



2018 FINANCIAL RESULTS

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21 March 2019

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FORWARD LOOKING STATEMENT

This document should be read in conjunction with Royal London's Financial Results Press Release for 2018, which can be found at:

<http://www.royallondon.com/about/media/news/>

This document may contain forward-looking statements with respect to certain of Royal London's plans, its current goals and expectations relating to its future financial position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Royal London's control. These include, among others, UK economic and business conditions, market-related risks such as fluctuations in interest rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries.






As a result, Royal London's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements.



FINANCIAL HIGHLIGHTS

2018 FINANCIAL RESULTS

FINANCIAL HIGHLIGHTS

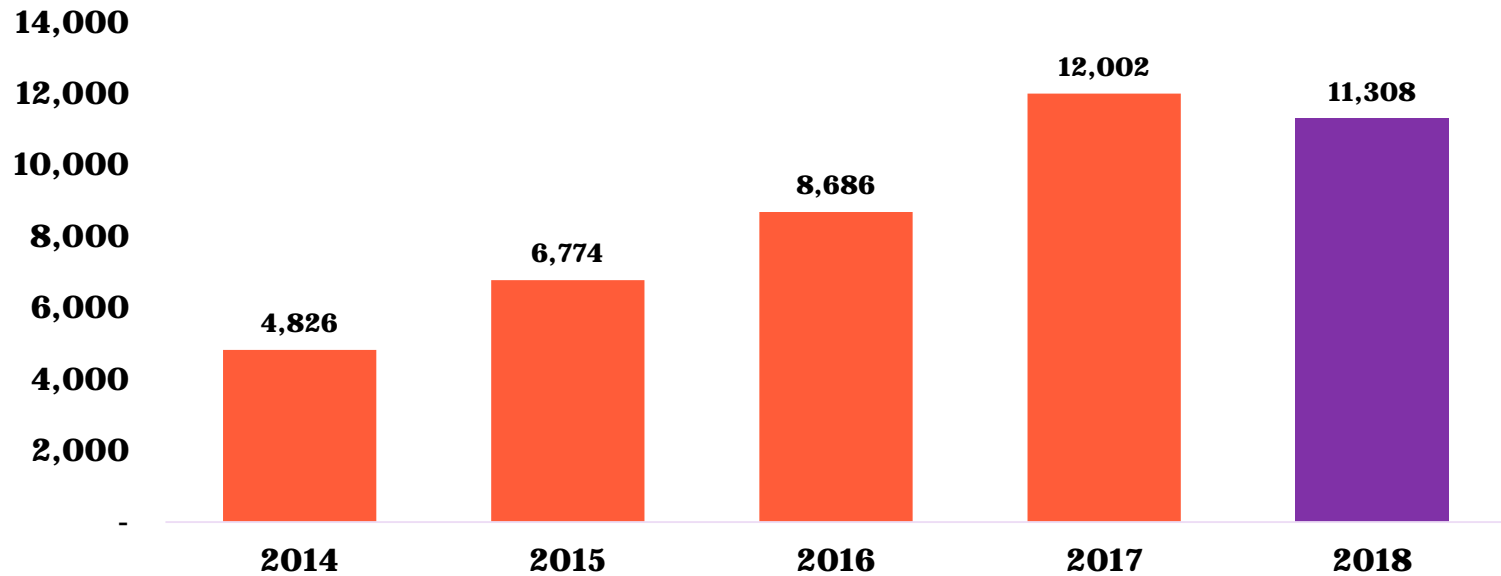
		31 Dec 18	31 Dec 17	Change ²
EEV 	EEV operating profit before tax	£396m	£329m	£67m
	Life and pensions sales PVNBP¹	£11,308m	£12,002m	(£694m)
	Total New business margin (incl. RLAM)	1.8%	1.7%	0.1%
	EEV profit before tax	£351m	£594m	(£243m)
	EEV embedded value	£3,739m	£3,560m	£179m
IFRS 	IFRS (deduction from) / transfer to the UDS before OCI	(£48m)	£352m	(£400m)
FLows 	Gross inflows³	£21,196m	£18,852m	£2,344m
	Net flows³	£7,652m	£6,316m	£1,336m
FUNDS 	Funds under management⁴	£114bn	£114bn	-
CAPITAL 	Solvency Surplus (Investor View)⁵	£4.6bn	£5.4bn	(£0.8bn)
	Capital cover ratio (Investor View)⁵	202%	228%	(26%)



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LIFE AND PENSIONS NEW BUSINESS SALES REMAIN STRONG

Life and Pensions PVNBP (£'m)



Intermediary Pensions

£10,042m

(2017: £10,787m)

↓ **7%**

Intermediary Protection

£847m

(2017: £807m)

↑ **5%**

Consumer

£419m

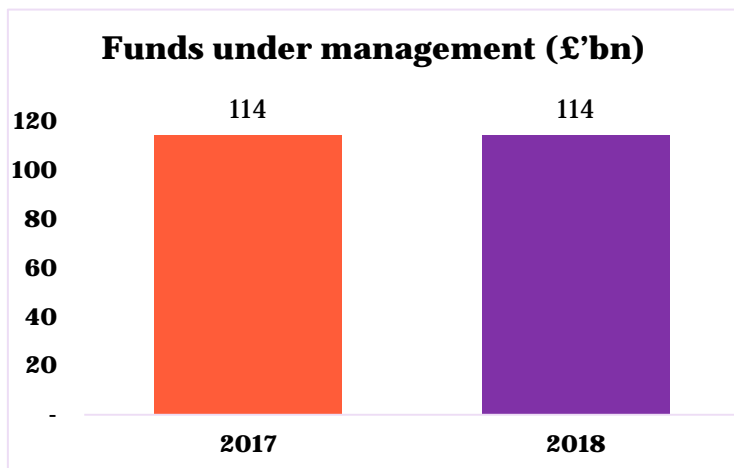
(2017: £408m)

↑ **3%**

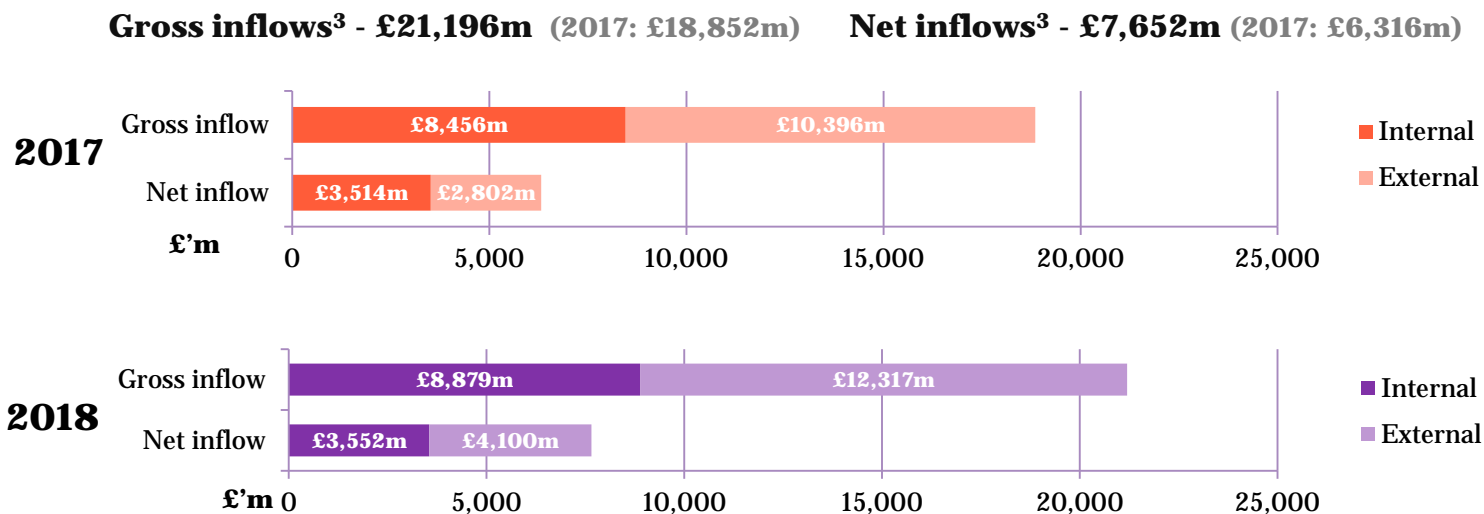


2018 FINANCIAL RESULTS

RECORD EXTERNAL NET INFLOWS AND STRONG PERFORMANCE MAINTAIN FUM



- Funds under Management remained at £114bn;
 - Strong net inflows from new business sales and mandate wins; offset by
 - Unrealised losses due to political and economic uncertainty; and
 - Strategic disposal of RLAM C.I. Limited, resulting in a £2.0bn outflow.



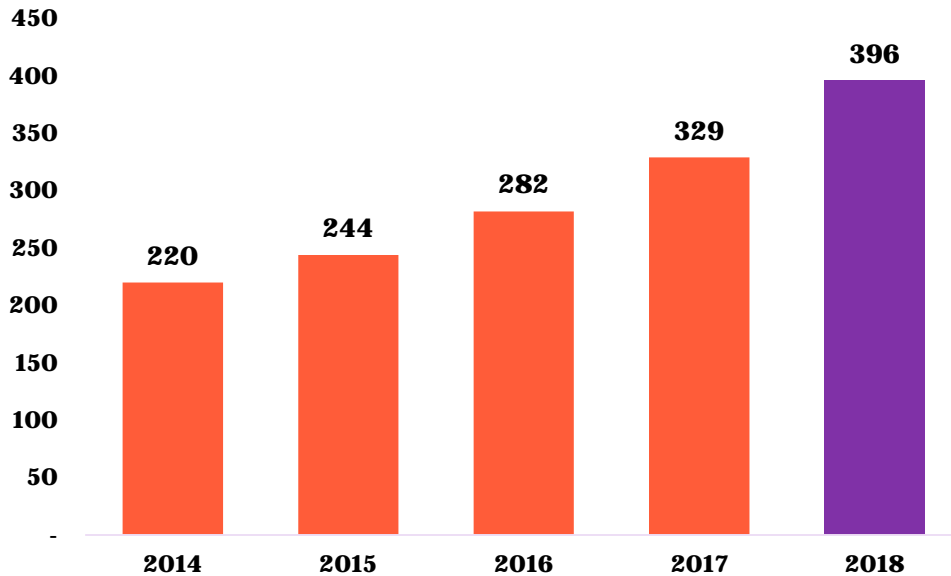
All footnotes on page 14



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RECORD LEVELS OF GROUP EEV OPERATING PROFIT AND IMPROVING MARGINS

Group EEV operating profit before tax (£'m)



Contribution from new business

↑ **£9m**

£301m

(2017: £292m)

Profit from managing existing business

↓ **£24m**

£228m

(2017: £252m)

Strategic development costs and other items

↓ **£97m**

£111m

(2017: £208m)

Margins

Intermediary Pensions

2.4%

(2017: 2.2%)

↑ **0.2%**

Intermediary Protection

5.3%

(2017: 5.3%)

→ **0%**

Consumer

(0.8%)

(2017: (1.3%))

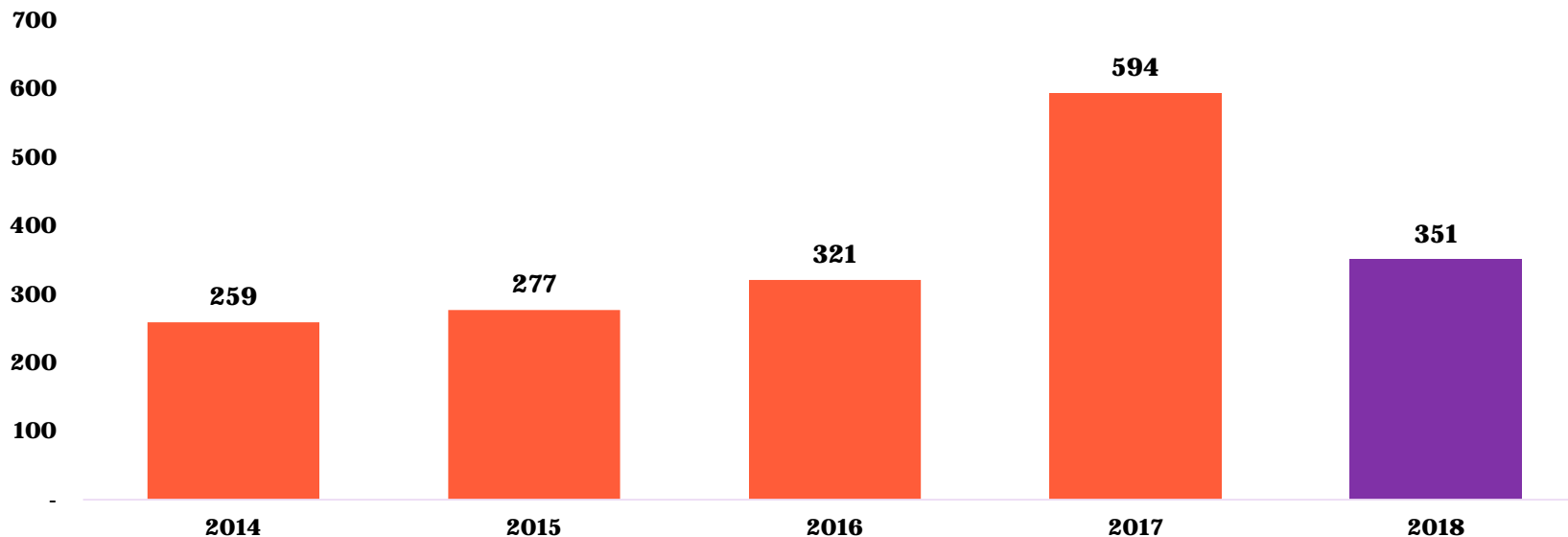
↑ **0.5%**



2018 FINANCIAL RESULTS

EEV PROFIT BEFORE TAX AND PROFITSHARE

EEV profit before tax and ProfitShare (£'m)



Strong operating performance offset by lower than expected return on investments

Low interest rate environment remains a source of pressure on our longer-term business

The surplus on the Royal London Group Pension Scheme increased by £27m to £74m



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IFRS TRANSFER TO UDS

	£'m	
2017 transfer to Unallocated Divisible Surplus	434	
Change in insurance liabilities and VIF ¹	2,995	A
Change from unrealised gains to unrealised losses ²	(8,547)	B
Change in investment contracts ²	4,773	B
Reduction in operating expenses	(72)	C
Increased investment income ²	338	
Change in insurance claims and premiums (net of reinsurance) ¹	(52)	
Change from tax charge to tax credit	166	
Other	(30)	
2018 transfer to Unallocated Divisible Surplus	5	

A

Driven by the continued run-off of closed books within Royal London Legacy

B

Continued political and economic uncertainty driving market losses, offset by strong pension new business sales

C

Continued focus on being slick and efficient in all our business areas

1 - Insurance operations
2 - Investment operations



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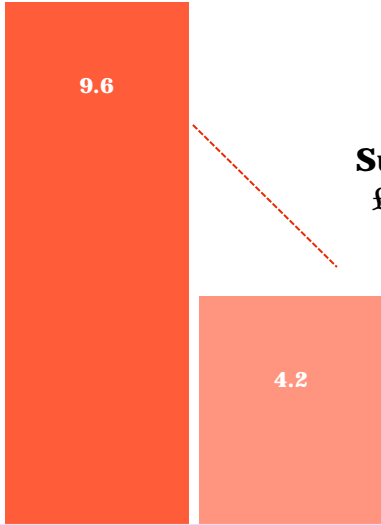
CONTINUED CAPITAL STRENGTH

Capital Position - Investor View⁵ (£'bn)

Coverage ratio

228%

202%



Surplus
£5.4bn



Surplus
£4.6bn

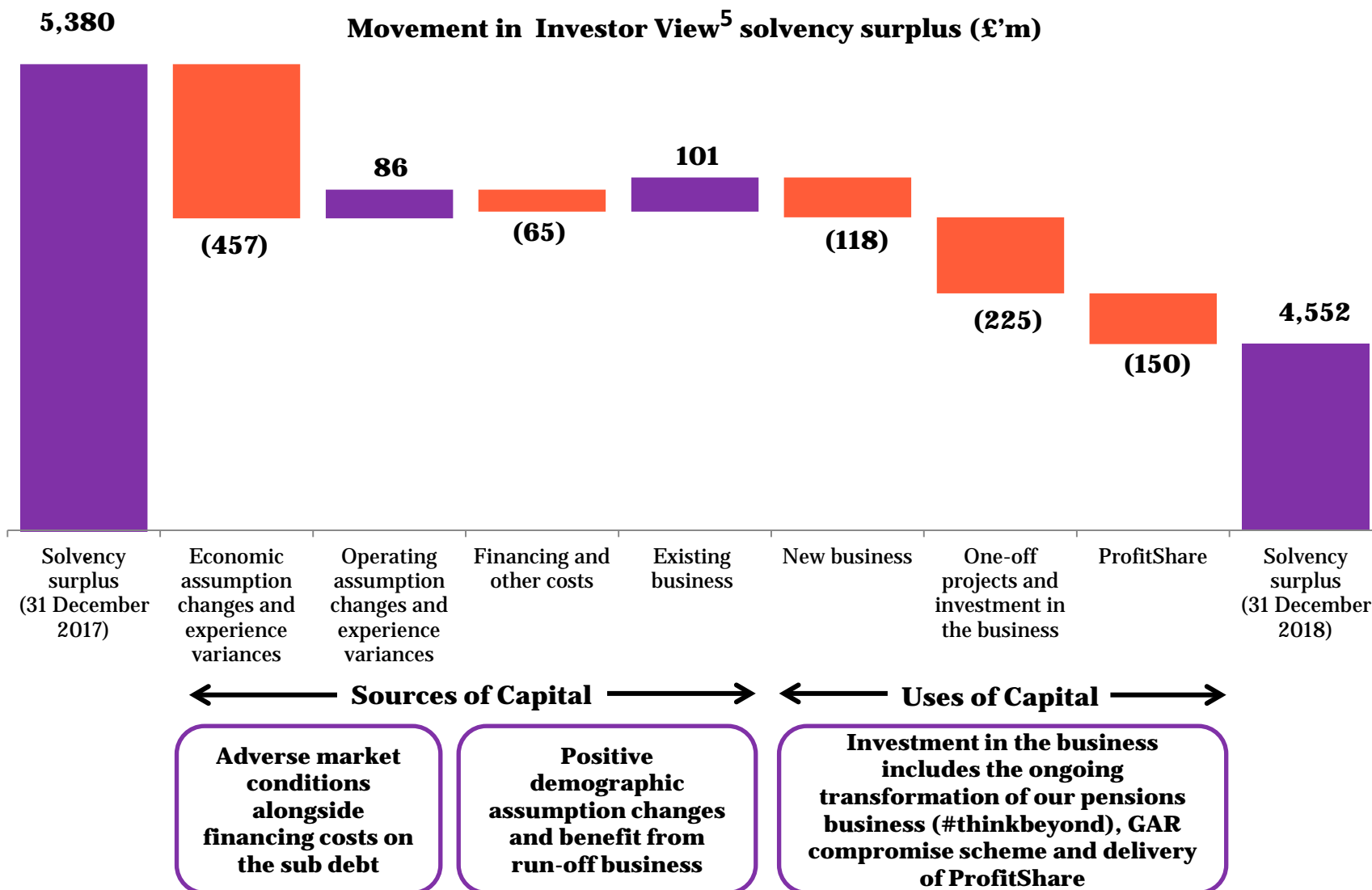
Own Funds
SCR
2017

Own Funds
SCR
2018



2018 FINANCIAL RESULTS

CONTINUED CAPITAL STRENGTH





Q&A



THANK
YOU

FOOTNOTES TO 2018 FINANCIAL RESULTS

- 1) Present value of new business premiums (PVNBP) is the total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums the Group expects to receive over the term of the new contracts sold in the year. The rate used to discount the cash flows in the reported results has been derived from the YE18 swap curve.
- 2) Change is increase or decrease compared 31 December 2017.
- 3) Gross and net flows incorporate The Royal London Mutual Insurance Society (RLMIS) and Royal London Asset Management (RLAM). Net flows from RLMIS represent the combined premiums and deposits received (net of reinsurance) less claims and redemptions (net of reinsurance). Given its nature, Protection business is not included. RLAM net flows represent external inflows less external outflows, including cash mandates.
- 4) Funds under Management represents the total of assets actively managed by, or on behalf of, the Group, including funds managed on behalf of third parties. It excludes assets administered through Ascentric, our platform business.
- 5) The 'Investor View' does not restrict the surplus in the closed funds. The 'Regulatory View' includes the restriction on closed funds' surplus in excess of the SCR, which is treated as a liability and is excluded from total available own funds. Comparative figures have been restated in line with the final regulatory returns which were presented in the 2017 Solvency and Financial Condition Report (SFCR). 2018 Solvency II figures are estimated, final amounts will be disclosed in the SFCR in April 2019.