2019 Preliminary Results Presentation
27 February 2020
This presentation may contain ‘forward-looking statements’ with respect to certain of the Group’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “aim”, “outlook”, “believe”, “plan”, “seek”, “continue” or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group’s control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, 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 or regulations in the jurisdictions in which the Group and its affiliates operate. As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group’s forward-looking statements. Forward-looking statements in this presentation are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this presentation should be construed as a profit forecast.

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\(^%\)
   - 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…
- Personal: 57%
- Commercial: 43%

By product…
- Household: 24%
- Motor: 24%
- Commercial Motor: 10%
- Liability: 9%
- Commercial Property: 18%
- Marine & other: 6%
- Other Personal Lines: 9%

By distribution channel…
- Direct: 26%
- Affinity: 22%
- Broker: 52%

Indicative target profitability mix…
- UK & International: 34%
- Canada: 24%
- Scandinavia: 42%

Notes:
1. UK & International includes Europe, Ireland, the Middle East, and global risks written through the ‘London Market’
2. Split based on 2019 Group NWP except indicative target profitability mix which is based on medium-term business operating result ambitions
### Performance improvement levers

<table>
<thead>
<tr>
<th>Key enablers:</th>
<th>Technology</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Focused performance culture</td>
</tr>
</tbody>
</table>

**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

**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**
  - 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 (%)**

**Scandinavia**
- Personal: 82% (2018) vs. 82% (2019)
- Commercial: 80% (2018) vs. 84% (2019)

**Canada**
- Personal Broker: 89% (2018) vs. 83% (2019)
- Johnson: 90% (2018) vs. 89% (2019)
- Commercial: 83% (2018) vs. 78% (2019)

**UK**
- Personal: 71% (2018) vs. 75% (2019)
- Commercial: 78% (2018) vs. 77% (2019)

**Personal Lines – policies in force**
- Scandi: 0% change
- Canada: -2% change
- UK: -12% change

**Commercial Lines – volumes**
- Scandi: -4% change
- Canada: -13% change
- UK: +3% change

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1 Ex. UK&I exit portfolios
Attritional loss ratio improving further

Attritional loss ratios (%)¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Group²</th>
<th>Scandinavia</th>
<th>Of which:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>58.7</td>
<td>65.2</td>
<td>65.0</td>
</tr>
<tr>
<td>2015</td>
<td>57.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>55.9</td>
<td></td>
<td></td>
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<tr>
<td>2017</td>
<td>55.7</td>
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</tr>
<tr>
<td>2018</td>
<td>56.0</td>
<td></td>
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</tr>
<tr>
<td>2019</td>
<td>54.9</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Canada</th>
<th>UK &amp; International³</th>
<th>Commercial Lines²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>62.9</td>
<td>53.8</td>
<td>52.1</td>
</tr>
<tr>
<td>2015</td>
<td>60.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>57.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>56.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>58.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>56.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Group

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Ratio</td>
<td>23.6%</td>
<td>23.1%</td>
<td>22.3%</td>
<td>21.0%</td>
<td>20.3%</td>
<td>20.9%</td>
</tr>
</tbody>
</table>

Scandinavia

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Ratio</td>
<td>27.9%</td>
<td>25.8%</td>
<td>24.0%</td>
<td>23.1%</td>
<td>21.1%</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

Canada

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Ratio</td>
<td>21.2%</td>
<td>21.3%</td>
<td>20.6%</td>
<td>18.6%</td>
<td>17.3%</td>
<td>16.9%</td>
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</tbody>
</table>

UK & International

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Ratio</td>
<td>22.4%</td>
<td>22.1%</td>
<td>22.0%</td>
<td>20.8%</td>
<td>21.4%</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Ex. exits</th>
<th>Inc. exits</th>
<th>Inc. exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Written Premiums</td>
<td>£3.7bn</td>
<td>£3.7bn</td>
<td></td>
</tr>
<tr>
<td>Attritional loss ratio (%)</td>
<td>58.5%</td>
<td>59.5%</td>
<td></td>
</tr>
<tr>
<td>Weather ratio (%)</td>
<td>2.5%</td>
<td>4.4%</td>
<td></td>
</tr>
<tr>
<td>COR (%)</td>
<td>88.5%</td>
<td>89.0%</td>
<td>92.5%</td>
</tr>
<tr>
<td>Current year COR (%)</td>
<td>89.8%</td>
<td>89.9%</td>
<td>93.9%</td>
</tr>
</tbody>
</table>

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

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\(^1\) 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

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

Summary results 2019

<table>
<thead>
<tr>
<th></th>
<th>Ex. exits</th>
<th>Inc. exits</th>
<th>Inc. exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Written Premiums</td>
<td>2019¹</td>
<td>2019</td>
<td>2018²</td>
</tr>
<tr>
<td>Attritional loss ratio (%)</td>
<td>49.7%</td>
<td>50.0%</td>
<td>51.4%</td>
</tr>
<tr>
<td>Large ratio (%)</td>
<td>18.1%</td>
<td>18.7%</td>
<td>22.3%</td>
</tr>
<tr>
<td>COR (%)</td>
<td>98.5%</td>
<td>100.1%</td>
<td>102.0%</td>
</tr>
<tr>
<td>Current year COR (%)</td>
<td>98.6%</td>
<td>100.2%</td>
<td>106.2%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Progress</th>
<th>2018(^1)</th>
<th>2019</th>
<th>Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>COR</td>
<td>87.0%</td>
<td>87.4%</td>
<td>&lt;85%</td>
</tr>
<tr>
<td>Current year COR</td>
<td>90.0%</td>
<td>88.6%</td>
<td></td>
</tr>
<tr>
<td>Attritional loss ratio(^2)</td>
<td>63.8%</td>
<td>63.4%</td>
<td></td>
</tr>
<tr>
<td>Controllable expense ratio(^3)</td>
<td>21.2%</td>
<td>21.7%</td>
<td>&lt;20%</td>
</tr>
</tbody>
</table>

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

£1.8bn
2019 Scandi NWP
+1% vs. 2018\(^2\)
0% at CFX
Medium term outlook: +1-4% CFX

Split of Scandinavia NWP

1 At CFX
2 At CFX and excluding changes in reinsurance
3 Earned underwriting controllable cost ratio
## Regional update

### Canada

<table>
<thead>
<tr>
<th>Progress</th>
<th>2018</th>
<th>2019</th>
<th>Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>COR</td>
<td>98.5%</td>
<td>94.5%</td>
<td>&lt;94%</td>
</tr>
<tr>
<td>Current year COR</td>
<td>101.3%</td>
<td>95.3%</td>
<td></td>
</tr>
<tr>
<td>Attritional loss ratio</td>
<td>58.1%</td>
<td>56.0%</td>
<td></td>
</tr>
<tr>
<td>Controllable expense ratio¹</td>
<td>17.3%</td>
<td>16.9%</td>
<td>&lt;20%</td>
</tr>
</tbody>
</table>

### 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 average²
- 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

### Split of Canada NWP

- **Household**: 31%
- **CL Motor**: 7%
- **Property**: 12%
- **Liability**: 6%
- **Marine & other**: 3%
- **PL Motor**: 41%

### £1.7bn

- 2019 Canada NWP
- +5% vs. 2018
- +3% at CFX
- Medium term outlook: +2-4% CFX

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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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>COR (ex. exits)¹</td>
<td>N/A</td>
<td>95.0%</td>
<td>&lt;94%</td>
</tr>
<tr>
<td>Current year COR (ex. exits)¹</td>
<td>N/A</td>
<td>95.5%</td>
<td></td>
</tr>
<tr>
<td>Attritional loss ratio</td>
<td>50.1%</td>
<td>49.1%</td>
<td></td>
</tr>
<tr>
<td>Controllable expense ratio²</td>
<td>21.4%</td>
<td>22.5%</td>
<td>&lt;20%</td>
</tr>
<tr>
<td>COR (inc. exits)</td>
<td>101.4%</td>
<td>97.1%</td>
<td></td>
</tr>
</tbody>
</table>

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

£2.9bn

2019 UK & International NWP

-7% vs. 2018³

-7% at CFX

Medium term outlook: +1-4% CFX

Split of UK&I NWP

- Household 23%
- PL Motor 16%
- Marine 10%
- Pet 9%
- CL Motor 9%
- Liability 12%
- Property 21%

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%

Canada
< 94%

UK & International
< 94%

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)

<table>
<thead>
<tr>
<th></th>
<th>2019 Ex. exits</th>
<th>2019 Inc. exits</th>
<th>2018</th>
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<tbody>
<tr>
<td>Net Written Premiums</td>
<td>6,400</td>
<td>6,417</td>
<td>6,470</td>
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<tr>
<td>Underwriting result</td>
<td>405</td>
<td>346</td>
<td>250</td>
</tr>
<tr>
<td>Current year underwriting result</td>
<td>360</td>
<td>314</td>
<td>85</td>
</tr>
<tr>
<td>COR (%)</td>
<td>93.6%</td>
<td>94.6%</td>
<td>96.2%</td>
</tr>
<tr>
<td>Business operating result</td>
<td>656</td>
<td>597</td>
<td>517</td>
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<tr>
<td>Profit before tax</td>
<td>551</td>
<td>492</td>
<td>480</td>
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<tr>
<td>Profit after tax</td>
<td>383</td>
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### EPS

<table>
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<tr>
<th></th>
<th>32.6p</th>
<th>31.8p</th>
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<tbody>
<tr>
<td>Underlying EPS</td>
<td>44.5p</td>
<td>39.4p</td>
</tr>
<tr>
<td>Underlying ROTE</td>
<td>16.0%</td>
<td>14.2%</td>
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<table>
<thead>
<tr>
<th>Tangible net asset value</th>
<th>2019</th>
<th>2018</th>
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<tbody>
<tr>
<td></td>
<td>£2.91bn</td>
<td>£2.87bn</td>
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</tbody>
</table>

### Key comments

1. Group Net Written Premiums down 1% at constant FX, down 2% underlying or flat ex. exits
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
6. Underlying ROTE of 16% in the upper part of 13-17% target range
7. TNAV up 1% driven by profits and fair value mark-to-market movements

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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)

<table>
<thead>
<tr>
<th></th>
<th>Personal Lines</th>
<th>Commercial Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CFX growth(^1)</td>
<td>Policy count growth</td>
</tr>
<tr>
<td>1 Scandinavia</td>
<td>0%(^3)</td>
<td>0%</td>
</tr>
<tr>
<td>2 Canada</td>
<td>6%</td>
<td>(2%)</td>
</tr>
<tr>
<td>3 UK (ex. exits)</td>
<td>(10%)</td>
<td>(12)%</td>
</tr>
</tbody>
</table>

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

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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)***

- **Attritional loss ratio**: 0.9
- **Commission**: 1.0
- **Expense ratio**: 0.6
- **‘Volatile items’**: 1.3
- **Exits**: 94.6

<table>
<thead>
<tr>
<th>Year</th>
<th>COR (%)</th>
<th>CY COR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>96.2%</td>
<td>86.8%</td>
</tr>
<tr>
<td>2019</td>
<td>94.6%</td>
<td>87.4%</td>
</tr>
</tbody>
</table>

**Ex. UK & I exit portfolios**

- **Scandinavia (UWR: £223m)**
  - 2018 COR: 86.8%
  - 2019 COR: 87.4%
  - 2018 CY COR: 89.9%
  - 2019 CY COR: 88.6%

- **Canada (UWR: £94m)**
  - 2018 COR: 98.5%
  - 2019 COR: 94.5%
  - 2018 CY COR: 101.3%
  - 2019 CY COR: 95.3%

- **UK & International (UWR: £144m)**
  - 2018 COR: 101.4%
  - 2019 COR: 97.1%
  - 2018 CY COR: 103.6%
  - 2019 CY COR: 97.1%

* Ex. UK&I exit portfolios
Loss ratios

Loss ratio walks 2018 to 2019 (%)

Group

- Excludes impact of reinsurance changes
- 2018 vs. 2019:
  - Attritional loss ratio: 1.1
  - Reinsurance changes: 0.2
  - Weather: 3.1 (%)
  - Prior year: 1.8 (%)
  - 2019: 66.3%

- 2018 vs. 2019:
  - Attritional loss ratio: 0.3
  - Reinsurance changes: 0.4
  - Weather: 1.1 (%)
  - Prior year: 1.2 (%)
  - 2019: 69.8%

- 2018 vs. 2019:
  - Attritional loss ratio: 1.6
  - Reinsurance changes: 0.2
  - Weather: 7.2 (%)
  - Prior year: 2.3 (%)
  - 2019: 63.1%

Canada

- Excludes impact of reinsurance changes
- 2018 vs. 2019:
  - Attritional loss ratio: 2.2
  - Reinsurance changes: 0.1
  - Weather: 3.2 (%)
  - Prior year: 2.0 (%)
  - 2019: 68.2%

- Excludes impact of reinsurance changes
- 2018 vs. 2019:
  - Attritional loss ratio: 1.6
  - Reinsurance changes: 0.2
  - Weather: 7.2 (%)
  - Prior year: 2.3 (%)
  - 2019: 61.3%

Scandinavia

- Weather flat; large 1.1 points better
- 2018 vs. 2019:
  - Attritional loss ratio: 0.3
  - Reinsurance changes: 0.4
  - Weather: 1.1 (%)
  - Prior year: 1.2 (%)
  - 2019: 69.8%

- Weather 3.4 points better; large 3.8 points better
- 2018 vs. 2019:
  - Attritional loss ratio: 1.6
  - Reinsurance changes: 0.2
  - Weather: 7.2 (%)
  - Prior year: 2.3 (%)
  - 2019: 63.1%

UK & International

- Weather 1.2 points better; large 1.9 points better
- 2018 vs. 2019:
  - Attritional loss ratio: 1.1
  - Reinsurance changes: 0.2
  - Weather: 67.0 (%)
  - Prior year: 66.3
  - 2019: 67.0%

- Weather flat; large 1.1 points better
- 2018 vs. 2019:
  - Attritional loss ratio: 0.3
  - Reinsurance changes: 0.4
  - Weather: 1.1 (%)
  - Prior year: 1.2 (%)
  - 2019: 69.8%

Weather & large

Prior year

2018

Ex. UK&I exit portfolios

Excludes impact of reinsurance changes

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
<th>5 year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.7%</td>
<td>2.9%&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>2019</td>
<td>2.5%&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

- 2018: -1.2%<sup>1</sup>
- 2019: 2.6% (total Group)

### Large loss ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
<th>5 year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>11.6%</td>
<td>10.0%&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>2019</td>
<td>9.7%&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

- 2018: 8.9%, 9.4%, 14.2%<sup>2</sup>
- 2019: 7.8%, 8.0%, 11.2%<sup>2</sup>

- 2018: -1.9%
- 2019: 10.0% (total Group)

### Prior year ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
<th>Reserve margin 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>(2.6)%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>(0.8)%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(0.8)%&lt;sup&gt;1&lt;/sup&gt; (total Group)</td>
</tr>
</tbody>
</table>

- 2018: (2.6)%
- 2019: +1.8%

---

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 2013¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Scandinavia</th>
<th>Canada</th>
<th>UK &amp; International</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>24.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>20.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>20.9</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Earned controllable expense ratio (%)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

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

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

Gross investment income 2018 vs. 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>£322</td>
</tr>
<tr>
<td>2019</td>
<td>£306</td>
</tr>
</tbody>
</table>

Key comments

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (m)</th>
</tr>
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<tbody>
<tr>
<td>2018</td>
<td>£322</td>
</tr>
<tr>
<td>2019</td>
<td>£306</td>
</tr>
</tbody>
</table>

Gross investment income guidance

<table>
<thead>
<tr>
<th>Year</th>
<th>2020 Guidance</th>
<th>2021 Guidance</th>
<th>2022 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>c.£255-270m</td>
<td>c.£240-255m</td>
<td>c.£235-250m</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>£m</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business operating result ex. exits</td>
<td>656</td>
<td></td>
</tr>
<tr>
<td>Business operating result inc. exits</td>
<td>597</td>
<td>517</td>
</tr>
<tr>
<td>Interest</td>
<td>1(^1)</td>
<td>(32)</td>
</tr>
<tr>
<td>Other charges</td>
<td>2(^2)</td>
<td>(73)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>492</td>
</tr>
<tr>
<td>Tax</td>
<td>3(^3)</td>
<td>(109)</td>
</tr>
<tr>
<td>Statutory profit after tax</td>
<td></td>
<td>383</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>4(^4)</td>
<td>(24)</td>
</tr>
<tr>
<td>Other equity costs</td>
<td>5(^5)</td>
<td>(23)</td>
</tr>
<tr>
<td>Net attributable profit</td>
<td></td>
<td>336</td>
</tr>
</tbody>
</table>

### 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\(^1\) (%)

<table>
<thead>
<tr>
<th>Component</th>
<th>End 2018</th>
<th>Underlying capital generation(^2)</th>
<th>Net capex &amp; pensions</th>
<th>Bond pull-to-par</th>
<th>Exits</th>
<th>Reorganisation costs</th>
<th>2019 dividends</th>
<th>Markets &amp; other</th>
<th>End 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target range 130-160%: Prefer to operate above top end of range</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Solvency II coverage by tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>End 2018</th>
<th>End 2019(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 3</td>
<td>170%</td>
<td>107%</td>
</tr>
<tr>
<td>Tier 1 restricted</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Core Tier 1</td>
<td>106%</td>
<td>106%</td>
</tr>
</tbody>
</table>

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 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 EPS² 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

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


### UK&I update – Financial results and outlook

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

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

<table>
<thead>
<tr>
<th>Exited business</th>
<th>Premium exposure now earned out</th>
<th>2019 NEP and % change vs. 2018</th>
<th>2019 UW impact</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <em>c.£150m</em> London Market exits vs. 2017 baseline</td>
<td>c.£140m</td>
<td>£37m -61%</td>
<td>c.£38m loss</td>
<td>c.£10m premiums to earn out in 2020</td>
</tr>
<tr>
<td>• <em>c.£65m</em> UK MGA exits over 2018 &amp; 2019</td>
<td>c.£60m</td>
<td>£33m -55%</td>
<td>c.£6m profit</td>
<td>c.£5m premiums to earn out in 2020</td>
</tr>
<tr>
<td>• <em>c.£25m</em> of exits across European branches in 2019</td>
<td>c.£24m</td>
<td>£12m -32%</td>
<td>c.£11m loss</td>
<td>Materially earned out</td>
</tr>
<tr>
<td>• Other individual scheme/delegated exits</td>
<td></td>
<td>£6m -75%</td>
<td>c.£16m loss</td>
<td>Materially earned out</td>
</tr>
</tbody>
</table>

### BAU

<table>
<thead>
<tr>
<th></th>
<th>Premium exposure now earned out</th>
<th>2019 UW impact</th>
<th>2019 UW impact</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Danish Interconnector (c.£20m 2018 NEP)</td>
<td>£12m -41%</td>
<td>£5m loss</td>
<td></td>
<td>c.£5m premiums to earn out in 2020</td>
</tr>
</tbody>
</table>

---

1 Included in UK&I exits underwriting result
Dividend policy

Illustrative use of earnings

100%

- Retained to support organic growth, pensions & net capex

- Variable 'band' for pull-to-par, and/or other uses

- Ordinary dividend distributions

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**
  - Feeding layer: CAD $10m xs, CAD $7.5m
  - Per loss retention: CAD $7.5m
  - CAD $65m shared limit across both sections covers

- **Property and C&E risk**
  - Feeding layer: CAD $7.5m xs, CAD $2.5m
  - Per loss retention: CAD $2.5m

- **Annual aggregate deductible**
  - CAD $55m for large loss
  - CAD $25m for catastrophe

| 2019 recovery: £15m |

### UK

- **Property and C&E risk**
  - Feeding layer: £7m xs, £3m
  - Per loss retention: £3m

- **Marine**
  - Feeding layer: Difference between US$10m and £3m

| 2019 recovery: No recovery |

### Scandinavia

- **Property and C&E risk**
  - Feeding layer: DKK 80m xs, DKK 20m

- **Marine**
  - Per loss retention: DKK 20m

| 2019 recovery: £17m£ |

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

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