



# Financials

Delivering our ambition

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# Today's key financial messages

**Costs:**  
Reduce our spend and  
improve the expense  
ratio



**The changing  
shape and quality  
of our earnings:**  
Continue to grow  
current year profit  
contribution

**Growth  
potential:**  
Innovation and  
improved  
competitiveness

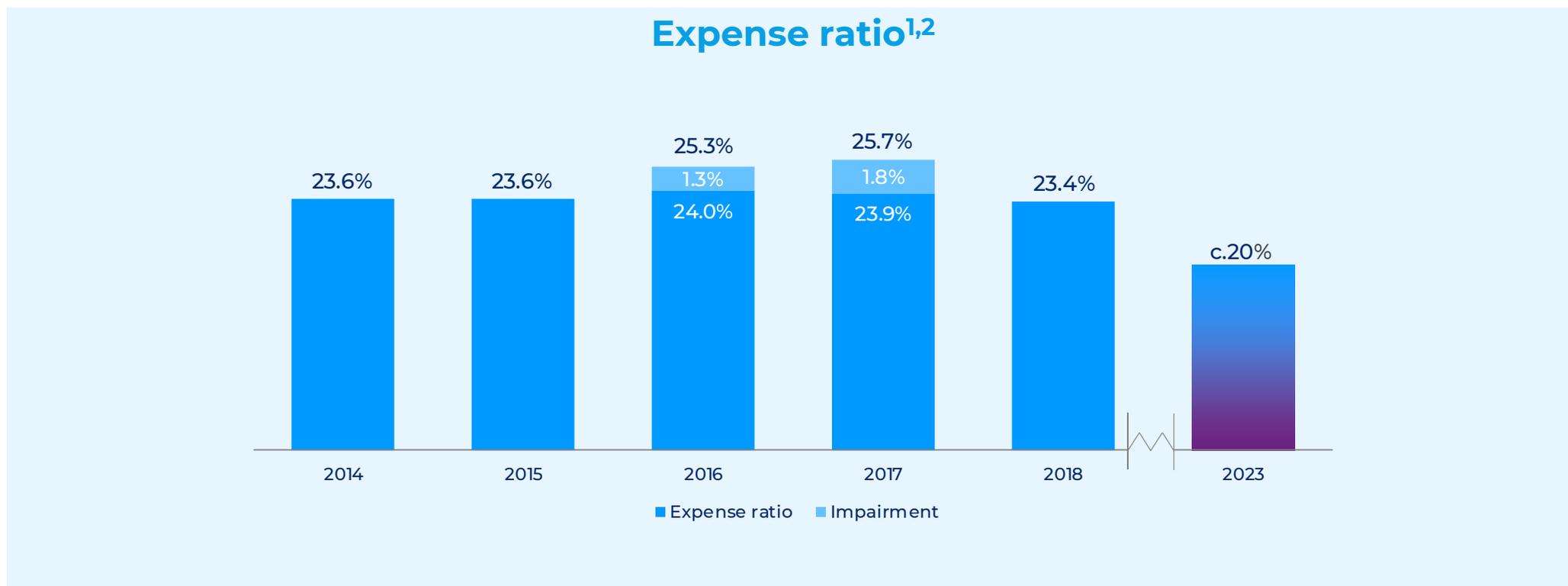


**Capital and balance sheet  
management:**  
Strong position and  
multiple levers



## Costs:

# Ambition to deliver an expense ratio<sup>1</sup> of 20% by 2023

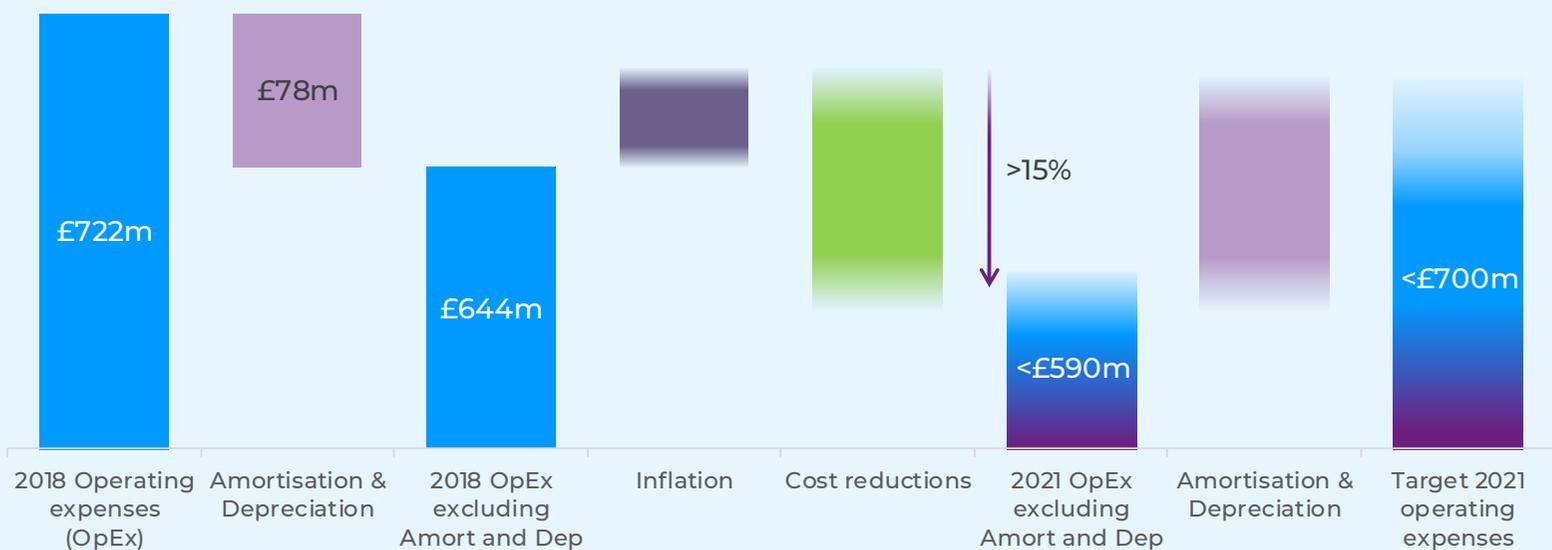




## Costs:

# Reducing operating expenses before amortisation & depreciation

### Expected operating expense walk from 2018 to 2021



Restructuring and other one-off costs:  
Approx. £60m  
across 2019 and  
2020



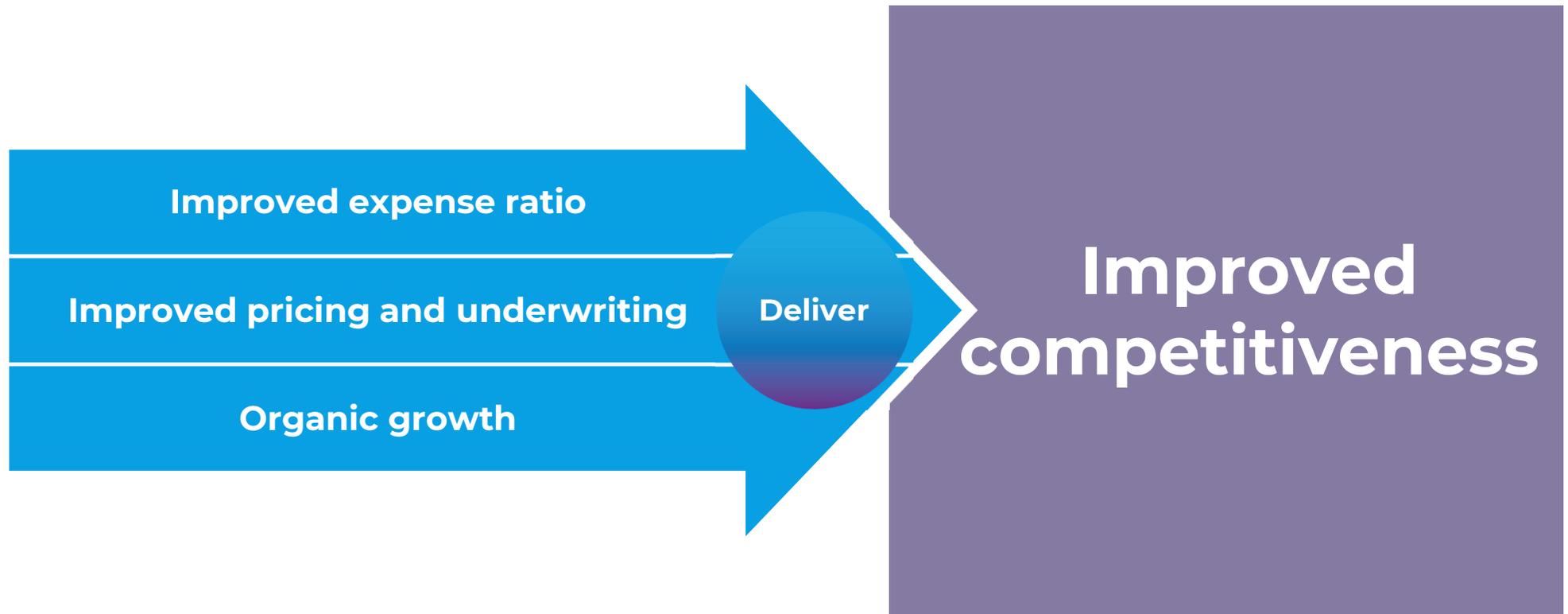
# The changing shape and quality of our earnings: We're on a journey to improve the quality

## Operating profit split between current year and prior year contribution<sup>1</sup>





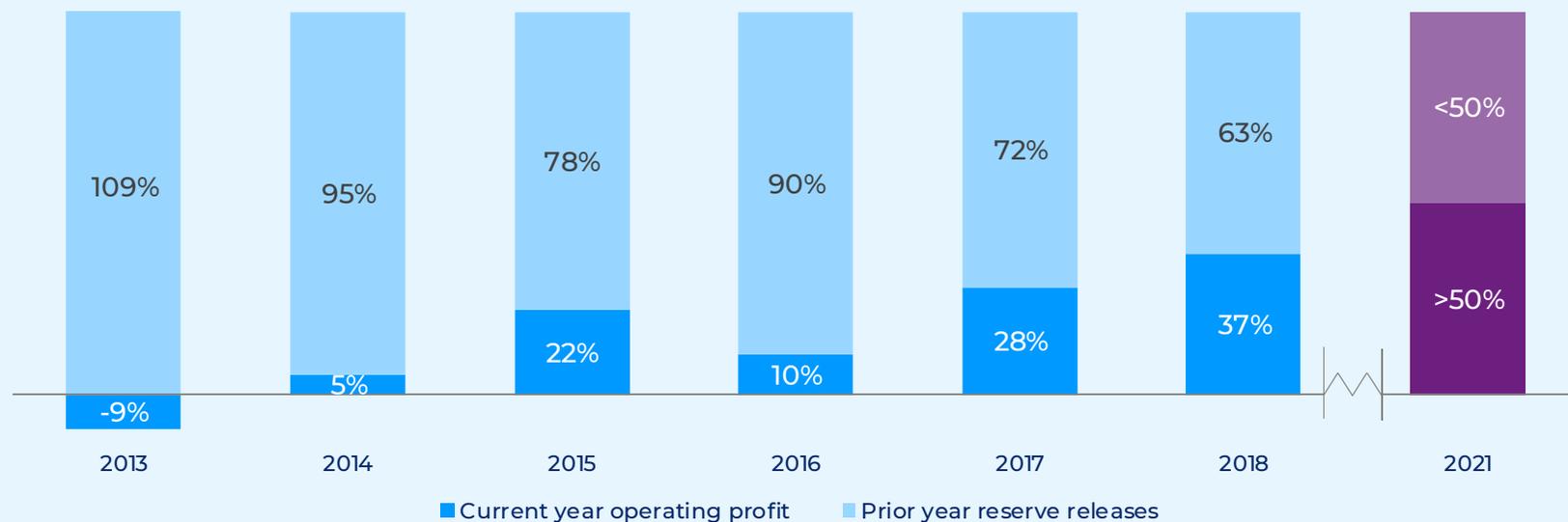
# The changing shape and quality of our earnings: Taking actions to grow contribution of current year profits





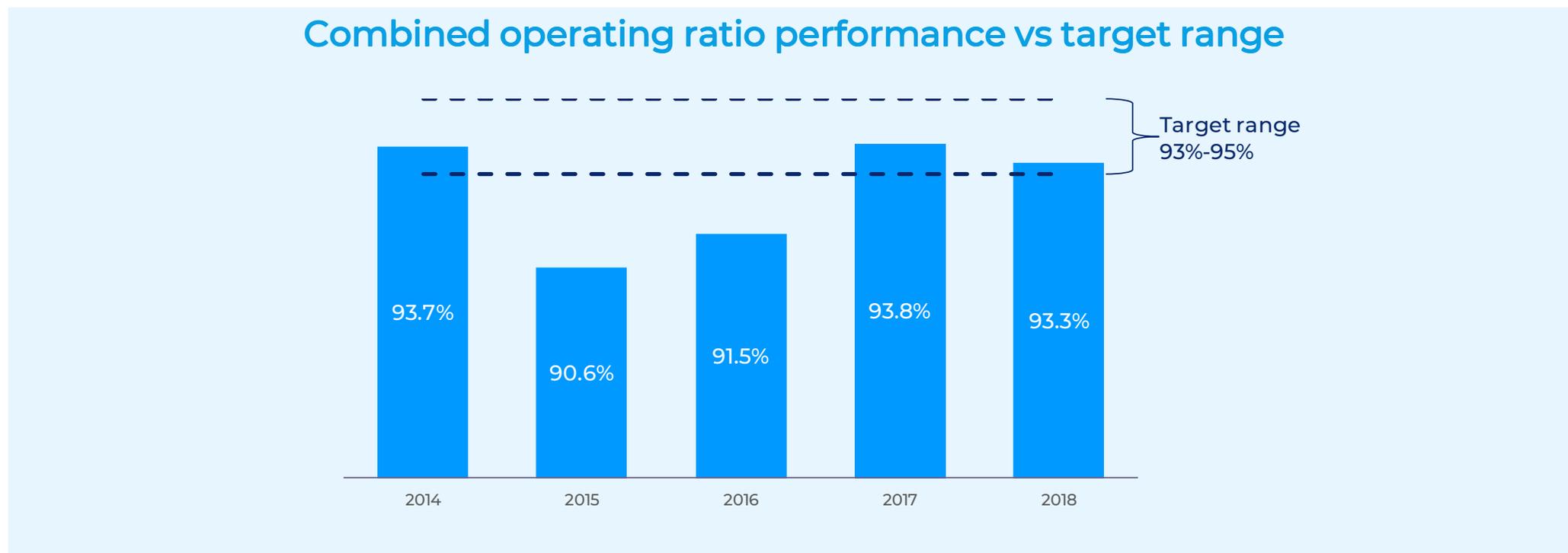
# The changing shape and quality of our earnings: Targeting >50% of operating profit from current year by 2021

Operating profit split between current year and prior year contribution<sup>1</sup>



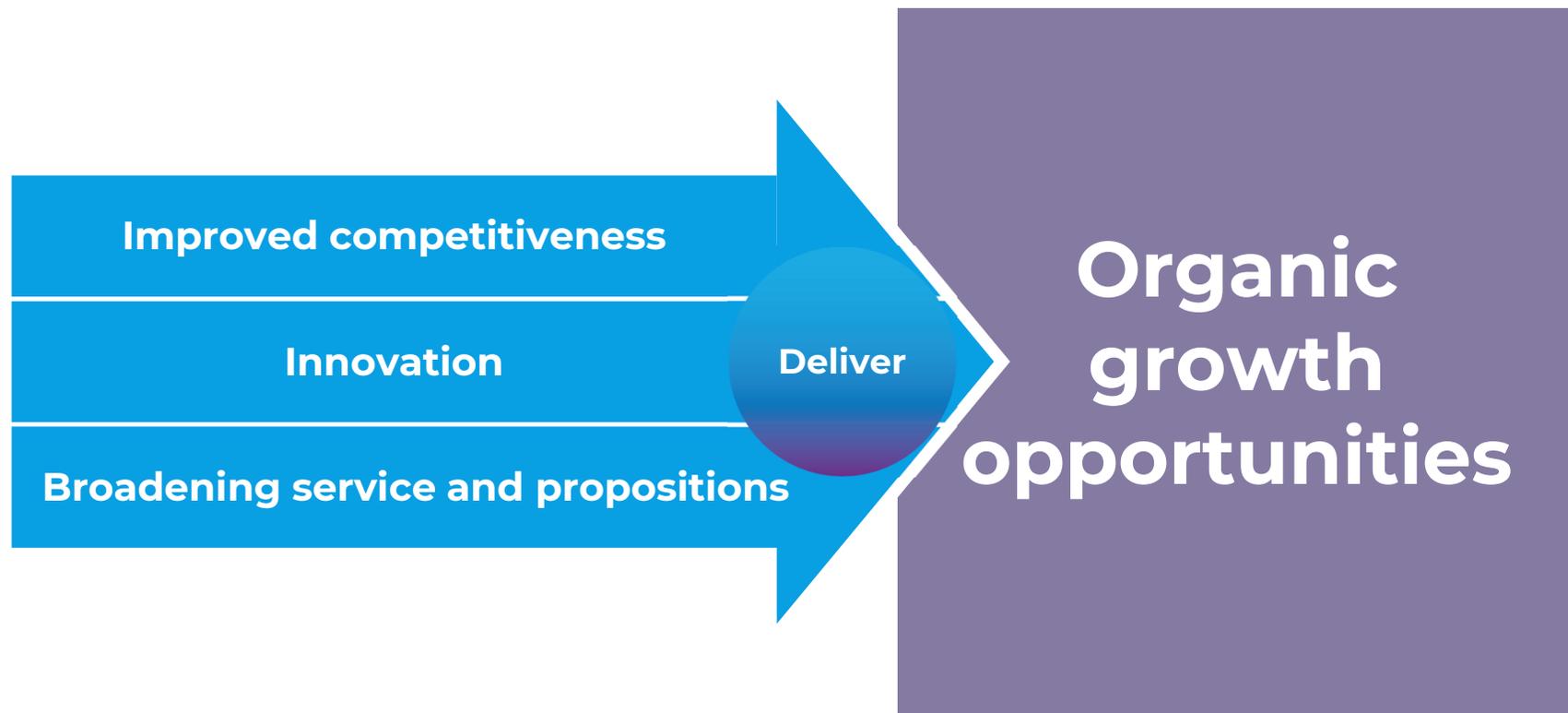


# The changing shape and quality of our earnings: Reiterating 93%-95% combined operating ratio target<sup>1</sup>



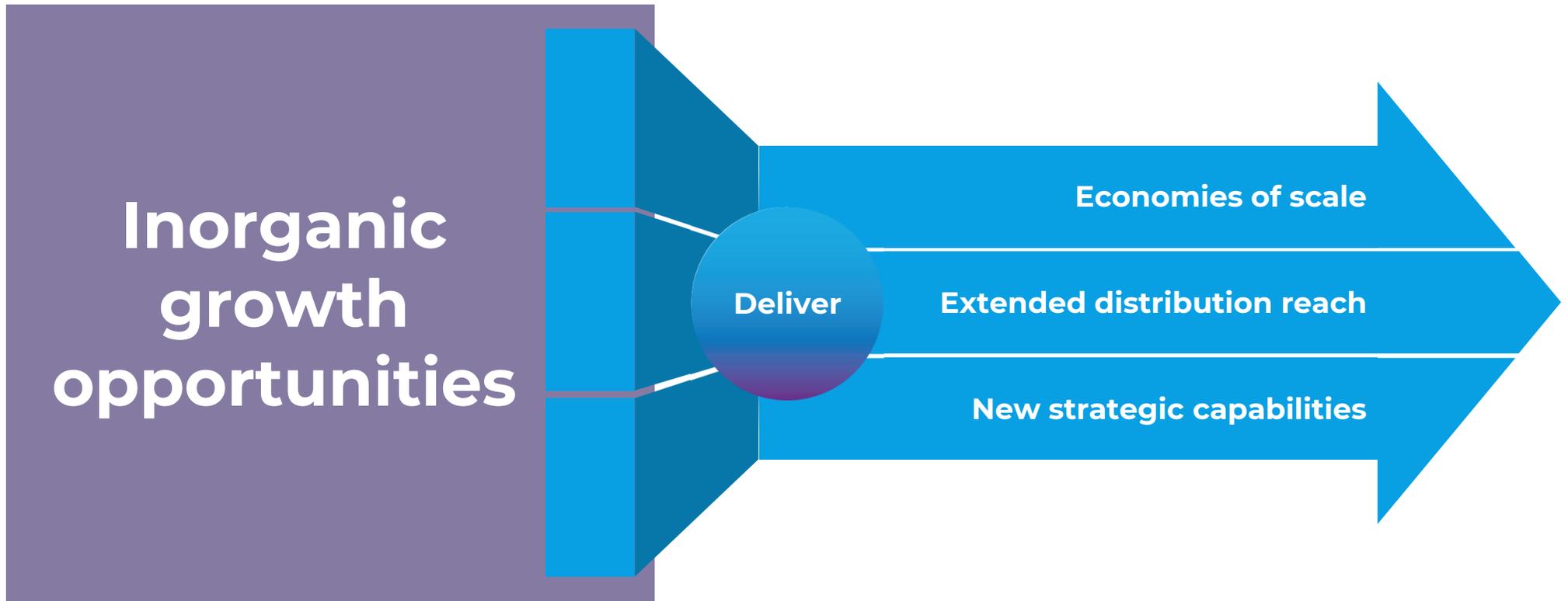


**Growth potential:**  
**Organic growth – supporting innovation**



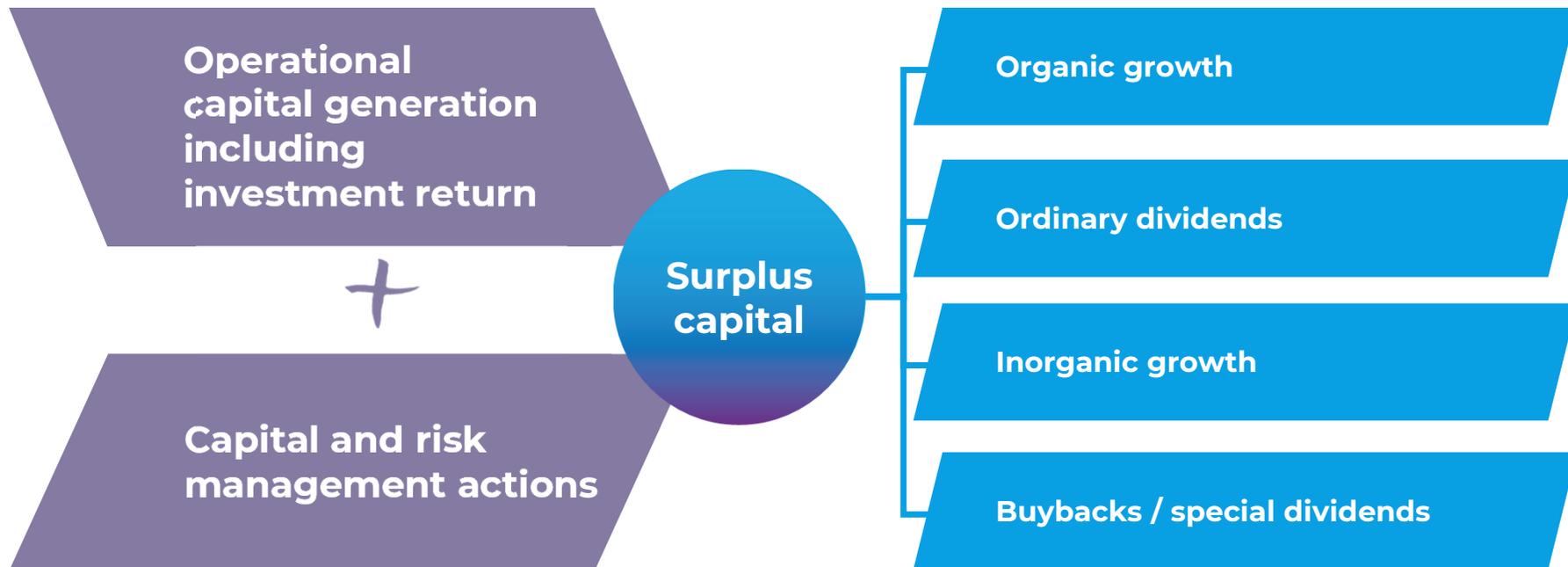


## Growth potential: Inorganic growth – extending our reach





# Capital and balance sheet management: Simple and clear approach





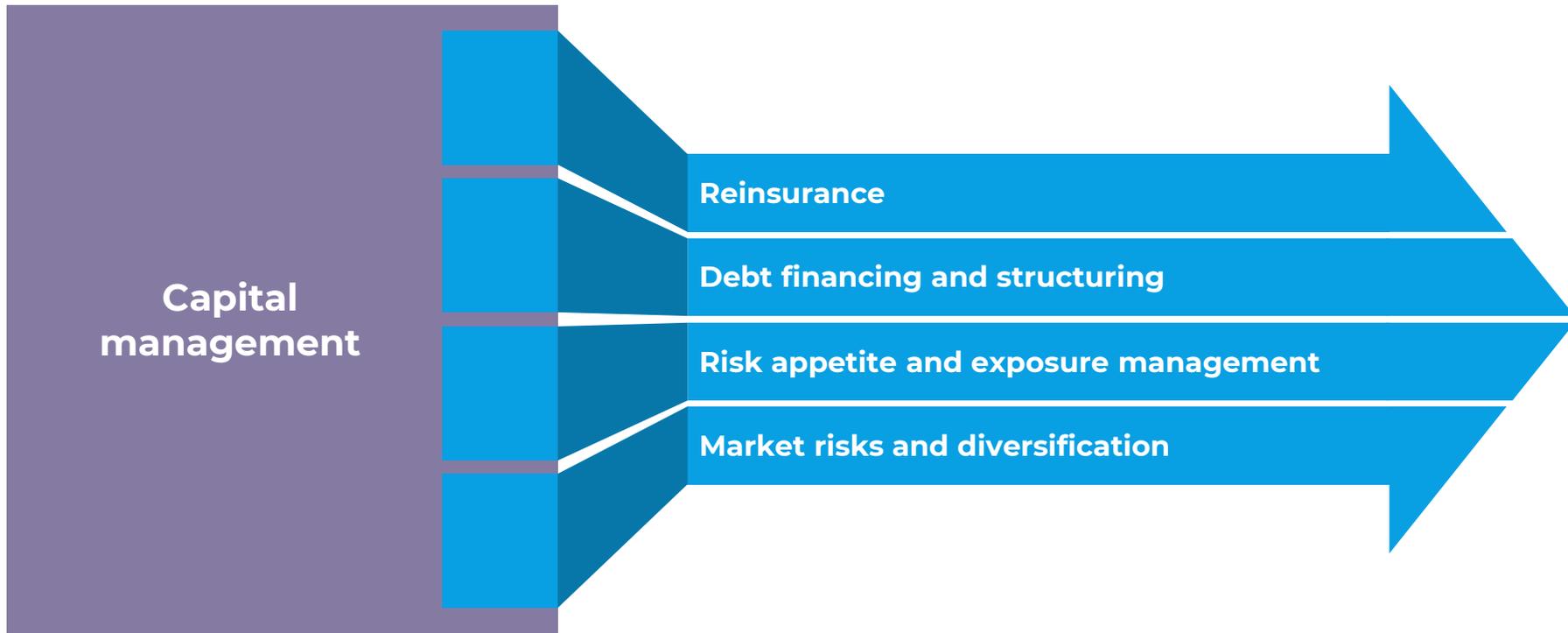
## Capital and balance sheet management:

Target solvency<sup>1</sup> is middle of risk appetite range of 140%-180%



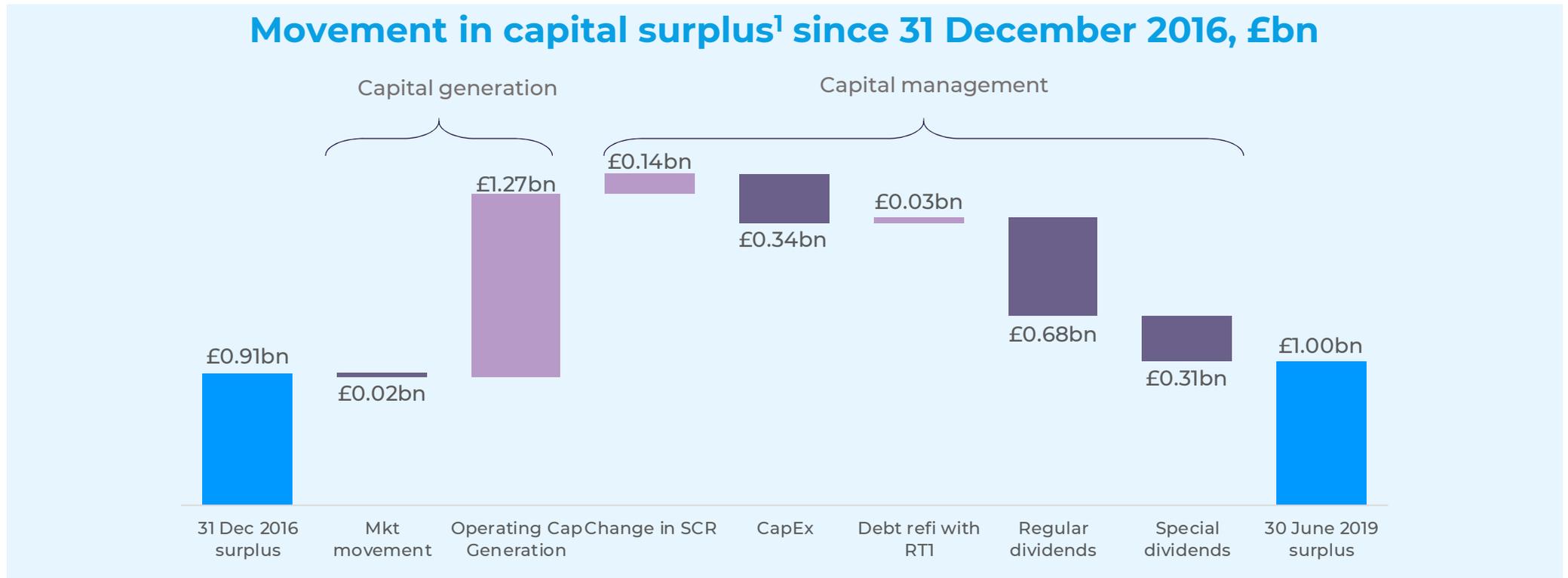


# Capital and balance sheet management: We have options to manage the Group's risk profile





# Capital and balance sheet management: Strong conversion of earnings to distributable capital





# Capital and balance sheet management: Our approach

## Capital Management policy

**Objective:** to ensure appropriate level of capitalisation and solvency with respect to operating, regulatory and rating agency requirements

**Regulatory:** Solvency risk appetite range is between 140%-180% of Solvency Capital Requirements and under normal circumstances the Group targets the middle of the range

**Rating agency:** Capital risk appetite consistent with maintaining credit rating within the 'A' range

## Ordinary dividends

Aim to grow the ordinary dividend in line with business growth and aim to be paid one third at interim and two thirds at final

## Surplus capital

The Board will consider both special dividends and share buy backs in the event the Group was likely to hold surplus capital for a prolonged period of time

### Today

At the Group's current valuation, the Board's preference is to return any surplus capital after ordinary dividends by way of a buyback programme

# Financial outlook and targets: Delivering our ambition

1

**Costs:**  
Expense ratio  
of 20% in 2023  
£50m  
reduction by  
2021<sup>1</sup>

2

**Current year  
operating  
profit:**  
At least 50% by  
2021<sup>2</sup>

3

**Combined  
operating ratio:**  
Between  
93% - 95%  
throughout the  
medium term<sup>3</sup>

4

**Return on  
tangible equity  
(ROTE):**  
At least 15% per  
annum over the  
long term

## Outlook

Investment income<sup>4</sup> yield close to 2.0%, minimal gains in 2020  
Capital expenditure to reduce to below £100m by 2021

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