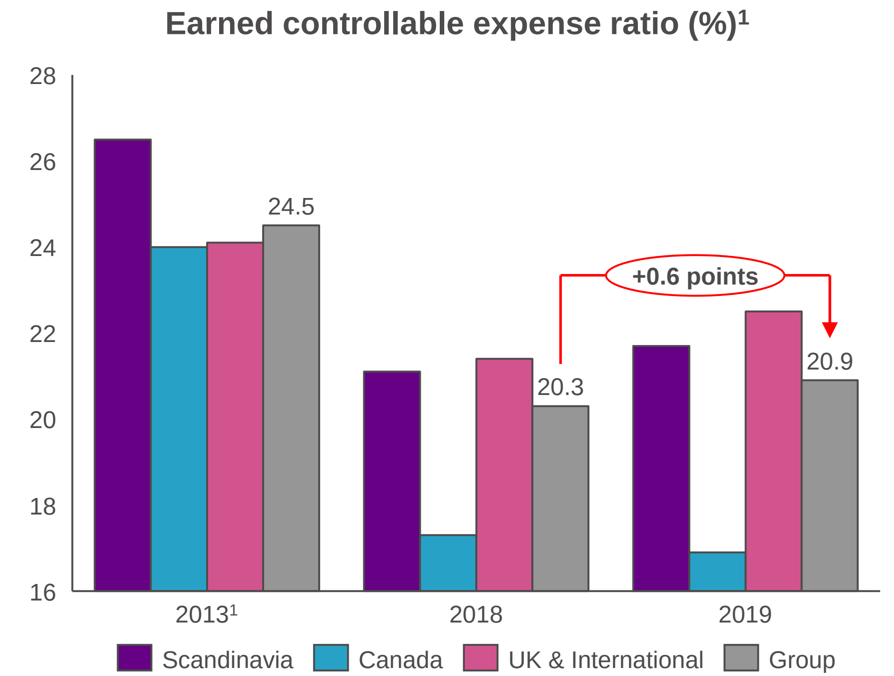


- Reserve margin 5%

[1] Ex. UK&I exit portfolios
[2] UK & International
[3] 5 year averages are for Group ex. disposals; they are annual averages for 2015 to 2019 inclusive

Controllable costs

2019 savings	Group earned controllable cost ratio 20.9% slightly higher versus 2018 mainly due to UK exits (as guided)
Regional view	Canada ratio down versus 2018. Scandinavia and UK & International up
Track record	Controllable expense ratio down c.4 points since 2013[1]



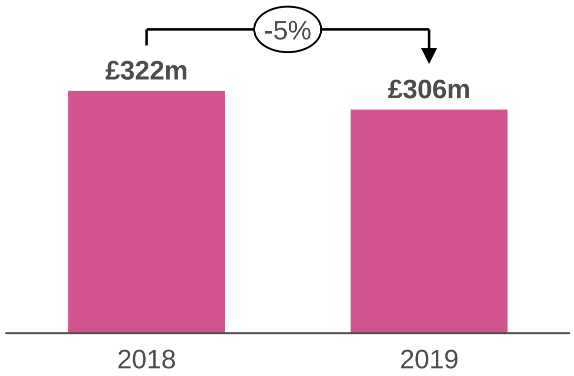
Regional update

- Scandinavia controllable expense ratio up 0.6 points vs. 2018. Work to do in Denmark and Norway
- Canada controllable expense ratio down 0.4 points vs. 2018 and ahead of target ambition
- UK & International controllable expense ratio 1.1 points up due to impact of premium contraction
- New UK cost programme commenced in H2 and is progressing well. Further restructuring charges to be booked in 2020

[1] Group at constant exchange and ex. disposals

Investment income

Gross investment income 2018 vs. 2019



Key comments

- Investment strategy unchanged: High quality, low risk fixed income portfolio
- Average income yield on bond portfolios over 2019 of 2.1% (2018: 2.3%)
- Average reinvestment rate on bond portfolios of 1.2% during 2019 (2018: 1.6%)
- Unrealised gains of £371m pre-tax (all relating to bonds) increased by £121m or 48% over 2019, mainly positive mark-to-market on bond holdings

Gross investment income guidance

£m	2020 guidance	2021 guidance	2022 guidance
Investment income	c.£255-270m	c.£240-255m	c.£235-250m

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, with around 50% within the next 3 years
- AFS unwind estimated to be c.£80m (post-tax) for 2020 – capital impact c.£70m with balance being projected yield change. Capital impact expected to fall significantly in 2021 and 2022
- Continue to expect discount unwind on long-tail liabilities of c.£30m per annum and investment expenses of c.£14m per annum

Statutory profit after tax £383m

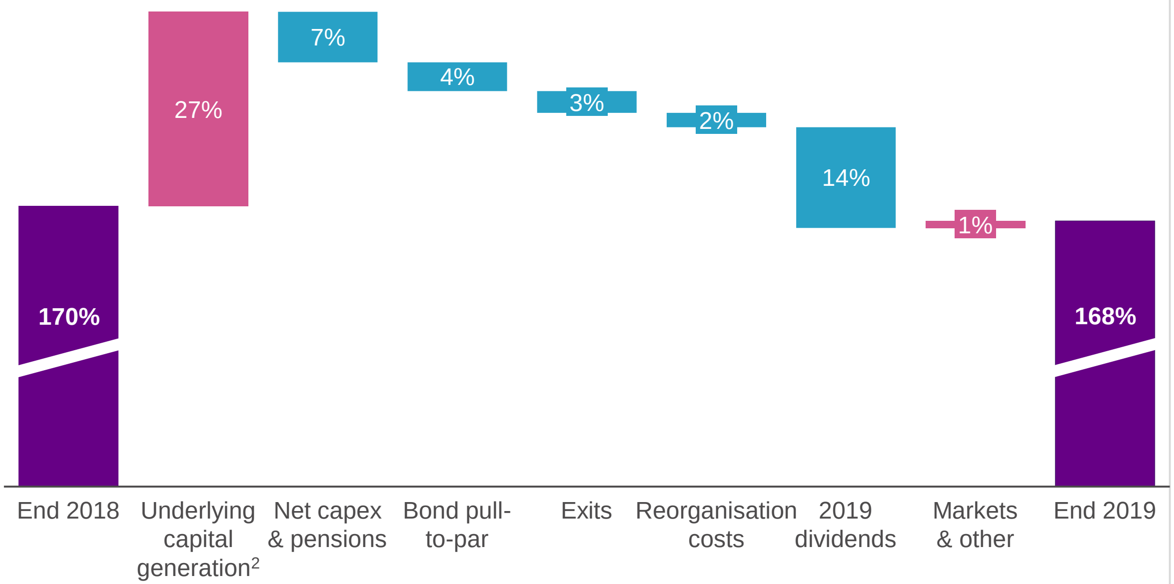
£m		2019	2018
Business operating result ex. exits		**656**	
Business operating result inc. exits		*597*	*517*
Interest	1	(32)	(25)
Other charges	2	(73)	(12)
Profit before tax		**492**	**480**
Tax	3	(109)	(108)
Statutory profit after tax		**383**	**372**
Non-controlling interest	4	(24)	(23)
Other equity costs	5	(23)	(23)
Net attributable profit		**336**	**326**

Key comments

1. Interest expense increased due to IFRS 16 adoption (£7m cost per annum)
2. Other charges included £27m of restructuring charges in relation to the UK cost programme, £19m for completion of the UK legacy sale and £15m from a reduction in the discount rate on long-term liabilities in Denmark
3. Effective tax rate 22% (2018: 23%) and underlying tax rate 20% (2018: 20%). Excluding exits underlying tax rate 19%
4. Primarily relates to Middle East minorities
5. Other equity costs include £14m coupon costs on restricted Tier 1 securities, reflected directly in equity, and £9m preference dividend

Solvency II position

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



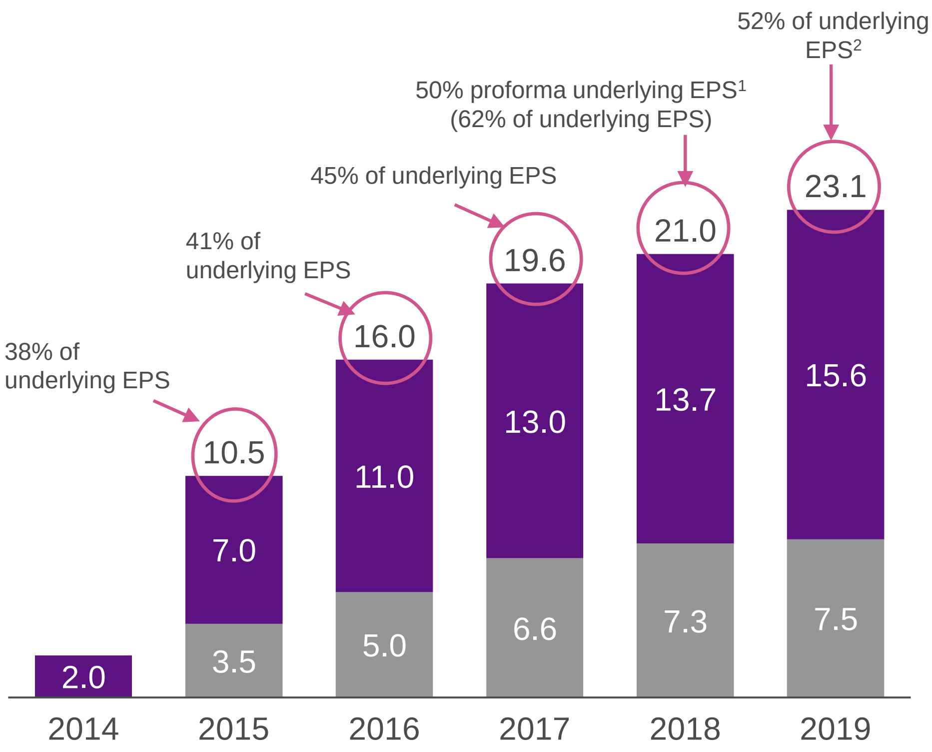
Solvency II coverage by tier

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

[1] The Solvency II position at 31 December 2019 is estimated
[2] Represents profit after tax (excluding exits and reorganisation costs) attributable to ordinary shareholders, adjusted for non-capital items such as movement in deferred acquisition costs

Dividend progression

Dividend progression



Dividend payout

- Total dividend of 23.1p per ordinary share (2018: 21.0p)
- Comprises 15.6p final dividend and 7.5p interim dividend
- Up 10% from 2018
- 52% payout of underlying EPS[2] of 44.5p
- Target dividend payout range raised from 40-50% to 50-60%

[1] Proforma for UK&I exits and 2019 reinsurance additions, as presented with FY 2018 results
[2] Ex. UK&I exit portfolios

To conclude…

1. Strong results, total Group profits up on all measures:
   - Record current year underwriting result and COR
2. Underlying EPS 44.5p per share[1]; underlying ROTE[1] 16%; Dividends up 10%
3. Personal Lines delivery remains strong – COR 88.5%[1]
4. Improvement actions all on or ahead of schedule:
   - Commercial Lines current year result improved, but need more, especially in Canada and Denmark
   - Headwinds from PYD, FX and investment income
5. UK&I progress particularly positive
6. Focused on continuing to progress in 2020

[1] Ex. UK&I exit portfolios

Appendix

UK&I update – Strategy, organisation and culture

Focus areas	2019 update	2020 priorities
1 Complete portfolio review/exits	• c.£250m NWP exited (largely LM), Europe restructured • Clearer focus – build/fix/maintain - in UK domestic	• Stronger growth in more stable portfolios – MORE TH>N, Regions • Selective on remaining London Market
2 Recast organisation structure and top team	• New organisation design - UK PL, CL, Europe • 10/14 UK&I Execs new to role, settling in well	• Settle and refine new structure • Continue to strengthen capability
3 Improve quality of execution, focus, agility & pace	• Clearer accountabilities, reduced spans and layers • Sharper edge to performance culture • Employee engagement scores improved	• Digital improvements, esp. in PL • Improve BAU productivity • Continue push on culture – simplicity, empowerment, customer

UK&I update – Financial results and outlook

	Focus areas	2019 update	2020 priorities
1	Deliver underwriting improvements in UK and Europe	• Attritionals 1.8% better in UK; 1% better in region • Large losses improved • CL rate 5-10%, PL rate stable/hard	• Build underwriting capabilities; commence Guidewire implementation • Further attritional progress • Another 'normal' year on large losses
2	Take cost out and streamline	• Actions broadly complete for >£50m cost savings, full run rate for 2021 • IT supplier consolidation • UK Management Group reduction of c.10%	• Simplify the business (product / IT) to drive productivity • Continue to strengthen capability • Complete plan for <20% cost ratio
3	Sustain strong Ireland and ME performance	• Exceptional performances • CY CORs c.90%	• Maintain CY COR performance • More normalised PY releases expected • Cost and digital programmes
4	Target 96-97% UK&I COR in 2019 and establish platform for better in 2020	• UK&I 95.0% • UK 97.7% - London Market profitable • Europe 92.6% - all countries below 100%	• Deliver UK improvement second year in a row • Improve quality and balance: better UK, normalised ME and Ireland, sustain Europe • Demonstrate selective growth capability

Note: All figures exclude UK&I exit portfolios

Medium term ambition < 94% UK&I COR

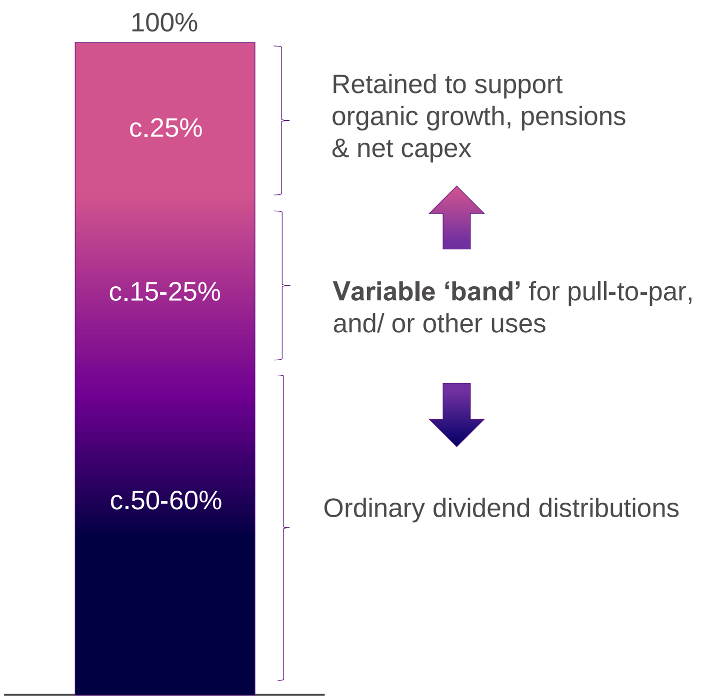
UK&I exit portfolios – premiums now materially earned out

Exits targeted	Premium exposure now earned out	2019 NEP and % change vs. 2018	2019 UW impact[1]	Outlook
Exited business				
• **c.£150m** London Market exits vs. 2017 baseline	c.£140m	£37m -61%	c.£38m loss	• c.£10m premiums to earn out in 2020 • 2019 continuing London Market business: £160m NWP / <94% COR
• **c.£65m** UK MGA exits over 2018 & 2019	c.£60m	£33m -55%	c.£6m profit	• c.£5m premiums to earn out in 2020
• **c.£25m** of exits across European branches in 2019	c.£24m	£12m -32%	c.£11m loss	• Materially earned out
• Other individual scheme/ delegated exits		£6m -75%	c.£16m loss	• Materially earned out
BAU				
• Danish Interconnector (c.£20m 2018 NEP)		£12m -41%	£5m loss	• c.£5m premiums to earn out in 2020

[1] Included in UK&I exits underwriting result

Dividend policy

Illustrative use of earnings



Earnings and dividends

- Attractive earnings progression our goal, with increasing proportion available for distribution
- Around 25% of earnings used for organic growth, net capex and pensions
- Plan for dividend payout of 50-60% with some look through of volatility
- Leaves a variable 'band' of 15-25% to fund pull-to-par or for any other need (e.g. exit costs, restructuring charges, acquisitions) and for additional distributions if significant capital surplus
- Emphasis will continue to be that shareholder reward follows performance, but does not lead

2020 reinsurance protection

Catastrophe and individual loss reinsurance programmes substantially unchanged

Group Volatility Cover renewed for 2018-2020 (in place since 2015)

Provides protection for £10m+ losses over £170m

Regional aggregate covers

Canada

Catastrophe	Property and C&E[1] risk
Feeding layer CAD $10m xs. CAD $7.5m	Feeding layer CAD $7.5m xs. CAD $2.5m
Per loss retention CAD $7.5m	Per loss retention CAD $2.5m
CAD $65m shared limit across both sections covers	
Annual aggregate deductible CAD $55m for large CAD $25m for catastrophe	

2019 recovery: £15m

UK

Property and C&E[1] risk	Marine
Feeding layer £7m xs. £3m	Feeding layer Difference between US$10m and £3m
Per loss retention **£3m**	Per loss retention **£3m**
£35m limit	
Annual aggregate deductible £50m	

2019 recovery: No recovery

Scandinavia

Property and C&E[1] risk
Feeding layer DKK 80m xs. DKK 20m
Per loss retention **DKK 20m**
DKK 150m limit
Annual aggregate deductible DKK 120m

2019 recovery: £17m[2]

[1] Construction & Engineering
[2] Includes £6m of recoveries made on the local offshore renewable energy aggregate protection

Q&A