STRENGTH IN NUMBERS

Strategic Report with Supplementary Information 2014
The big challenge of 2014 was to manage a period of unprecedented regulatory change. Royal London also engaged in the most comprehensive rebranding exercise in its 150-year history, absorbed significant acquisitions and launched a range of exciting new products.

Royal London is the largest mutual life insurance and pensions company in the UK.
2014 at a glance

Sharing profits. We are a mutual, which means that at Royal London we share our profits with our qualifying with-profits policyholders and are free to invest in new products and services to benefit our customers.

Continuing EEV operating profit before tax and exceptional items*

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>£225m</td>
<td>£228m</td>
<td>£196m</td>
<td>£220m</td>
</tr>
</tbody>
</table>

Bonuses added to with-profits policies

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>£231m</td>
<td>£282m</td>
<td>£318m</td>
<td>£285m</td>
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</tbody>
</table>

Profit share (after tax)

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>£88m</td>
<td>£88m</td>
<td>£81m</td>
<td>£60m</td>
</tr>
</tbody>
</table>

Royal London with-profits fund investment performance

<table>
<thead>
<tr>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0%</td>
<td>8.6%</td>
<td>10.6%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

*2014 exceptional item being the £61m charge relating to the pensions charge cap.
About Royal London Group

Quintessentially British
Founded on the principles of self-reliance and community

About our brand

Founded as a Friendly Society in 1861, Royal London has grown to become the UK’s largest mutual life, pensions and investment company. We are committed to delivering the best value for customers and putting members first.

Our divisions

Intermediary
We work with independent financial advisers to bring our excellent protection and pensions products to their clients.

Consumer
For those unable to access financial advisers, our newest division offers products directly to customers.

Wealth
Royal London Asset Management is one of the UK’s leading wealth management companies. We currently manage more than £82bn in funds for clients attracted by our consistently strong performance.

Some key numbers

£60m
Profit share allocation for 2014 after tax

£82.3bn
We are the largest life and pensions mutual in the UK, with £82.3bn Group funds under management

£195m
EEV profit before tax from continuing operations

£356m
IFRS result before tax from continuing operations
Delivering value for our customers and members.
Because we have no shareholders, we can concentrate on delivering excellent returns for customers and members.

Not many companies have been around for 150 years; of those that have, few, if any, have been as little known as Royal London. The reason, of course, was that we did our business through a collection of separate brands that were themselves household names, such as Scottish Life and Scottish Provident. In 2014, we started to change this model, in the firm belief that your Group should be worth more than the sum of its parts.

Rupert Pennant-Rea
Chairman’s statement

3,000
We employ approximately 3,000 people across the UK and Ireland who work in our three divisions and Group functions

5.3m
The Group has c5.3 million policyholders, who benefit from offerings ranging from pensions and insurance to fund management expertise

0.6m
Royal London is a mutual with more than half a million members who share in our success

£466m
Since 2007 we have allocated £466m to our qualifying with-profits policyholders, ensuring that they have felt the benefits of our strong performance

£4.8bn
We wrote £4.8bn new life and pensions business in 2014, calculated on the present value of new business premiums (PVNBP), an increase of 39% on the previous year

534 tonnes
We reduced the amount of carbon produced by our operations by 534 tonnes during the year, thanks to a continued focus on our energy use

Building our brand
In addition to bringing all of our brands under the Royal London umbrella, we have revamped our online presence. Our new responsive-design website works on all devices and offers easy-to-use financial tools and calculators for customer use.
Our approach to business is based on achieving long-term value for our members. We achieve this by growing our business in the pensions, protection and wealth management markets in the United Kingdom and Ireland and also by managing our assets to deliver long-term growth and stability of income.

How we manage and grow our members’ investments

- **Intermediary**: Distribution of most of our pensions and protection products
- **Wealth**: Managing Royal London assets and those of third-party organisations
- **Consumer**: Tailored products for consumers not currently served by intermediaries
- **Third-party investors**: Organisations rely on our expertise to manage their funds
- **Investment**: To improve our service to customers, we invest in systems and training
- **Members**: Profits not invested back into the business are invested in financial markets after allocation to qualifying with-profits policyholders
- **Cashflow**
Our strategic goals are:

- To become the most trusted and recommended provider of life insurance and investment products in the eyes of our customers.
- To raise consumer awareness of Royal London and drive increased new business through our Intermediary, Consumer and Wealth divisions.

How we are achieving our strategic goals

1. **Building trust**

   Building trust remains a difficult task, with the financial crisis of 2008 continuing to cast a long shadow, but we are doing our best to restore our customers’ confidence in us.

   Whilst we may not be able to alter the reputation of an industry, we can and do work to ensure that all our products and services are clearly explained, that they represent quality and value, and that we continue to provide excellent customer service. As the largest mutual insurer in the UK, we can boost that value by offering eligible members a share in the profits of Royal London, along with a great deal of information to help them make the most of their money.

2. **Raising awareness**

   To raise awareness of our business with consumers, we decided to bring almost all of our businesses under a single brand name, Royal London, and started offering products directly to consumers. A national advertising and marketing campaign supports this plan.

3. **Delivering value and service**

   The goals outlined above and the focus on service and product development all require investment from Royal London. It is vital to spend such money efficiently and we review processes and streamline our operations to ensure we deliver good value for money to our members.

Royal London is increasingly highly regarded by customers and their advisers because of the quality of our products, our investment performance track record and our service. It is these three things that have driven our rising sales.
Chairman’s statement

At a time of big changes in both Royal London and the wider life and pensions industry, your company made encouraging financial progress last year.

Although parts of our business – particularly protection – have some way to go to match their potential, both pensions and fund management produced excellent results. Sales of new pension business premiums were up 39% on 2013; and our asset management arm attracted almost £2bn of new money from third-party investors, which helped to boost total assets under management by 12% to £82.3bn. You will find all the details in our Group Finance Director’s review on page 24, but the headline that matters is that your Group is financially robust.

This solid performance came in a year when Royal London was changing its identity. Not many companies have been around for 150 years; of those that have, few have been as little known as Royal London. The reason, of course, was that we did our business through a collection of separate brands that were themselves household names, such as Scottish Life and Scottish Provident. In 2014 we started to change this model, in the firm belief that your Group should be worth more than the sum of its parts. Externally, we are promoting Royal London as a single company;
internally, we have reorganised to reflect this new reality. The rebranding exercise has already raised public awareness of the Royal London name and what we do and we are particularly pleased that both Royal London and one-day cricket have benefited from our first year sponsoring the game.

Image counts for nothing though, unless backed by achievement. Some of our progress in the year was driven by changes affecting the whole life and pensions industry. In particular, the pensions world is going through its biggest changes in decades, not just the imminent end of compulsory annuities but also the introduction of auto-enrolment in 2013 for company pension schemes. In this new world, Royal London and many other firms will essentially become vehicles for long-term saving and investment.

In some ways it will be a simpler world. But it is one that is already attracting new competitors so customer experience will matter even more than it does now, and the same will be true of investment performance. To prosper in that world, Royal London will have to strengthen its reputation as a trusted provider that delivers good results for its customers. We should be well-placed to do just that. As a mutual we are not distracted by the demands and short-term horizons of shareholders, so we can concentrate on the long-term interests of our members and other customers. The end of compulsory annuities should play to our strengths in the longstanding income-drawdown market. The growth in workplace pensions is also working to our advantage: last year we gained almost 1,400 new schemes and at the same time managed to increase the value of our individual pensions business.

If 2014 was reassuringly strong, with EEV operating profits from continuing operations up 12%, why then has your Board decided to cut the value of the Profit share that will be added to the policies of qualifying members from £81m post tax for 2013 to £60m for last year? The short answer is new regulations, and in particular the 0.75% cap imposed by the Government on the annual management fee that workplace pension providers can charge their customers. We estimate that cap will cost the Group £61m in lost revenue in future years, and at the half year we took a charge against profit to reflect this. Clearly our members holding Royal London workplace pensions will benefit from the resulting lower prices, so the value is not lost to members. The reduced Profit share is unwelcome, of course, but it is worth pointing out that this smaller Profit share will still add roughly 1.15% to the asset shares of qualifying policies and this comes on top of the good investment returns earned by the fund. At a time of such low interest rates for savings, an 1.15% additional yield is still quite attractive.

To summarise: last year nicely demonstrated that Royal London operates in a world of constraints as well as opportunity. You will find both features analysed fully in the rest of this report, so let me conclude with a few remarks about the staff and the Board. Change is never easy and the changes that Royal London is experiencing have demanded a lot of our staff. The directors – and I’m sure, the members too – thank them for all they achieved in 2014. As for the Board, Kathryn Matthews stood down at the end of the year and I thank her for her contribution; Ian Dilks and Sally Bridgeland have just arrived and we welcome them; and I pay tribute to my fellow directors for their commitment to Royal London. I hope you, our members and investors, will join us in looking ahead with confidence to more changes and more opportunities.
2014 was a successful year for Royal London – for many good reasons. The business performed well in almost every area. Importantly, we delivered significantly higher sales of most of our key products than we did in 2013.

This indicates that our customers, and their advisers, believe we are offering strong value for money. We are delighted that 140,000 new pension customers who joined during 2014 are now also members of Royal London. We warmly welcome them to the Group.

Royal London is increasingly highly regarded by customers and their advisers because of the quality of our products, our investment performance track record and our service. It is these three things that have driven our rising sales.

There was a great deal of change during the year, both for Royal London and for the financial services industry in general. Regulatory upheaval now seems to be a constant process. Whilst we welcome many of the changes currently under way, such as allowing people greater control over their pension savings, we worry that a constant re-writing of the rules risks undermining the industry’s ability to plan. This is an essential ingredient of a sector such as pensions and savings, which has always had to consider the long term.

We also worry that many customers need the support of an impartial financial adviser to make the best financial decisions, but the cost of advice is prohibitive for many people. We continue to work hand in hand with financial advisers and to lobby the Government and regulators to create a lower cost advice regime for the general public. Until this happens we are working hard to provide good value for money solutions for those customers who do not have an impartial adviser to help them.

Pensions and life assurance
We are making a big contribution to the success of auto-enrolment, the pension scheme
The number of new pension customers who signed up with us in 2014, attracted by the value for money offered by our key products, exceeded 140,000.

in which employees are automatically enrolled in a workplace pension. Our sales have doubled and we have put considerable resource into creating a high-quality offering that represents excellent value. That work has paid off. In 2014 thousands of medium-sized and many larger businesses created new pension schemes and the process continues with smaller businesses this year.

We are also in a strong position to provide customers who have a financial adviser with the ability to draw an income from their pension fund when they retire, an area that will expand considerably this year when savers are given greater freedom to manage their retirement savings.

The life assurance market remained difficult, but we have taken action to improve our service and value for money in the market. Last November, Scottish Life rebranded as Royal London and Caledonian Life followed in December, rebranding to Royal London Ireland. In 2015 our Bright Grey and Scottish Provident businesses will combine to become a single life assurance business operating under the Royal London brand. I am pleased to say that the feedback so far has been very positive and after a rocky start, sales began to recover in the fourth quarter, ending the year on a positive note.

Innovation for consumers
At Royal London, 2014 was about executing the strategy we set out in 2012. Our aim is to become renowned for providing the best outcomes and service for customers. As a result, all three of our divisions delivered strong overall performances.

Our Intermediary division concentrated on further enhancing its existing products by significantly boosting the cover available for the most claimed-for conditions covered by our critical illness product. It also enhanced our income drawdown and investment range to take full advantage of new pension freedoms announced in the Budget in 2014. We also launched new services and simple products which do not require the support of a financial adviser, which we believe are both different and better than those of our competitors. We specifically targeted areas where consumers are not receiving the sort of value they deserve.

Our Over 50s Life Cover is a good example of entering a market we did not think was serving the public well. Our product is substantially better value and fairer than most in the market, and protects payouts even for customers who are unable to keep up payments, with a partial payout reflecting the proportion of premiums they have paid.

Our Annuity Bureau, launched last August, is a new service to help customers who do not have the support of a financial adviser and wish to buy a guaranteed income for life. Many of our competitors simply try to sell their own annuity product to their customers, but Royal London seeks to bring the best deals in the market to customers by operating a panel approach for both standard and enhanced annuities.

And our online Life Insurance product provides an easy way of purchasing over the internet for those people who wish to buy direct rather than through a financial adviser.

The success of these products will become clear over time, but they are already winning very positive reviews and awards from consumer champions, including the Best Life Insurance title at the Personal Finance Awards.

Asset management successes
Many investment managers can deliver spectacular results when stockmarkets surge. Producing a consistently strong investment performance through challenging market conditions is more taxing and in 2014 our Wealth division Royal London Asset Management (RLAM) continued to deliver, winning a series of awards including Fixed Income Manager of the Year at the European Pensions awards. RLAM also continued to grow its new business among third-party clients.

Over the past three years, The Royal London Long-Term Fund outperformed its benchmark, delivering returns of 31.72% compared with the benchmark return of 28.59%. The Scottish Life Pensions Fund and the Royal Liver With-Profits Fund delivered returns of 32.25% and 25.66% over three years, against a benchmark return of 29.54% and 29.51% respectively.

In addition to this, nine RLAM fund managers held Citywire Fund Manager Ratings at the end of December and RLAM itself won 13 industry awards for investment performance and service quality.
The rebrand has been a far bigger exercise than simply creating a distinctive and memorable new look. We are in the midst of a two-year process to bring Bright Grey and Scottish Provident into a single Royal London branded intermediary-focused broad-based protection business with enhanced service and better pricing. This will be completed in 2015.

Integration of Co-operative assets
We did not make any further acquisitions in 2014, but instead concentrated on the successful integration of the Co-operative Insurance Society Limited (CIS) and its subsidiaries and The Co-operative Asset Management Limited (TCAM) into the Group. We made great progress during the year. We were able to move 136 excellent people, including highly valued actuarial, marketing, asset management and finance staff, from CIS to our Wilmslow office. We delivered the synergies and cost savings promised when we signed the deal and as reported last year, this has created significant value for the Group.

As ever with such acquisitions, it takes time and a great deal of work to bring the two organisations together successfully, but CIS is now a sub-fund of Royal London and good progress is being made with the final elements, such as the transfer of computer systems. We have created a stable home for CIS’s policyholders, giving the CIS fund greater cost certainty than it would have received if it had remained within the Co-op Bank.

Once the CIS integration is complete we would consider other acquisitions that fit with our strategy as opportunities arise. Our aim is to give better value to such customers by offering good service and investment performance at lower cost and thereby also earn a profit for Royal London’s members.

Benefits to with-profits policyholders
We are allocating a Profit share of £60m net of tax for 2014. This is a lower figure than we would have liked, as our Chairman has explained in his report. Our robust operating profit performance helped offset the negative impact of the workplace pensions charge cap on our profitability. However, it is important to remember that members with a Royal London workplace pension will benefit from the lower prices available under the charge cap.

Our Profit share is only one way that we seek to reward our qualifying with-profits policyholders. As a mutual, we believe we have a responsibility to produce products and services that come top in terms of quality and value. We also want to help customers and members navigate the complex world of money and decode its terminology. Our website has financial education tools and a financial planner free to all, whilst our ‘Finglish’ glossary explains what those baffling terms really mean. Look out for the photographs throughout this report, which refer to the glossary.

Royal London brand
In our last Annual Report and Accounts we showed you the new Royal London branding and told you about our plans to bring all the Group’s businesses together under that single, distinctive brand. This process is well under way and both Scottish Life and Caledonian Life have already successfully rebranded. For the first time in 10 years Royal London advertised on national television and on billboards around the country. Along with the corporate advertising, the launch of our direct to consumer products, the Over 50s and online Life Insurance, we are advertising direct to consumers for the first time in many years.

Our research suggests that awareness of the Royal London brand increased by 30% overall, with the most significant increase being among those aged 30–59.
### Group performance

**Measuring our performance.** We are always transparent about our performance, where we could have achieved more and what we hope to do in the future.

<table>
<thead>
<tr>
<th>Performance description</th>
<th>2014 result</th>
<th>Historic performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability</strong></td>
<td>£259m</td>
<td>£320m £55m £259m</td>
</tr>
<tr>
<td>EEV profit from continuing operations before tax and profit share.¹</td>
<td>- 53%</td>
<td>2012 2013 2014</td>
</tr>
<tr>
<td></td>
<td>£416m</td>
<td>£454m £526m £416m</td>
</tr>
<tr>
<td>IFRS result from continuing operations before tax and profit share.²</td>
<td>- 21%</td>
<td>2012 2013 2014</td>
</tr>
<tr>
<td><strong>New Business</strong></td>
<td>£4,826m</td>
<td>£3,160m £3,464m £4,826m</td>
</tr>
<tr>
<td>Present value of continuing new life and pensions business premiums.</td>
<td>+ 39%</td>
<td>2012 2013 2014</td>
</tr>
<tr>
<td><strong>Funds</strong></td>
<td>£82.3bn</td>
<td>£49.8bn £73.6bn £82.3bn</td>
</tr>
<tr>
<td>Group funds under management.</td>
<td>+ 12%</td>
<td>2012 2013 2014</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>£3,390m</td>
<td>£2,374m £2,749m £3,390m</td>
</tr>
<tr>
<td>Regulatory (Insurance Groups Directive) capital surplus.</td>
<td>+ 23%</td>
<td>2012 2013 2014</td>
</tr>
</tbody>
</table>

¹ 2013 EEV results include £150m one-off pre-tax gain arising on the acquisition of the Co-operative life, pensions and asset management businesses. 2014 exceptional item being the £61m charge relating to the pensions charge cap.

² 2013 IFRS results include £125m one-off gain arising on the acquisition of the Co-operative life, pensions and asset management businesses. 2014 exceptional item being the £61m charge relating to the pensions charge cap.
**Principal risks and uncertainties**

Managing risk is fundamental to the Group’s activities in order to generate returns for policyholders. The Group has processes in place to identify and manage risks, which include assessing scenarios and reverse stress tests.

The Group’s approach to risk management is set out on pages 49 and 50 of the Royal London Annual Report and Accounts. The Board believes the principal risks and uncertainties facing the Group are as set out on the following pages with the actions taken to manage and mitigate them.

**The economy and Royal London’s key markets**

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The economic environment continues to be uncertain</strong></td>
<td>Through development of our forward looking risk profile, and with regular monitoring of exposures to and possible concentrations by risk class, the Group is able to evaluate scenarios where we may be exposed to asset values and liability values moving differently and we have a good understanding of the impacts this has on our risk profile.</td>
</tr>
<tr>
<td>Like other insurance groups, the Group’s business is subject to inherent risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly in the UK, where the Group’s earnings are predominantly generated.</td>
<td>Through constant evaluation and discussion at executive and Board level, decisions are made to mitigate risks where these do not align to our business strategy and/or risk preferences.</td>
</tr>
<tr>
<td>Fluctuations in the value of both assets and liabilities can arise from volatility in the global capital markets, the economy of the UK and the global economy generally. This may have a materially adverse effect on the Group where such a market change impacts differently on the value of assets from the effect on liabilities.</td>
<td></td>
</tr>
<tr>
<td><strong>A change in economic trends and consumer behaviours can affect the Group’s performance</strong></td>
<td>The Group regularly undertakes reviews to ensure we are developing strategies and operational capabilities to take account of current and future changes in markets and consumer behaviours.</td>
</tr>
<tr>
<td>Volatility in the economy and investment markets and the continuing prospects for low growth rates in the UK can affect consumers’ disposable incomes and appetite for the Group’s products and services.</td>
<td>The Group monitors its product range and market position regularly through analysis of policyholder experience and business volumes. This helps the Group to re-price its products dynamically and develop new ones in response to changes in demand.</td>
</tr>
<tr>
<td>Changing socio-economic trends (customers wanting to deal direct, transactions through mobile applications, data security etc.) present opportunities and challenges to our business model.</td>
<td></td>
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</table>

**Changing regulation and taxation**

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Uncertainty in changes to the regulatory framework resulting from Solvency II</strong></td>
<td>In line with Prudential Regulation Authority (PRA) recommendations to Internal Model firms, the Group has been re-planning its work on the Internal Model over a longer time-frame whilst continuing to enhance its risk and capital management systems.</td>
</tr>
<tr>
<td>Full Solvency II implementation is scheduled for January 2016. Whilst the high level regulation is understood, important elements of the low level detail are still undecided. This gives rise to the possibility that the Group will be required to hold greater levels of capital than previously required.</td>
<td>The Group continues to enhance its risk and capital management systems and to monitor closely the potential impacts on its capital requirements, Profit share and the associated degree of uncertainty in the projections.</td>
</tr>
<tr>
<td><strong>Changes in the legislative and regulatory landscape may alter the Group’s design and marketing of its propositions</strong></td>
<td>The Group will continue to engage closely with the PRA in order to gain further clarification of the remaining areas of uncertainty in the application of the Solvency II requirements.</td>
</tr>
<tr>
<td>Unprecedented levels of change in legislation and heightened regulatory activity could adversely impact the Group’s reputational, operational and financial position. The conduct and prudential environment is still developing and this could impact how the Group develops and distributes new propositions, as well as how it administers and deals with contracts sold in the past.</td>
<td>Meeting the expectations of customers and our regulators is at the forefront of everything we do. To that end the Group actively engages with regulators on an on-going basis.</td>
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<tr>
<td>It is possible that future regulatory thematic industry-wide reviews from the regulator may have a significant impact on the Group.</td>
<td>A conduct risk framework has been developed, together with an associated proposition development and review process designed to achieve fair outcomes and experiences for our customers.</td>
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<td></td>
<td>The Group continues to be represented on several industry bodies including Association of British Insurers (ABI) senior committees.</td>
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</table>
Changing regulation and taxation continued

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential constraints on the mutual with-profits sector may impact our ability to grow or write new business.</td>
<td>The Group believes that the writing of profitable new business is advantageous for its financial strength and consequently beneficial for policyholders. As the largest mutual insurer in the UK, the Group views this issue as being of critical importance for a positive resolution. The Group is confident of its ability to maintain a proactive dialogue with the FCA to deliver the benefits identified from a strong mutual insurance sector. Whilst aiming for a positive resolution, the Group continues to assess the impact of this risk on its ability to write new business and does not believe that any of the potential outcomes could endanger ongoing solvency.</td>
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</table>

The political environment

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
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</thead>
<tbody>
<tr>
<td>Changes to financial services markets may arise from the political environment</td>
<td>As the environment changes we will continue to evaluate how our markets are evolving and to develop propositions to meet the needs of end customers and distributors. To support this we undertake regular monitoring of the Group’s performance and the external political and environmental landscape. The Group also undertakes scenario testing of external factors that could detrimentally impact our business model.</td>
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Maintaining our financial strength

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
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</thead>
<tbody>
<tr>
<td>An increase in the Group’s funding commitments for its defined benefit pension schemes may impact on its financial position.</td>
<td>Overall, the schemes are reasonably well funded; however, the Board recognises this position could change and continues to closely monitor funding levels and work with the Trustee Boards to assess opportunities to reduce volatility and the risk to the Group.</td>
</tr>
<tr>
<td>The Group is exposed to the risk of failure or default of one or more of its counterparties.</td>
<td>The Group seeks to manage its exposure to any one counterparty or third party. It actively monitors and reports against limits in respect of its investments. Contracts with third parties and suppliers are governed by strict service level agreements which are monitored and discussed at regular account management meetings.</td>
</tr>
</tbody>
</table>
Principal risks and uncertainties continued

Maintaining our financial strength continued

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the Group's assumptions are subsequently proven to be wrong then adjustments may impact on its financial position</td>
<td>In the event that actual claims experience is less favourable than envisaged, the Group's reinsurance arrangements will provide significant mitigation. Additionally, the Group uses its experience to assess and set its prices for known risks and to make sure that reserves are appropriate. The calculation of reserves is underpinned by stress and scenario testing which assesses the appropriateness of key assumptions to a combination of extreme events, including financial and economic conditions, investment performance and product-specific matters.</td>
</tr>
</tbody>
</table>

Organisational delivery

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery may be impaired by the high level of change across the Group</td>
<td>The Group's strategic and operational plans are regularly reviewed by the Board. These take account of the Group's resources and the scale and diversity of change currently under way and planned for the future. Specific change reporting takes place at project, programme, portfolio and strategic execution level utilising a dashboard of measures to ensure appropriate risk-based decisions are made and resources are allocated in an efficient and sustainable manner.</td>
</tr>
</tbody>
</table>

Material outsourcers and supplier relationships

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourced services may not meet regulatory or service requirements</td>
<td>The Group has a framework for the governance and oversight of material outsourcer and supplier arrangements. It includes the requirement for executive approval prior to commencing such arrangements together with policies and processes for the oversight and escalation of risks and issues to the attention of the appropriate risk committees. The business closely manages outsourcer and supplier relationships on an ongoing basis. As a minimum the governance arrangements require that the Group's customers do not face an increased level of risk due to an outsourced arrangement.</td>
</tr>
</tbody>
</table>

Brand transition

<table>
<thead>
<tr>
<th>Principal risk and uncertainty</th>
<th>Risk mitigation and management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand transition</td>
<td>The transition plan to move to the new single brand incorporates governance and processes that ensure we maintain existing strengths and relationships with our customers.</td>
</tr>
</tbody>
</table>
MAINTAINING OUR STRENGTH
Our Intermediary business performed strongly in 2014.
Auto-enrolment provided a boost to our pensions business and we acquired new protection customers in a tough market.

As well as successfully rebranding Scottish Life, our intermediary pensions business, as Royal London, we achieved record levels of new business which saw us welcome nearly 30,000 new personal pension customers. We also supported 1,400 employers through auto-enrolment, with 110,000 plans being created as a result.

Our protection businesses also ended the year strongly and we are already seeing increased confidence in our proposition as a result of the service and underwriting enhancements we have made.

Despite the difficult market conditions, we introduced nearly 50,000 new protection customers to Royal London and paid £227m in claims during the whole of 2014.

We were named 2014 Company of the Year at the Financial Adviser Service Awards, our first as Royal London. And both Bright Grey and Scottish Life won five-star ratings for excellent service, with Scottish Life awarded this rating for the sixth year running.

We are proud of our achievements and will continue to work hard for our customers, with the aim of delivering great results.

**Pensions**
2014 was a year of significant change in the pensions industry. We are proud to have played such a leading role in bringing workplace pensions to thousands of customers who have never saved into a pension before.

Our auto-enrolment proposition has been extremely well received, with our market share increasing to 8.3% by the end of the third quarter. Despite the huge increase in business we’ve continued to provide an excellent service to our customers.

The key to our success is a people-led approach built on sound principles of talking to employers.

Our commitment to providing a great service has allowed us to set out very clear guidelines on how to set up an auto-enrolment scheme successfully.

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**Growth in Intermediary business – Present value of new business premiums (PVNBP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>PVNBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£2.899m</td>
</tr>
<tr>
<td>2013</td>
<td>£3.432m</td>
</tr>
<tr>
<td>2014</td>
<td>£4.792m</td>
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</tbody>
</table>

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**2014 AWARDS**

Royal London Group  Strategic Report with Supplementary Information 2014
Our strong performance in personal pensions was undoubtedly boosted by the promise of greater freedoms for people’s pension pots announced by the Chancellor in his April 2014 Budget statement. We are fully committed to helping our customers understand these freedoms.

We are pleased with the low opt-out rates employers have experienced. Part of this is attributable to our ability to deliver clear and timely communications to members.

Our strong performance in personal pensions was undoubtedly boosted by the promise of greater freedoms for people’s pension pots announced by the Chancellor in his April 2014 Budget statement. We are fully committed to helping our customers understand these freedoms and we recognise that engaging with them at the right time as they approach retirement is critical.

Protection (UK)
We aim to build on the momentum achieved in the UK protection market at the end of 2014.

We believe there’s a real need for the cover that protection products provide, whether it’s a lump sum pay-out for critical illness, income protection or a life policy. However, the industry has made it difficult for customers and advisers to navigate the market by creating several complex products.

During 2014, we carried out extensive research and analysis to help us identify how we can better serve our customers by improving our products and customer service.

In 2015, we will continue to focus on differentiating Royal London more clearly from our competitors. We will achieve this by improving our support for advisers and providing simpler, bolder products that deliver the features our customers want. We are also working with reinsurers to consider how we can grow the protection market.

Protection (Ireland)
Caledonian Life rebranded to Royal London Ireland in December. We also launched a new Income Protection product, revamped our Specified Serious Illness product and launched three new websites – consumer, broker, and a new business and underwriting system.

As well as these major new developments, it has been another successful year with new business up 15% on 2013.

One brand
During the year, we started to bring all of our Intermediary businesses together under the Royal London brand.

Scottish Life and our Irish protection business, Caledonian Life, have both successfully rebranded to Royal London. Our UK protection businesses, Bright Grey and Scottish Provident, will follow suit in 2015.

Our vision is to build one trusted brand, committed to delivering the best customer experience and outcomes.

Customer service
Maintaining and improving our customer service was a core objective for 2014 and the many awards we have won show we have made good progress. We have improved our online service so customers can access information quickly and easily and will ensure they continue to benefit from our expertise by giving them access to the right people.

Working with advisers
2014 was also a year of great change for financial advisers. We are passionate about the value of impartial advice and we will continue to work with advisers so they can deliver good financial advice and help our customers achieve the best possible outcomes.
In 2014 we firmly established our new Consumer division, which enables us to deal directly with customers with simple needs who may not be able to afford financial advice.

The Royal London name has started to appear on television and in other advertising as we appeal directly to customers with our products. We intend to continue raising our profile as we seek new customers in this area of growth for us.

To build the new Consumer division we have brought together existing operations under the consumer banner, launched new products and made those products available through a wider range of channels, such as via the internet as well as by telephone and by post.

One brand
During the year we brought MoneyVista, our financial planning and education business, into the Consumer division and rebranded it as Royal London Money Manager. This formed part of the overall strategy to bring the vast majority of the Group’s activities under the Royal London brand and a step in the right direction to support Royal London’s ambition to provide financial education to our members and customers.

Royal London Plus, which encompasses customers with policies originating from companies including Royal Liver, United Friendly and Refuge Assurance, also became known simply as Royal London.

In 2013 we bought the Co-operative Insurance Society Limited (CIS) from the Co-operative Banking Group. In 2014 we transferred this life insurance business into a new sub-fund within Royal London because it is more efficient for us to manage the business this way. Aside from giving former CIS customers confidence that their policies are backed by a stable, financially secure business,
To build the new Consumer division we have brought together existing operations under the consumer banner, launched new products and made those products available through a wider range of channels, such as via the internet as well as by telephone and by post.

Awards-winning new products launched
As already detailed in our Group Chief Executive’s statement (see page 08), we launched two new products in the third quarter of 2014, an Over 50s Life Cover product and an online Life Insurance product. Both have been recognised as being innovative and customer friendly, and have won a number of awards since their launch, including the Defaqto five-star award for the Over 50s cover. We also won the award for Best Life Insurance provider for our new Life Insurance product at the 2014/15 Personal Finance Awards, voted for by 11,000 customers.

Building these products involved extensive research into the needs of customers and how best to meet them. For instance, the Over 50s product is the only one in the market where, if a customer is halfway through their policy’s term, we will pay out a reduced benefit, even if the customer is no longer able to make their payments. In most cases, customers who stop making payments lose all of their accumulated value. Our product is different.

Our Life Insurance is simple, quick and easy to buy online, and totally transparent. The price we quote is the price the customer will pay on every single occasion, in contrast to most other similar products.

We have been encouraged by the positive response to our initial marketing of these new products, from both existing and new customers. More extensive marketing will begin in 2015.

Annuity Bureau
Changes to the rules around annuities announced in the April 2014 Budget have given consumers greater flexibility in what to do with their pension pot in retirement.

Royal London had already been working on plans to improve the annuity options we offer our existing customers and in the first half of 2014 we launched an Annuity Bureau. The bureau is designed to help customers shop around and find the most competitive annuity rates as they approach retirement. It is available to our 4 million direct customers and they can now compare both standard and enhanced annuities from 10 leading annuity providers.

Customers using the bureau are receiving an improved income in retirement of between 10% and 40%. Fewer customers are choosing annuities now that the regulations have been changed, but for many people annuities are a good option and the bureau allows customers to get the best value from the products available.

Developing channels
As well as new products, 2014 was also about helping customers to interact with Royal London in new ways. Customers can now buy our products online using a computer, tablet or smart phone, or over the telephone.

We have also improved access to our financial education material online, and made it available to both customers and the public. Our glossary of financial services terminology, something we call ‘Finglish’, was launched on our website in October, giving common-sense translations of financial services jargon.

The future
We are investigating a range of new propositions, particularly in the retirement and savings areas, to complement the new products we have launched so far.
Royal London’s Wealth division consists of two investment-related businesses. Royal London Asset Management (RLAM) manages assets on behalf of internal and external customers, with the aim of delivering strong investment returns. Royal London Platform Services (RLPS) is Royal London’s independent wrap platform service which trades as Ascentric and enables advisers to manage their clients’ long-term savings and investments.

RLAM
At the end of 2014 RLAM had £82.3bn of funds under management, a growth of 12% on last year. RLAM won several awards during 2014, particularly across its bond products, including Fixed Income Manager of the Year in the European Pensions and Professional Pensions Awards. This recognition highlights RLAM’s strength in fixed interest, an important area of expertise and one which proved attractive in the low-interest-rate environment that prevailed in 2014, with strong inflows into our credit funds reflecting this. Among RLAM’s equity propositions, the RL UK Equity Income Fund proved attractive, with strong sales throughout 2014.

Investment backdrop
Investment conditions were volatile throughout 2014. Despite speculation about a potential rate rise, interest rates remained low and correspondingly, gilt yields fell during the year. Weaker than expected global activity led to economic growth forecasts being revised downwards. Stockmarkets responded with considerable volatility in the final few months of the year. Quantitative easing, the
Group funds are represented by Royal London under RLAM management. The proportion of total assets managed by RLAM, representing around 73.5% of the total assets managed by RLAM. RLAM’s strength in fixed income proved an asset in these conditions, along with a strong track record in UK equities. Some 44.1% of RLAM’s funds were first quartile over the year.

The Royal London Long-Term Fund delivered a return of 13.0% during the year against a benchmark return of 13.1%. It outperformed its benchmark over three years, delivering 31.72% against a benchmark return of 28.59%.

Returns for Royal London members
The funds of the Royal London Group represent around 73.5% of the total assets managed by RLAM. RLAM’s institutional business targets financial advisers, multi-managers and discretionary fund managers, of sources, including wealth managers and discretionary fund managers, financial advisers, multi-managers and wrap platforms and other third parties. Wholesale has been an important growth area for RLAM, with products within some of the best-selling sectors gaining significant market share.

External sales
Once again, RLAM had a successful year in attracting assets from customers outside the Royal London Group.

The Royal London’s wholesale business generated some £2bn gross in new assets during the year. These flows came from a range of sources, including wealth managers and discretionary fund managers, financial advisers, multi-managers and wrap platforms and other third parties. Wholesale has been an important growth area for RLAM, with products within some of the best-selling sectors gaining significant market share.

RLAM’s institutional business targets charities, pension schemes, corporations, local authorities and insurers. Institutional business generated gross sales of £1.5bn.

RLAM has developed a particularly strong market position in the charitable sector as well as with universities, local authorities and churches. This presence is supported by RLAM’s products at the lower end of the risk spectrum and is complemented by the addition of a range of sustainable funds introduced with the acquisition of The Co-operative Asset Management (TCAM).

In addition to strong inflows, RLAM saw limited outflows of funds, something that afflicted many of its peers, and this meant that retention levels were good. Sales revenue from existing customers made an important contribution across both channels, as did sales from new direct sources.

Products
RLAM launched the RL Absolute Return Government Bond Fund in November 2014. It is an important strategic step in broadening the fixed-income product range, and enhances a now full-spectrum sovereign bond offering. The proposition is unique within the industry at the moment and is aimed at investors seeking to benefit from increased volatility in government bond markets whilst maintaining steady, absolute returns.

Integration of TCAM and RLAM
During the year, the asset management business of the Co-operative, acquired in 2014, was integrated into RLAM. TCAM, as the business was known, has now been fully assimilated. During the year, RLAM insured some of the property and overseas equities funds that had previously been managed externally, without affecting the investment performance of these products. A team of 14 people from TCAM transferred to our Wilmslow office bringing, specifically, their expertise in sustainable investments and corporate governance.

In October, Royal London’s Cash Management business (RLCM) was transferred into RLAM. Previously a subsidiary of the Royal London Group, RLCM had worked closely with RLAM since its acquisition in 2001. The transfer was executed successfully, with all of RLCM’s existing clients opting to move their contracts to RLAM.

Senior leadership team
We announced in January 2014, that Piers Hillier would be taking over from Robert Talbut as Chief Investment Officer (CIO). We wish to thank Robert for his contribution to RLAM’s success over the past 10 years.

RLPS (Ascentric)
RLPS is Royal London’s independent wrap platform, and trades under the Ascentric brand to underline its independent approach. RLPS’s technology-based service enables financial advisers to manage their clients’ long-term savings directly by choosing which funds to invest them in. Assets under administration (AuA) growth continued in 2014, up 22% in line with the market.

This means focus during the year was on the ongoing project to replace the platform’s back-office technology with delivery due in 2015. This back-office upgrade will place RLPS amongst a select number of platforms using state-of-the-art technology, providing the business with a number of enhancements and efficiencies. Operating in an increasingly competitive marketplace, RLPS maintained its market share.

The retirement changes in the Chancellor’s 2014 Budget will have a significant impact on the platform market. Platforms enable customers to move their money seamlessly between different wrappers and provide access to a very broad range of investments. Usage will increase as advisers look for solutions for their clients’ income needs. RLPS has already seen a year-on-year increase of 77% in drawdown business since the budget announcement. Current predictions are that from April, 70% of the funds which advisers would have historically placed in annuities will now go to drawdown. RLPS is well placed to take advantage of this market opportunity, and will be in the market with both Flexi-Access Drawdown (FAD) and Uncrystallised Fund Pension Lump Sum (UFPLS) options in April 2015.

During the year, it was announced that Jon Taylor, former CEO of RL (CIS) Ltd would become Managing Director of RLPS whilst Hugo Thorman, RLPS’s previous managing director, would become Chairman of the company. Hugo stepped into this role in January 2015.

Platforms such as RLPS remain a growth area in the asset management industry, and are continuing to take overall market share within the long-term savings market. RLPS is well positioned to continue benefiting from this change.
Our corporate responsibility

We want to ensure that responsible behaviour is integrated into the way we do business at Royal London.

Across the Royal London Group, corporate responsibility is focused on four main areas: the environment, the community, the marketplace and our people.

With over £82bn of assets under management, RLAM has a responsibility to use its investment strength to promote positive corporate behaviour to the benefit (in terms of long-term performance) of our clients and the wider community. The concept of sustainable investment is a key part of our product offering and we take a proactive approach to promoting best practice in the companies in which we invest.

RLAM is a responsible investor across all our funds as we follow the six principles established by the United Nations’ Principles for Responsible Investment (UNPRI) and we are evaluated against them every year.

Environment
We strive to minimise our environmental impact and have set up a number of initiatives to reduce our carbon emissions, limit waste and develop sustainable environmental practices. There are four key areas of focus for reducing our environmental impact.

- Switching off lights, PC monitors, printers and photocopiers when they are not needed. Our environmental management system (EMS) tracks our energy consumption and carbon footprint;
- Carbon offsetting for all business flights. Flight levies are added to bookings made via Portman Travel, with the money raised sent to The Woodland Trust, a registered charity, who plant sufficient trees to offset the carbon produced by these flights;
- Increased recycling. By effectively sorting the material we discard, we reduce the amount of waste going to landfill by around 30% and reduce the cost of removing our waste by the same; and
- Reducing the quantity of electrical and electronic equipment waste going to landfill and incineration and increasing its re-use, recovery and recycling in accordance with the Waste Electrical and Electronic Equipment Regulations.

We aim to work with companies that have good corporate responsibility credentials. Part of our criteria for partnership is that they demonstrate best practice – such as Mitie who manage the waste from our sites, TNT who deliver our mail and DataSpace who look after our off-site file storage.

Community
Our community programme supports the communities in which we work and live. Activities include a national charity partnership and a matched donation scheme. We also offer people at Royal London the chance to make regular tax-free donations to their favourite charitable causes through the Give as You Earn scheme.

In 2013 we started our partnership with Leukaemia & Lymphoma Research (LLR) and over the past two years raised over £100,000, with fundraising activities and events taking place all over the UK. Staff have taken part in Group-wide quizzes and raffles, as well as other fundraising activities. The money raised will be used to aid LLR in their mission to stop people dying of blood cancer. We will continue to work with LLR throughout 2015 whilst we review our corporate responsibility strategy.

In November 2014, we announced a new partnership to sponsor the Professional Cricketers’ Association (PCA) Benevolent Fund until the end of 2017. As a registered charity, it sits at the heart of the PCA’s commitment to help current and former players and their dependants in times of hardship, and to readjust to their world beyond the game. This partnership represents an important development in our existing cricket sponsorship and reflects one of the core business functions of Royal London: helping people plan for their financial future.

In 2015, we’ll be launching a new grassroots programme designed to find our cricket stars of the future. It will take the form of a national eight-a-side tournament, encouraging boys and girls under the age of 11 to participate in more club-level cricket during the summer holidays. The national final will be played during the One-Day Cup final at Lord’s in front of thousands of fans.

We are absolutely delighted that Royal London, a true partner for English cricket, has chosen to offer generous support to the PCA Benevolent Fund. With their help, we will be able to offer more help to more people, and for that we are very grateful.

Angus Porter
Chief Executive,
Professional Cricketers’ Association

Royal London colleagues across the country have thrown themselves into a huge variety of fundraising activities and events for Leukaemia & Lymphoma Research. Their team spirit and dedication to the cause has already seen them raise an incredible £90,000 over almost two years, and they look set to smash their £100,000 target. All the money they have raised will help us in our mission to beat blood cancer – stopping people from dying and making patients’ lives better.

Rachel Norris
Account Manager,
Leukaemia & Lymphoma Research
RLAM has built a strong relationship with the East London Business Association to help support the community in which we work. Staff share their skills with organisations in the borough of Hackney, as well as supporting students, small businesses and others living and working there. They also support St Joseph’s Hospice, a charity that provides care for anyone with serious and life-threatening conditions, both in the hospice and in patients’ homes.

**Marketplace**

Our products and services help people take responsibility for planning their financial affairs and we regularly monitor them to ensure they offer good value. We take care to invest responsibly and manage our risks effectively; and we are committed to putting our customers first, making sure we continue to improve our products and services to meet their needs.

An estimated 33 million UK adults do not currently use any form of professional advisory service to develop an understanding of their financial position. We continue to seek to improve financial education through the Royal London Money Manager which helps customers and members by providing them with a personal financial planning tool alongside 200 guides to aid their understanding.

Our fight against ‘Finglish’ – the financial services English that very few understand – also continues. During 2014, we encouraged 3,000 of our people to join the mission and avoid financial jargon wherever possible. At Royal London we believe in the importance of plain English: we want our customers to understand and engage with us. So we have started translating terms such as ‘augmentation’ and ‘decumulation’ into clear and simple language – the Finglish dictionary continues to grow! To help people get to grips with Finglish, we have launched a glossary on our website (www.royallondon.com/financialguidance) and we will be expanding this to gather more submissions. As we continue to bring the businesses under a single Royal London brand, we hope, over time, to review all customer-facing documents and remove unnecessary jargon.

At Royal London we want our customers to think of us as a company they can trust and recommend, but in order to be this company, we need to deliver our customer values. By analysing research, we have identified the 10 areas that matter the most to the customer – these are our ‘customer value statements’. We have shared these with the FCA as a demonstration of our commitment to putting the customer at the heart of the business; by meeting expectations in each area, we will deliver an excellent experience. Our customer value statements also help us understand the risks we face if we don’t deliver a fair outcome. For example, without easy-to-understand communication, there is a risk that our customers won’t have the information they need to make the right decisions.

We also review the governance arrangements of companies in which we invest. We look for, and encourage, good governance with the aim of improving the long-term returns to members and to reduce the risk of poor returns resulting from bad strategic decisions. In this reporting period, we have continued to bring pressure to bear on companies through an active approach to corporate governance, publishing our voting track record every six months. We continue to invest time and expertise in developing systems to manage our risks effectively and since the introduction of the Solvency II EU directive we have updated our computer-based employee training programme and made its completion part of the Group’s short-term incentive plan. We also produced a guide to Solvency II for all managers in our business. These actions were designed to ensure that everyone at Royal London understands the implications of the directive and the part we all play in ensuring full compliance.

**Workplace**

We want everybody who works at Royal London to feel pride and a sense of belonging to the company. As an equal opportunities employer we offer career prospects without discrimination and have established policies for recruitment, training and development and flexible working. Our people have the help they need to stay healthy and safe, are rewarded for their contribution and have the opportunity to give their feedback. We were pleased that 84% of our people responded to our annual employee engagement survey in 2014 and we achieved our highest score yet. The results tell us our people feel:

- they are treated with respect;
- they are able to suggest ideas to improve things; and
- Royal London treats customers fairly and is committed to delivering customer satisfaction.

We are keen to make sure our reward programme is extensive and varied. Alongside a competitive remuneration package, bonus scheme and benefits including holidays, pension schemes and private medical insurance, we recognise the value of having some choice. Our voluntary benefits include dental and travel insurance and the ‘Cycle 2 Work’ scheme. There is also a range of family-friendly initiatives, including childcare vouchers and flexible working. So far we have helped 480 people to improve their work-life balance. In addition, we encourage all staff to take part in volunteering days; they can apply for up to two days of volunteering per year. In 2014, these took place mostly at schools and family centres.

Please pass on our thanks to all your colleagues at RLAM who have been fundraising for us over the past year. Your support has been fantastic, whether it’s baking, taking part in a dress down or following the fortunes of the X Factor hopefuls in your office sweepstake! Thank you so much.

**Helen Fleming**

Head of Corporate Fundraising, St Joseph’s Hospice
Group Finance Director’s review

REACHING NEW HEIGHTS
I am delighted to present the Royal London Group results in my first review as Group Finance Director.

I joined the Group in May 2014, taking over from Kerr Luscombe, whom I would like to thank for his support during our handover period. A great deal was achieved during 2014 and in this review I explain the financial outcomes for the year in further detail. As a mutual, our financial priorities are to deliver good financial returns to our members and policyholders, whilst at the same time maintaining a strong and stable capital position for their ongoing security. In 2014 we have continued to perform well against these objectives.

Financial summary
We achieved a strong underlying operating result in 2014, with strong new business in the Intermediary division and continued successful performance by the Wealth division. We have also continued with the integration of CIS and its subsidiaries and TCAM operations within our existing businesses and completed the Part VII transfer of the CIS insurance business to RLMIS.

In 2014, our EEV operating profit from continuing operations before exceptional items increased by 12% to £220m. This excludes one-off items such as the gain arising on the acquisition of CIS in 2013 and a charge of £61m in 2014 arising from the introduction of charge capping on defined contribution group pension schemes. As a result of these changes, some of our members holding Royal London workplace pensions will pay lower fees. The EEV result before tax of £195m (2013 £465m) reflects a reduction in yields on government bonds to very low levels at the end of 2014, the CIS business combination gain recognised in 2013, a decrease in the Royal London Group Pension Scheme surplus and an increase in financing costs.

Capital strength
Our Insurance Groups Directive (IGD) regulatory capital surplus increased by 23% during the year to £3,390m as a result of strong business performance and improvements arising from the Part VII Transfer of the CIS business. Realistic working capital rose by 10% to £3,392m.

Our closed sub-funds remained self-sufficient and required no support from the Royal London Open Fund.

Returning value to our with-profits policyholders
We have returned good value to our with-profits policyholders in 2014, through good investment returns on their policies and £285m of bonuses added to with-profits policies. We also shared profits with qualifying policyholders by allocating £60m (after tax) through the discretionary Royal London Profit Share representing an enhancement to qualifying with-profits policies of 1.15% (2013 1.25%).

Key developments in 2014
Integrating CIS, its subsidiaries and TCAM into Royal London was one of the year’s most important activities. In December, the High Court approved the transfer of the assets and liabilities of the business known as Royal London (CIS) Limited. As a result Royal London paid the outstanding deferred consideration of £180m to the Co-operative Banking Group. The assets and liabilities of CIS were placed into a separate closed sub-fund of Royal London called the Royal London (CIS) Sub-Fund.

In addition to the transfer of RL (CIS) Limited into a separate closed sub-fund of Royal London, we also undertook a Part VII Transfer of the assets and liabilities of one of our subsidiaries, Royal London Pooled Pensions Company Limited, into the Royal London Open Fund.

Another key development was the launch of the new direct-to-consumer offering, with the first products rolled out in the latter part of the year. It is still early days and the direct-to-consumer business is not yet making a significant impact on our results, but we expect it to begin to increase its contribution to the Group result in 2015.

The result of this year’s performance is that Royal London has produced good returns for its policyholders and strengthened its capital position.
Group Finance Director’s review continued

Financial review

EEV results
The life insurance industry has a number of ways of measuring profitability. We believe the most meaningful measure currently available for Royal London is the European Embedded Value (EEV) basis, and we focus our reporting around these numbers. Figures based on the International Financial Reporting Standards (IFRS) are also included in this report.

EEV operating profit
EEV operating profit from continuing operations before exceptional items increased by 12% to £220m (2013 £196m). The increase is due to strong new business performance and increased profitability from the Group’s existing business. We also saw an improvement in the number of customers remaining with the Group for longer than expected and we also incurred lower expenses than expected, because we improved our operating efficiency. The strong result was achieved despite a £51m charge, representing costs we expect to incur in the Royal London Open Fund implementing the regulatory and reporting requirements of Solvency II, and an increase in strategic development costs, investments we believe are important for our future competitiveness, and that we expect will deliver good returns in the future.

Our EEV operating profit includes:

- £85m profits from continuing new business written in the year, a 21% increase on last year (2013 £70m);
- £56m benefits from operating experience variances (2013 £29m);
- £12m benefits from operating assumption changes (2013 £48m), including the costs of Solvency II;
- £31m strategic development costs (2013 £17m); and
- £42m charge from other items and model changes (2013 £42m).

Exceptional items
Total EEV operating profit decreased by 48% to £159m due to a one-off gain of £150m recognised in 2013 on the acquisition of CIS, and a £61m exceptional cost in 2014 arising from the 0.75% charge cap applied to defined contribution pension schemes.

Given its size, we have presented this exceptional charge in our EEV results as a separate line item below ‘continuing’ operating profit.

EEV profit before tax after reflecting the impact of economic variances
Profit before tax was down 58% to £195m on the previous year (2013 £465m). Key factors are those already described on this page – the £61m exceptional cost arising from charge capping on defined contribution group pension schemes and the £150m exceptional gain in 2013 from the acquisition of CIS, which increased profitability in that year. A number of other factors also reduced the profit before tax result for 2014. They include lower economic items due to the impact of the fall in yields on government bonds at the end of 2014, a decrease in the surplus of the Royal London Group Pension Scheme (RLGPS) of £42m and increased financing costs reflecting the impact of our subordinated debt refinancing exercise in 2013.

EEV operating profit from continuing operations before exceptional items*

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<th>Year</th>
<th>EEV Operating Profit</th>
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</thead>
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<tr>
<td>2010</td>
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<td>2011</td>
<td>£225m</td>
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<td>2012</td>
<td>£228m</td>
</tr>
<tr>
<td>2013</td>
<td>£196m</td>
</tr>
<tr>
<td>2014</td>
<td>£220m</td>
</tr>
</tbody>
</table>

* All results exclude RL360®, which was disposed of during 2013.
**New business results**

On a like-for-like basis and calculated on the present value of new business premiums (PVNBP), we saw our life and pensions new business increase by 39% on the previous year.

Performance in our Pensions business was a significant factor in the overall strong new business results, whilst the Intermediary Protection business suffered from difficult market conditions. Our Consumer business saw improved new business results, mainly as a result of the launch of our new direct-to-consumer range. The overall result was an increase on the previous year with changes in new business sales for:

- group pensions up by 83%;
- individual pensions up by 25%;
- drawdown up by 43%;
- intermediary protection down by 23%;
- and consumer protection up by 167%.

**Life and pensions new business margin**

New business margins for Pensions increased slightly from last year. In Intermediary Protection 2014 margins benefited from increased new business contribution which rose due to a lower discount of future revenues as yields on government bonds fell in December 2014 compared with December 2013.

RLAM’s PVNBP was down 5% to £3,755m, reflecting an exceptionally high performance in 2013.

Our new business results are shown in the table below.

**Total life and pensions business PVNBP**

The chart below shows the significant growth in the value of the Group’s new life and pensions business premiums over the past five years.

**Impact of economic variances**

Our results for 2014 benefited from £325m positive experience variances. This means our investment returns were better than we expected at the start of the year. The results also include £143m of negative economic assumption changes because we have downgraded our expectation of future investment performance due to lower market interest rates at the end of 2014 compared to the end of 2013.

**Movement in Group pension scheme surplus**

Our reported results for the year were impacted by the £42m reduction in the surplus of the RLGPS in 2014. The decrease is mainly due to a reduction in the rate used to discount the scheme liabilities, which reflects a reduction in the yields available on high-quality corporate bonds.

This was only partially offset by the investment returns on the scheme assets and lower expectations of future inflation. The 2014 results also allow for the triennial actuarial valuation which was completed in June 2014. The impact of allowing for the new valuation was a slight decrease in surplus mainly due to expectations that people will live longer.

We also operate two schemes for ex Royal Liver employees. The surpluses of these schemes are included as part of the valuation of the closed Royal Liver Sub-Fund and therefore do not count towards the surplus position of the Royal London Open Fund. The combined Royal Liver scheme surplus as at 31 December 2014 was £80m (2013 £61m).

The Group continues to work closely with the Trustee Boards to assess options for reducing the schemes’ exposures to market volatility.

---

**Growth in new life and pensions business premiums PVNBP**

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2,775m</td>
<td>£2,893m</td>
<td>£3,160m</td>
<td>£3,464m</td>
<td>£4,826m</td>
</tr>
</tbody>
</table>

---

**New business results**

<table>
<thead>
<tr>
<th></th>
<th>New business contribution £m</th>
<th>PVNBP £m</th>
<th>New business margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>55.6</td>
<td>26.7</td>
<td>4,454</td>
</tr>
<tr>
<td>Protection</td>
<td>22.7</td>
<td>20.0</td>
<td>338</td>
</tr>
<tr>
<td>Consumer</td>
<td>(12.9)</td>
<td>0.9</td>
<td>34</td>
</tr>
<tr>
<td>Continuing life and pensions business</td>
<td>65.4</td>
<td>47.6</td>
<td>4,826</td>
</tr>
<tr>
<td>RLAM</td>
<td>29.9</td>
<td>30.7</td>
<td>3,755</td>
</tr>
<tr>
<td>Total continuing business</td>
<td>95.3</td>
<td>78.3</td>
<td>8,581</td>
</tr>
</tbody>
</table>

---

New business contribution in the table above has been grossed up for tax at 21% (2013 23%). We have done this to help compare our results with the results of shareholder-owned life insurance companies, which typically pay at 21% (2013 23%).
IFRS results
The IFRS result from continuing operations for 2014 was a profit of £416m (before tax and before deducting the profit share of £60m) (2013 £526m). As with the EEV results, the fall on last year is primarily due to an increase in underlying operating profit offset by exceptional items, smaller positive economic variances, a decrease in the surplus of RLGPS and increased financing costs.

Operating profit
We mainly focus on the EEV basis for assessing our operating performance, as we believe that this is the most meaningful measure of our business.

In order to present a better understanding of the underlying operating performance of the Group, Operating profit excludes certain items which are outside management control. In particular, it excludes the impact of investment fluctuations, economic assumption changes and movements in the pension scheme surplus. It also excludes methodology changes, for example changes to our future investment assumptions which, although under control of management, are a direct response to investment market movements.

Our Operating profit (on an IFRS basis) is broadly similar to our EEV operating profit, the main differences being the amortisation of certain intangible assets, which are recognised in the IFRS results but not in EEV, and the embedded value profits of our asset management business, which are recognised in EEV operating profit but not in our Operating profit basis.

Our 2014 Operating profit from continuing operations was £131m (2013 £312m).

The table below reconciles our Operating profit to the IFRS total transfer to unallocated divisible surplus.

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before business combinations</td>
<td>192</td>
<td>187</td>
</tr>
<tr>
<td>Gain arising on business combinations</td>
<td>-</td>
<td>125</td>
</tr>
<tr>
<td>Charge Cap</td>
<td>(61)</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>131</td>
<td>312</td>
</tr>
<tr>
<td>Adjusting for the following items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return variances and economic assumption changes</td>
<td>336</td>
<td>244</td>
</tr>
<tr>
<td>Net gain/loss on Group pension schemes recognised in result before tax</td>
<td>(8)</td>
<td>-</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(43)</td>
<td>(30)</td>
</tr>
<tr>
<td>Profit share</td>
<td>(60)</td>
<td>(81)</td>
</tr>
<tr>
<td>IFRS profit before tax</td>
<td>356</td>
<td>445</td>
</tr>
<tr>
<td>Tax charge /(credit)</td>
<td>207</td>
<td>73</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>-</td>
<td>(42)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(15)</td>
<td>7</td>
</tr>
<tr>
<td>Total transfer to unallocated divisible surplus</td>
<td>134</td>
<td>337</td>
</tr>
</tbody>
</table>

Presentation of our results
As a mutual business, our Group financial results presented in this Annual Report and Accounts represent the full movement in the year in the value of the Royal London Open Fund. Our reported profit does not include the profits of closed sub-funds, since we retain the surpluses of closed funds for the benefit of with-profits policyholders who are invested in those funds.

This differs from the way that shareholder-owned life insurance companies present their results. For these companies, the profit or loss for the year is only that attributed to the company’s shareholders and is generally restricted to 10% of the distributable surplus in the with-profits fund and all the surplus from the non-profit business. Amounts attributable to policyholders are retained separately and are not included in reported profit.
Capital strength

One of our key financial priorities is to manage our capital levels effectively, in order to provide security and the freedom to pursue good financial returns for our policyholders and members.

We report the Group’s capital on the two PRA Pillar I bases:

- The regulatory (Insurance Groups Directive) basis; and
- The PRA realistic balance sheet (realistic) basis. The realistic capital basis underpins our IFRS and EEV valuations.

Our capital position improved under all measures, even after deducting the Profit share, reflecting the overall positive result for the year.

Excess regulatory capital has increased by 23%. The transfer of the assets and liabilities of RL (CIS) Limited into a separate sub-fund of Royal London in December 2014 had a significant impact on the regulatory capital position.

As a result of the transfer Royal London was able to recognise an asset of £200m in our regulatory capital that previously could not be recognised.

Regulatory capital

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total available regulatory capital</td>
<td>£13,366</td>
<td>£9,103</td>
</tr>
<tr>
<td>Capital requirement</td>
<td>(£1,341)</td>
<td>(£1,229)</td>
</tr>
<tr>
<td>Additional with-profits requirements</td>
<td>(£8,635)</td>
<td>(£5,125)</td>
</tr>
<tr>
<td>Excess regulatory capital</td>
<td>3,390</td>
<td>2,749</td>
</tr>
</tbody>
</table>

1 Includes tier 2 capital.
2 The additional with-profits requirements represent the regulatory surpluses in the closed sub-funds. These are held for the benefit of the policyholders invested in them and therefore do not count towards the Royal London Open Fund excess regulatory capital.

Realistic capital

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realistic working capital (before closed fund transfer commitments)</td>
<td>£6,459</td>
<td>£4,046</td>
</tr>
<tr>
<td>Closed fund transfer commitments</td>
<td>(£3,052)</td>
<td>(£972)</td>
</tr>
<tr>
<td>Total working capital</td>
<td>3,407</td>
<td>3,074</td>
</tr>
<tr>
<td>Risk capital margin</td>
<td>(15)</td>
<td>0</td>
</tr>
<tr>
<td>Excess realistic capital</td>
<td>3,392</td>
<td>3,074</td>
</tr>
</tbody>
</table>

1 Includes tier 2 capital.
2 Closed fund transfer commitments represent the realistic working capital of the closed sub-funds, which is retained for the benefit of policyholders in those funds.
Royal London with-profits investment performance

RLAM invests assets on behalf of our customers and achieved good returns on these during 2014. The FTSE 100 ended the year at 6,566, which was 3% below its value of 6,749 at the end of 2013.

We measure RLAM’s performance against benchmarks constructed from the performance of different types of asset in the market. Each of our funds has different benchmarks reflecting its asset mix. This helps us to ensure that we are comparing like with like to assess asset management performance.

In 2014, our investments backing the asset shares of the Royal London Open Fund achieved a return of 10.9%, which was an increase on 2013, but slightly behind benchmark. The chart top right shows the fund’s performance against benchmark for the past five years.

The chart bottom right shows the performance of the different investments backing the asset shares of the Royal London Open Fund and compares these with their relevant benchmarks. Our 2014 investment returns were ahead of benchmark in property, UK equities and UK corporate bonds. As at 31 December 2014 the different investments backing the asset shares of the Royal London Open Fund were composed of 62% equities and property (2013 64%), 24% government bonds (2013 23%), 13% corporate bonds (2013 13%) and 1% other (2013 0%).
Returning value to our members and policyholders

We have returned good value to our with-profits policyholders in 2014, through:

- the investment returns achieved on their policies, which were slightly higher than those seen in 2013;
- the payouts that were paid to maturing policies during the year, which compare well with our industry; and
- Royal London Profit Share, which although reduced this year, still amounts to a 1.15% enhancement to the qualifying policies’ asset shares (£60m in total).

With-profits policyholder bonuses

We added £285m of bonuses (2013 £318m) to with-profits policies in 2014, as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>73</td>
<td>52</td>
</tr>
<tr>
<td>Interim</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Final</td>
<td>200</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>285</td>
<td>318</td>
</tr>
</tbody>
</table>

This reflects increases in many of our bonus rates, but is lower in total because fewer policies matured in 2014, with many endowments maturing in 2013.

We manage our with-profits funds and set bonus rates with the aim of being fair to all policyholders invested in the funds. When we decide bonus rates we need to consider the policyholders who will remain in the fund as well as those whose policies mature or become claims. We also need to maintain the strength of the funds and protect the long-term interests of current and future policyholders and members.

Annual bonus rates for 2014 remained unchanged at 0.5% for Royal London conventional with-profits life policies and have been increased for Royal London accumulating with-profits pension policies, from 1.5% to 2.0%.

The annual bonus rates for Royal London unitised with-profits policies were increased from 2.0% to 2.5%, with the exception of Royal London with-profits insurance ISA (which was increased from 0.5% to 1.0%) and the UWP personal pension (which remained unchanged at 1.35%).

FTSE (footsie) (n)

Sounds like: What you play under the table on a date

Is actually: An index of the average share prices of the largest 100 companies quoted on the London stock exchange
Group Finance Director’s review continued

Profit share
From this year onwards, the mutual dividend will be known as the Royal London Profit Share. This is to avoid confusion with dividends paid by publicly-listed companies to their shareholders. Profit share more accurately reflects the nature of this discretionary allocation, which is calculated on the basis of EEV operating profit and the Group's capital strength.

We have allocated a Royal London Profit Share to all eligible with-profits policyholders, which shares the benefits of our performance. Based on our performance in 2014, this has enabled us to allocate a discretionary Profit share of £60m or £64m before tax (2013 £81m or £86m before tax).

We have applied the Royal London Profit Share by enhancing the asset shares of relevant policies. This represents an enhancement to the relevant policies’ asset shares of approximately 1.15% (2013 1.25%).

We started allocating the Profit share in 2007, and the total Profit share allocated to members since then amounts to £466m.

Comparison of our payout with other providers
The chart below illustrates our typical payout for 15-year Royal London Open Fund policies. We are showing this time period because this is the policy duration with the greatest volume of maturities in 2014. As the chart shows, we paid out higher returns than the active industry average and also higher returns than a number of shareholder-owned UK insurers. We make the comparison with shareholder-owned insurers because there are no other mutual insurers in the UK market of a comparable size to Royal London. An equivalent chart would show a similar profile compared to our peers at 20 and 25 year maturities, although our payouts are slightly below the industry average for these longer maturities.

Payments to protection policyholders
During the year, we paid £227m in claims to policyholders and their families based on life and critical illness policies (2013 £192m). Some 95% of claims were paid.

Unit-linked investment returns
Members holding pensions invested in our Governed Portfolio range enjoyed returns in line with benchmark over 2014. Seven out of the nine portfolios were ahead of benchmark for the six-year period following launch. Over 2014, the Governed Portfolio range accounted for 83.9% of new business premiums into our pension portfolio and Retirement Solutions contracts.

<table>
<thead>
<tr>
<th>Illustrative payout on 2014 maturity of a £50 a month 15-year with-profits endowment policy</th>
<th>£12,530</th>
<th>£12,205</th>
<th>£11,913</th>
<th>£11,022</th>
<th>£11,072</th>
<th>£10,626</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal London</td>
<td>Active industry average</td>
<td>Prudential</td>
<td>Norwich Union</td>
<td>Standard Life</td>
<td>Scottish Widows</td>
<td></td>
</tr>
</tbody>
</table>

Source: ‘Money Management’ April 2014
Active industry average excludes providers which are distributing their remaining large estates to just a few policyholders.
We introduce these new with-profits products.

It is essential that we treat all of our customers, in particular our existing with-profits policyholders, fairly in the way we manage or Royal London Profit Share, this will depend on how the regulations are finalised and interpreted by the industry and our regulators. However, we will continue working to ensure we can maintain or manage our risks whilst meeting our commitments to customers.

Ratings agencies
Royal London has good financial strength and a stable outlook, meaning members and policyholders can be confident they are dealing with a secure company. The agencies Standard and Poor's and Moody's have issued ratings on Royal London for a number of years based on several factors including financial strength. During 2014 our ratings were unchanged: our Standard and Poor’s rating is A and our Moody's rating is A2.

Mutuality
We are committed to our mutual status. We are owned by our members and we want our members to benefit from our successes. Over the past decade we have given £466m in Profit share back to our eligible with-profits policyholders.

One of the challenges we face is that the number of customers choosing traditional forms of with-profits products has been declining – so fewer customers benefit from our Profit share each year. At the same time the number of our members who are not-with-profits policyholders has been increasing. We want to bring things back into line by extending the scope of our Profit share – so that more customers share in our successes – and hope to achieve this by launching a new form of with-profits product next year.

It is essential that we treat all of our customers, in particular our existing with-profits customers, fairly in the way we introduce these new with-profits products.

Forward-looking statements
This strategic report contains 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; and
- 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 out in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements contained in this document or any other forward-looking statement it may make.

Summary
During 2014 we have delivered a strong operating result, which is enabling us to allocate the Royal London Profit Share to our eligible policyholders for another year. We have also seen a substantial increase in our capital strength. This demonstrates our commitment to deliver value to our customers and members.

Looking forward, our financial priorities continue to be to grow our profitable business lines, further improve our operational effectiveness, work to meet the requirements of Solvency II and manage the potential impacts of the new capital requirements.

Tim Harris
Group Finance Director

Mutuals’ Deferred Shares Bill
We welcome the recent Mutuals’ Deferred Shares Bill, which at the time of writing is awaiting Royal Ascent. We will consider whether such instruments are relevant for Royal London and revert to members as the enabling regulations become clear.

Reinsurance
In May, we signed a £1bn longevity reinsurance deal covering 70,000 CIS policies, which reduced risks for the Royal London balance sheet.

Solvency II
Solvency II is a major European Union directive that will transform how we manage and report risk and capital. It will be implemented from January 2016, and we have a significant programme under way to ensure that we are well positioned to deal with the additional requirements. The final details of Solvency II requirements are still not clear. Whilst we do not anticipate material impact on policyholder bonuses or Royal London Profit Share, this will depend on how the regulations are finalised and interpreted by the industry and our regulators. However, we will continue working to ensure we can maintain or manage our risks whilst meeting our commitments to customers.

We are committed to our mutual status. We’re owned by our members and we want our members to benefit from our successes. Over the past decade we have given £466m in Profit share back to our eligible with-profits policyholders.

We've made good progress but there is still a lot to do and we hope to say more about this later this year.

Overview of other key finance activities
Corporate Governance

Board of Directors

Rupert Pennant-Rea
Chairman
Rupert Pennant-Rea was appointed to the Board on 13 December 2012 and was appointed Chairman after the AGM in 2013. Rupert has extensive financial services industry experience. He was chairman of Henderson Group for eight years and stepped down at its AGM in May 2013. He was deputy governor of the Bank of England from 1993 to 1995, prior to which he spent 16 years with The Economist, where he was editor from 1986 to 1993. He was appointed non-executive chairman of the Economist Group in July 2009. His other directorships include PGI Group Limited and Times Newspapers Holdings Limited.

Phil Loney
Group Chief Executive
Phil Loney was appointed to the Board on 1 October 2011, coinciding with his appointment as Chief Executive of the Group. He previously spent eight years at Lloyds Banking Group, most recently as managing director of the Life, Pensions and Investments business. Prior to joining Lloyds Banking Group, Phil held senior management positions with AXA, Norwich Union, CGU and Lloyds Abbey Life amongst others. He is a director of the Association of British Insurers.

Tim Harris
Group Finance Director
Tim Harris was appointed to the Board as Group Finance Director on 19 May 2014. Before joining Royal London, Tim was chief finance officer for Torus Insurance and prior to that deputy group chief financial officer at Aviva Plc, where he was responsible for leading the group capital team with specific responsibility for managing capital across Aviva, including treasury, asset and liability management, reinsurance and Solvency II. He was also a partner in the Global Capital Markets practice at PricewaterhouseCoopers LLP. Tim is a Fellow of the Institute of Chartered Accountants and a Chartered Insurance Practitioner.

Andrew Carter
Executive Director
Andrew Carter was appointed to the Board on 2 January 2007. He joined Royal London Asset Management in September 2001 as Chief Investment Officer and was promoted to Chief Executive Officer in September 2003. In 2012 he was made Chief Executive Officer of Royal London Wealth. Andrew has extensive asset management experience of the major asset classes, beginning his career in investment management in 1983 with Provident Life. Prior to joining Royal London, he held a number of investment management positions at Gartmore from 1987 to 2001.

Jon Macdonald
Group Risk Director
Jon Macdonald was appointed to the Board on 14 December 2012 having joined the Group in November 2012 as Group Risk Director. He was previously group chief risk officer for RSA. He has held a number of senior risk and capital management roles at Prudential, PricewaterhouseCoopers LLP, Aviva Plc, Fox-Pitt Kelton, Swiss Re and Zurich and is a Fellow of the Institute of Actuaries. He is a member of the Institute of Actuaries’ Risk Management Executive Committee.
Sally Bridgeland was appointed to the Board on 14 January 2015. She is a member of the Nomination and Investment Committees. Sally spent 20 years at AON Hewitt. She was appointed chief executive officer of the BP Pension Fund in 2007, where she was responsible for strategy, regulatory and operational matters for the £19bn fund. Sally is currently a trustee of NEST Corporation; chairs the Education Committee of the Worshipful Company of Actuaries and is a trustee of its Charitable Trust. Sally is also a member of FTSE’s Policy Group.

Ian Dilks was appointed to the Board on 14 November 2014. He is a member of the Nomination, Investment and Audit Committees. Ian spent his entire career at PricewaterhouseCoopers LLP, joining the firm (which was then Coopers & Lybrand) in 1974 and becoming a partner in 1986. He rose to become a member of the global financial services leadership team and global insurance leader. He also led their IFRS conversion businesses in the UK. In his final role at PricewaterhouseCoopers LLP he had responsibility for the regulatory affairs of the global network. He is currently Chairman of the NHS Litigation Authority.

Tracey Graham was appointed to the Board on 10 March 2013. She is Chairman of the Remuneration Committee and sits on the Audit and Nomination Committees. She was chief executive of Talaris Limited, an international cash management business, from 2005 to 2010 and led the management buyout of that business from De La Rue. Prior to that, she was president of Sequoia Voting Systems and customer services director at AXA, and held a number of senior positions at HSBC. Tracey is currently non-executive director at RPS Group Plc and Dialight Plc, where she chairs their respective remuneration committees.

Andrew Palmer was appointed to the Board on 1 April 2011. Andrew is Chairman of the Audit Committee and sits on the Remuneration, Board Risk and Nomination Committees. He was group finance director of Legal & General Group Plc where he also held a number of financial and operational roles in the asset management, insurance and international businesses. He is a non-executive director of Direct Line Insurance Group, a trustee and honorary treasurer of Cancer Research UK, and a member of the Financial Reporting Review Panel of the Financial Reporting Council.

David Weymouth was appointed to the Board on 1 July 2012. He chairs the Board Risk Committee and sits on the Nomination and Audit Committees. David will retire as Group Chief Risk Officer at RSA Insurance Group at the end of May 2015. He previously consulted for a number of major firms and government departments and enjoyed a 27-year career at Barclays including the role of group chief information officer. He is a non-executive director of the Financial Services Compensation Scheme. He has previously held a number of non-executive roles at the Department of Trade and Industry, Chordiant Software and the Charities Aid Foundation.
TAKING THE LONG VIEW
2014 Directors’ summary remuneration report

Annual statement from the Remuneration Committee chair

Dear member,

On behalf of the Board I am pleased to present a summary of the Remuneration Committee report for 2014. The full report, including a description of the activities of the Remuneration Committee in 2014 is available online within the Annual Report and Accounts at www.royallondon.com/2014annualreport. The summary report is being presented to give you a clearer understanding of how pay is aligned to our strategy, how Royal London performed in 2014 and what was paid. Further details on how the policy is set and how elements are calculated is contained in the full report.

The summary report is split into: the key principles of our remuneration policy; the link between Royal London’s strategy and management incentives; how we performed in 2014; and what our directors received in 2014 before describing how we will pay our directors in 2015. There is then a section on some of the key terms of remuneration.

To be successful, the Group needs to attract talented people who can ensure Royal London is the most trusted and recommended life assurance and investment provider. We compete for the best people – mainly from major financial companies – and this requires a careful balance between competitive pay, motivational incentives to drive performance, and appropriate management of risk.

The remuneration policy has three main aims:

- to align executives’ interests with those of our members and customers;
- To support the delivery of the Group strategy whilst ensuring adherence to the Group’s risk appetite; and
- To ensure remuneration is competitive for our markets to help the Group to attract and retain talent.

The Remuneration Committee’s primary role is to ensure that the Group’s remuneration structure is in line with these three aims.

To appropriately incentivise executive managers, the main elements of the reward package are salary, a Short-Term Incentive Plan (referred to as the ‘STIP’) linked to the achievement of the annual business plan, a Long-Term Incentive Scheme (the ‘LTIS’) linked to the achievement of the medium-term plan, market-related benefits and pension provision.

There have been no changes in the Group’s Remuneration policy between 2013 and 2014, although the Committee conducts an annual review of our incentives each year to ensure that they continue to align with the Group’s Strategic aims and with the interests of our members and customers.

The Committee has undertaken a review of the consistency of remuneration policy across the Group and is satisfied that an appropriate reward structure exists below Board level to attract and retain the talent the Group requires.

We will be asking for an advisory vote on the Annual report on remuneration only this year, as the Remuneration Policy approved by members last year has remained unchanged (please find it at www.royallondon.com/about/annual-reports/2013annualreport/). This vote is on the part of the report which details how the remuneration policy has been applied in 2014.

The Remuneration Committee and the Board recommend that you vote for the resolution on the Annual report on Remuneration.

Tracey Graham
Chairman of the Remuneration Committee

The detailed remuneration policy is provided in the full Annual report and accounts for 2014, which is available from the Royal London website at: www.royallondongroup.co.uk/corporategovernance/reportandaccounts/2014
Key principles of our remuneration policy

The Remuneration Committee has agreed the following principles of the remuneration policy for directors and employees alike:

- **Align with the interests of our members and other customers**: Performance-related incentives will be designed to reinforce Group strategy and align the interests of participants to the interests of our members and other customers. To ensure independence, the control functions’ STIP is aligned to the performance of the function and the financial element is minimal (10% of the overall rating).

- **Align with delivering Group strategy whilst ensuring adherence to the Group's risk appetite**: When assessing performance, the Committee will take into account not just the measures and targets in the balanced scorecard, but also wider views on Group performance, quality of earnings and the sustainability of performance before finalising awards.

- **Align with relevant market practice**: The remuneration policy will have regard to the remuneration codes of all relevant regulators, including the Prudential Regulation Authority and the Financial Conduct Authority, as well as institutional investor guidance on remuneration governance best practice.

- **Total remuneration will be appropriately competitive to support the recruitment, retention and motivation of talented people, and to help the Group compete effectively against leading UK life insurers and other financial services companies.**

- The Committee will ensure that risk taking outside of the Group’s risk appetite is not rewarded and will have absolute discretion to amend incentive amounts prior to payment to ensure they are appropriate.

- In addition, the views of members, as expressed through the AGM process, will be taken into account.

The link between Royal London’s strategy and management incentives

Our remuneration policy includes both annual and long-term incentives which together encourage participants to focus on delivering long-term strategy. Our performance measures are selected to support Royal London’s core objective of delivering long-term value for our members:

- **Our people**: Ensuring our employees are fully engaged with the Company, which in turn leads to better service for our members and customers
  - Ensuring we understand and manage the risks of our business effectively
  - Delivering our key investment projects
  - Providing good service and sustainable financial returns

- **Investment performance**: Increasing the value of the business. Ensuring we can always meet our financial obligations
  - Delivering superior investment performance for the benefit of our members and customers

- **Delivering long-term value for our members**: Growing our market share, taking account of the quality of new business and effective management of risk
  - Quality of proposition

- **Building the future**:
  - Customers and members

- **Financial**

- **Annual**

- **Long-term**
How we performed in 2014
The Group performed well on most measures. The Committee reviewed the scorecard results against the Group’s wider performance, in particular the strong growth in our Pensions businesses and RLAM has continued to perform well. Performance outcomes relative to our targets for each measure are presented in the section below, under the 2014 STIP performance outcomes and the 2012–14 LTIS/RLAM LTIP performance outcomes.

What our executive directors received in 2014
Our executive directors received the following remuneration in 2014, in line with the remuneration policy that was approved by members at the 2014 AGM.

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary (£000)</th>
<th>Pension (£000)</th>
<th>Benefits (£000)</th>
<th>STIP (£000)</th>
<th>Total 2014 Performance Pay (£000)</th>
<th>LTIS (£000)</th>
<th>Total 2014 Remuneration (£000)</th>
<th>Total 2013 Performance Pay (£000)</th>
<th>Total 2013 Remuneration (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Carter</td>
<td>354</td>
<td>144</td>
<td>15</td>
<td>389</td>
<td>902</td>
<td>747</td>
<td>1,649</td>
<td>986</td>
<td>1,669</td>
</tr>
<tr>
<td>Jon Macdonald</td>
<td>292</td>
<td>44</td>
<td>15</td>
<td>312</td>
<td>663</td>
<td>218</td>
<td>881</td>
<td>671</td>
<td>756</td>
</tr>
<tr>
<td>Phil Loney</td>
<td>634</td>
<td>156</td>
<td>75</td>
<td>904</td>
<td>1,769</td>
<td>1,090</td>
<td>2,859</td>
<td>1,738</td>
<td>2,614</td>
</tr>
<tr>
<td>Tim Harris</td>
<td>255</td>
<td>51</td>
<td>9</td>
<td>325</td>
<td>640</td>
<td>-</td>
<td>640</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Executive directors received the following pension and benefits in 2014:

Phil Loney
£156,000 pension allowance (25% salary). Car allowance, life and private medical insurance, medical screening, and an allowance of £56,000 for transport and overnight expenses connected to travel between his home and places of work.

Andrew Carter
£144,000 employer pension contribution, car allowance, life and private medical insurance, medical screening.

Tim Harris
£51,000 pension allowance (20% salary), car allowance, life and private medical insurance, medical screening.

Jon Macdonald
£44,000 pension allowance (15% salary), car allowance, life and private medical insurance, medical screening.

Note: Kerr Luscombe left during 2014 and details of his remuneration in 2014 are contained in the full Annual report and accounts for 2014. As in prior years the LTIS values are estimated based on information available at the reporting date.
## How we will reward our executive directors in 2015

The table below sets out a summary of how we will reward each executive director in 2015.

<table>
<thead>
<tr>
<th>Name</th>
<th>Salary (from 1 April 2015)</th>
<th>Pension</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Carter</td>
<td>£364,000</td>
<td>Defined benefit</td>
<td>Car allowance, life and private medical insurance, medical screening.</td>
</tr>
<tr>
<td>Jon Macdonald</td>
<td>£300,000</td>
<td>15% salary</td>
<td>Car allowance, life and private medical insurance, medical screening.</td>
</tr>
<tr>
<td>Phil Loney</td>
<td>£656,000</td>
<td>25% salary</td>
<td>Car allowance, life and private medical insurance, medical screening, travel/ accommodation allowance to fund overnight expenses connected to travel between his home and place of work.</td>
</tr>
<tr>
<td>Tim Harris</td>
<td>£419,000</td>
<td>20% salary</td>
<td>Car allowance, life and private medical insurance, medical screening.</td>
</tr>
</tbody>
</table>

### 2015 STIP performance measures

- Financial: 40%
- Customers & members: 15%
- Our people: 15%
- Assurance: 15%
- Building the future: 10%

73% of Andrew Carter's STIP is based on measures specific to RLAM performance.

### 2015 LTIS performance measures

- Financial: 55%
- Customer experience: 25%
- Investment performance: 10%
- Quality of proposition: 10%

The performance period for the LTIS runs from 1 January 2015 to 31 December 2017. LTIS awards can be adjusted by up to +/- 25% based on the cumulative profit share over the three years e.g. 150% could increase to 187.5%.

* Andrew Carter also participates in the RLAM LTIP, with a maximum opportunity of up to 150% salary.
### Outstanding executive director incentive awards and Royal London unit holding requirements

<table>
<thead>
<tr>
<th></th>
<th>Value of outstanding incentive awards as at 31 December 2014</th>
<th>Unit holding requirements for executive directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deferred STIP awards (£000)</td>
<td>Non-exercisable LTI awards (£000)</td>
</tr>
<tr>
<td>Andrew Carter</td>
<td>667</td>
<td>1,645</td>
</tr>
<tr>
<td>Jon Macdonald</td>
<td>269</td>
<td>585</td>
</tr>
<tr>
<td>Phil Loney</td>
<td>986</td>
<td>2,057</td>
</tr>
<tr>
<td>Tim Harris</td>
<td>-</td>
<td>330</td>
</tr>
</tbody>
</table>

To further align the interests of executive directors with those of our members and customers, executive directors are required to hold Royal London units, as shown above. The value of units is an estimate at the time of publication.

Note: The table outlines outstanding awards to our current executives. As former executives, John Deane, Mike Yardley and Stephen Shone have outstanding awards, details of which can be found in the full report. This is available online at www.royallondon.com/2014annualreport

### Key terms in our executive director service contracts

<table>
<thead>
<tr>
<th></th>
<th>Group CEO</th>
<th>Other executive directors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration of contract</strong></td>
<td>Continuous term to retirement age</td>
<td></td>
</tr>
<tr>
<td><strong>Notice period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By the Company</td>
<td>12 months</td>
<td>Up to 12 months</td>
</tr>
<tr>
<td>By the executive director</td>
<td>12 months</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Pay in lieu of notice</strong></td>
<td>Salary and contractual benefits are payable if employment is terminated by the Group (for reasons other than misconduct)</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Company reimburses reasonable travel and overnight expenses in connection with work-related travel to and from home to place of work</td>
<td>N/A</td>
</tr>
</tbody>
</table>
What our non-executive directors received in 2014
Non-executive directors are paid fees based on the expected time commitment required to fulfil their duties, in line with the remuneration policy that was approved by members at the 2014 AGM. Where additional duties are required, non-executive directors may receive payment of additional fees on a per diem basis for any time commitment over and above the normal expectation. For example, the acquisition of the life, pensions and asset management business of the Co-operative Group in 2013 required additional governance and oversight of the business acquired, and its integration into the Group requires additional time to be committed by some non-executive directors. They are not eligible to participate in any Royal London incentive schemes.

<table>
<thead>
<tr>
<th>Name</th>
<th>Annual fee (£000)</th>
<th>Committee chairmanship (£000)</th>
<th>Additional fee (£000)</th>
<th>2014 total (£000)</th>
<th>2013 total (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Palmer</td>
<td>55</td>
<td>20</td>
<td>23</td>
<td>98</td>
<td>82</td>
</tr>
<tr>
<td>David Weymouth</td>
<td>55</td>
<td>17</td>
<td>6</td>
<td>78</td>
<td>55</td>
</tr>
<tr>
<td>Duncan Ferguson</td>
<td>55</td>
<td>33</td>
<td>23</td>
<td>111</td>
<td>104</td>
</tr>
<tr>
<td>Ian Dilks</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Kathryn Matthews</td>
<td>55</td>
<td>15</td>
<td>-</td>
<td>70</td>
<td>69</td>
</tr>
<tr>
<td>Rupert Pennant-Rea</td>
<td>220</td>
<td>-</td>
<td>-</td>
<td>220</td>
<td>155</td>
</tr>
<tr>
<td>Tracey Graham</td>
<td>54</td>
<td>20</td>
<td>-</td>
<td>74</td>
<td>61</td>
</tr>
</tbody>
</table>

Note: David Weymouth took over as Chairman of the Board Risk Committee from Duncan Ferguson in April 2014. Duncan Ferguson receives a fee for his role as the Senior Independent Director and this is included in the disclosure of his committee chairmanship fee. Those NEDs who took on extra responsibilities when the Group acquired CIS were paid an additional fee for their time commitment.

How we will pay our non-executive directors in 2015
Non-executive director fees for 2015 are as follows:

- **Annual fee**: £56,400
- **Group Chairman fee**: £225,500
- **Senior Independent Director fee**: £10,000

Where additional duties are required, non-executive directors may receive payment of additional fees on a per diem basis for any time commitment over and above the normal expectation.

**Supporting social responsibility**
At Royal London, we believe social responsibility is at the centre of making mutuality meaningful.

For example, our ‘Stepforward’ programme enables our people to undertake voluntary work in and around our communities.

Phil Loney, Group CEO, leads by example and donates a quarter of his STIP to charity.

By order of the Board

Tracey Graham
Chairman of the Remuneration Committee
Auditors’ report

Independent auditors’ report to the members of The Royal London Mutual Insurance Society Limited

We have examined the supplementary financial information included within the Strategic Report with Supplementary Information for the year ended 31 December 2014, which comprises the Summarised consolidated income statement: EEV for the year ended 31 December 2014; the Summarised consolidated balance sheet: EEV for the year ended 31 December 2014; the Summarised consolidated statement of comprehensive income: IFRS for the year ended 31 December 2014 and the Summarised consolidated balance sheet: IFRS for the year ended 31 December 2014.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Strategic Report with Supplementary Information, in accordance with the Companies Act 2006, which includes information extracted from the full annual financial statements and the auditable part of the Directors’ remuneration report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2014.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with Supplementary Information with those full annual financial statements and the auditable part of the Directors’ remuneration report.

This statement, including the opinion, has been prepared for and only for the Company’s members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances disclosed in the summary financial information to full annual financial statements. Our audit report on the company’s full annual financial statements and the auditable part of the Directors’ remuneration report describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the supplementary financial information is consistent with the full annual financial statements and the auditable part of the Directors’ remuneration report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2014.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
London
31 March 2015
### Summarised consolidated income statement: EEV

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution from new business</td>
<td>85</td>
<td>70</td>
</tr>
<tr>
<td>Profit from existing business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Expected return</td>
<td>91</td>
<td>63</td>
</tr>
<tr>
<td>&gt; Experience variances</td>
<td>56</td>
<td>29</td>
</tr>
<tr>
<td>&gt; Operating assumption changes</td>
<td>12</td>
<td>48</td>
</tr>
<tr>
<td>Expected return on opening net worth</td>
<td>42</td>
<td>34</td>
</tr>
<tr>
<td>Profit on uncovered business</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Strategic development costs and other items</td>
<td>(73)</td>
<td>(59)</td>
</tr>
<tr>
<td><strong>Operating profit before tax from continuing operations and exceptional items</strong></td>
<td>220</td>
<td>196</td>
</tr>
<tr>
<td>Gain arising on business combinations</td>
<td>–</td>
<td>150</td>
</tr>
<tr>
<td>Exceptional cost arising from regulatory change</td>
<td>(61)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total operating profit before tax from continuing operations</strong></td>
<td>159</td>
<td>346</td>
</tr>
<tr>
<td>Operating profit/(loss) before tax from discontinued operations</td>
<td>–</td>
<td>(40)</td>
</tr>
<tr>
<td><strong>Total operating profit before tax</strong></td>
<td>159</td>
<td>306</td>
</tr>
<tr>
<td>Economic experience variances</td>
<td>325</td>
<td>140</td>
</tr>
<tr>
<td>Economic assumption changes</td>
<td>(143)</td>
<td>83</td>
</tr>
<tr>
<td>Movement in RLGPS pension scheme surplus</td>
<td>(42)</td>
<td>8</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(40)</td>
<td>(26)</td>
</tr>
<tr>
<td>Profit share</td>
<td>(64)</td>
<td>(86)</td>
</tr>
<tr>
<td><strong>EEV profit before tax from continuing operations</strong></td>
<td>195</td>
<td>465</td>
</tr>
<tr>
<td>Attributed tax charge</td>
<td>(35)</td>
<td>(36)</td>
</tr>
<tr>
<td><strong>EEV profit after tax from continuing operations</strong></td>
<td>160</td>
<td>429</td>
</tr>
<tr>
<td><strong>EEV profit after tax from discontinued operations</strong></td>
<td>–</td>
<td>(38)</td>
</tr>
<tr>
<td><strong>Total EEV profit after tax</strong></td>
<td>160</td>
<td>391</td>
</tr>
<tr>
<td><strong>Summarised consolidated balance sheet: EEV</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>1,100</td>
<td>1,035</td>
</tr>
<tr>
<td>Value of in-force business</td>
<td>1,838</td>
<td>1,701</td>
</tr>
<tr>
<td>Pension scheme surplus (RLGPS)</td>
<td>48</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,986</td>
<td>2,826</td>
</tr>
</tbody>
</table>

### Summarised consolidated balance sheet: EEV

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net worth</td>
<td>1,100</td>
<td>1,035</td>
</tr>
<tr>
<td>Value of in-force business</td>
<td>1,838</td>
<td>1,701</td>
</tr>
<tr>
<td>Pension scheme surplus (RLGPS)</td>
<td>48</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,986</td>
<td>2,826</td>
</tr>
</tbody>
</table>
### Summarised consolidated statement of comprehensive income: IFRS

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 Restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross earned premiums</td>
<td>1,218</td>
<td>1,092</td>
</tr>
<tr>
<td>Premiums ceded to reinsurers</td>
<td>(1,794)</td>
<td>(366)</td>
</tr>
<tr>
<td>Net earned premiums</td>
<td>(576)</td>
<td>726</td>
</tr>
<tr>
<td>Investment return</td>
<td>7,796</td>
<td>3,798</td>
</tr>
<tr>
<td>Gain arising on business combinations</td>
<td>--</td>
<td>125</td>
</tr>
<tr>
<td>Other revenues</td>
<td>290</td>
<td>254</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>7,510</td>
<td>4,903</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total policyholder benefits and claims</td>
<td>6,220</td>
<td>3,489</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>891</td>
<td>939</td>
</tr>
<tr>
<td>Finance costs</td>
<td>43</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>7,154</td>
<td>4,458</td>
</tr>
<tr>
<td>Result before tax from continuing operations and before transfer to unallocated divisible surplus</td>
<td>356</td>
<td>445</td>
</tr>
<tr>
<td>Tax charge</td>
<td>207</td>
<td>73</td>
</tr>
<tr>
<td>Transfer to the unallocated divisible surplus from continuing operations</td>
<td>149</td>
<td>372</td>
</tr>
<tr>
<td>Transfer from the unallocated divisible surplus from discontinued operations</td>
<td>--</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>Profit and comprehensive income for the year</strong></td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Other comprehensive income from continuing operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit pension schemes</td>
<td>(15)</td>
<td>7</td>
</tr>
<tr>
<td>Transfer (from)/to the unallocated divisible surplus</td>
<td>(15)</td>
<td>7</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the period, net of tax from continuing operations</strong></td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Other comprehensive income from discontinued operations</strong></td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

### Summarised consolidated balance sheet: IFRS

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 Restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>46</td>
<td>34</td>
</tr>
<tr>
<td>Investment property</td>
<td>4,727</td>
<td>4,074</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>931</td>
<td>1,041</td>
</tr>
<tr>
<td>Reinsurers’ share of insurance contract liabilities</td>
<td>5,462</td>
<td>3,947</td>
</tr>
<tr>
<td>Pension scheme asset</td>
<td>128</td>
<td>151</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>--</td>
<td>61</td>
</tr>
<tr>
<td>Current tax asset</td>
<td>--</td>
<td>4</td>
</tr>
<tr>
<td>Financial investments</td>
<td>59,492</td>
<td>52,321</td>
</tr>
<tr>
<td>Other assets</td>
<td>412</td>
<td>508</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,736</td>
<td>2,160</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>73,934</td>
<td>64,301</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unallocated divisible surplus</td>
<td>3,139</td>
<td>3,005</td>
</tr>
<tr>
<td>Insurance and investment contract liabilities (excluding UDS)</td>
<td>60,780</td>
<td>53,461</td>
</tr>
<tr>
<td>Subordinated liabilities</td>
<td>640</td>
<td>640</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9,375</td>
<td>7,195</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>73,934</td>
<td>64,301</td>
</tr>
</tbody>
</table>
Notice of Annual General Meeting

Notice is hereby given that the 2015 Annual General Meeting of The Royal London Mutual Insurance Society Limited (the Company) will be held at 11am on Wednesday 10 June 2015, at The Kia Oval, Kennington, London SE11 5SS to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. That the audited Annual Report and Accounts with the related Auditors’ Report for the year ended 31 December 2014 be received.

2. That the Annual report on remuneration for the year ended 31 December 2014 be approved.

3. That PricewaterhouseCoopers LLP be reappointed as auditors to the Company until the conclusion of the next Annual General Meeting.

4. That the remuneration of PricewaterhouseCoopers LLP be fixed by the directors.

5. That Sally Bridgeland be reappointed a director.

6. That Andrew Carter be reappointed a director.

7. That Ian Dilks be reappointed a director.

8. That Duncan Ferguson be reappointed a director.


10. That Tim Harris be reappointed a director.

11. That Phil Loney be reappointed a director.

12. That Jon Macdonald be reappointed a director.

13. That Andrew Palmer be reappointed a director.

14. That Rupert Pennant-Rea be reappointed a director.

15. That David Weymouth be reappointed a director.

By order of the Board

Simon Mitchley
For and on behalf of Royal London Management Services Limited
Company Secretary
31 March 2015

The Royal London Mutual Insurance Society Limited

55 Gracechurch Street, London EC3V 0RL

Registered in England and Wales, No. 99064
Commentary on the resolutions

Resolution 1

Annual Report and Accounts 2014
Following changes introduced by the Companies Act 2006 (‘the Act’), the Company is not required to lay its accounts before a general meeting. The Board nonetheless considers it best practice to do so and will continue to present the Annual Report and Accounts to the Annual General Meeting (AGM).

Resolution 2

Annual report on remuneration
Following the amendments to the Act, which became effective from 1 October 2013, new requirements were introduced to the content of the Directors’ remuneration report and the approval of the report. As Royal London is not a listed company it does not have to and in some ways cannot comply with the requirements of the Act. However, the directors believe that the disclosure aids members’ understanding and sets the level for good governance and so have voluntarily complied with the legislation where appropriate.

The Act now requires the following in the Directors’ remuneration report:

- an annual statement by the Chairman of the Remuneration Committee;
- an annual report describing the implementation of the Company’s remuneration policy (the annual report on remuneration) during the year under review; and
- a remuneration policy report describing the company’s remuneration policy (Directors’ remuneration policy).

Resolution 2 seeks approval for the Annual report on remuneration. The Directors’ remuneration report appears on pages 52 to 70 of the Annual Report and Accounts.

Resolution 2 is an advisory vote.

Resolutions 3 and 4

Appointment and remuneration of auditors
The Board considers it best practice that at each general meeting at which accounts are laid, the Company appoints an auditor to hold office until the next general meeting at which accounts are laid. The general meeting must also determine the remuneration or the way in which it will be determined. PricewaterhouseCoopers LLP are the Company’s existing auditors and the directors recommend that they be reappointed and their remuneration be determined by the directors.

Resolutions 5 to 15

Reappointment of directors
In accordance with The Association of Financial Mutuals’ Annotated UK Corporate Governance Code and to increase accountability, all directors will retire at each AGM and stand for reappointment. Accordingly, all of your directors are retiring and offering themselves for reappointment at this AGM. The Board considers that each of the directors offering themselves for re-election brings a wealth of valuable experience to the Board, enhancing its skill and knowledge base and should be reappointed. Biographical details of all directors are included on pages 34 and 35 of the Annual Report and Accounts.

Note: The terms and conditions of appointment of non-executive directors are available for inspection at the Company’s registered office at 55 Gracechurch Street, London EC3V 0RL during business hours on any weekday (except public holidays) and will be available for inspection at the AGM.
### 2015 Financial Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March</td>
<td>Financial results for 2014 and investor conference call</td>
</tr>
<tr>
<td>12 May</td>
<td>Interim management statement and first quarter new business figures</td>
</tr>
<tr>
<td>10 June</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>18 August</td>
<td>Interim financial results and second quarter new business figures and investor conference call</td>
</tr>
<tr>
<td>4 November</td>
<td>Interim management statement and third quarter new business figures</td>
</tr>
<tr>
<td>30 November</td>
<td>RL Finance Bonds No 2 plc Subordinated debt interest payment date</td>
</tr>
<tr>
<td>15 December</td>
<td>RL Finance Bonds plc Subordinated debt interest payment date</td>
</tr>
</tbody>
</table>

### Contact offices

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www.royallondon.com

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- Bath  
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- London  
- EC3V 0RL

**Edinburgh**
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- Edinburgh  
- EH2 1DG

**Glasgow**
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- Glasgow  
- G2 5PB

**Manchester**
- Royal London House  
- Alderley Road  
- Wilmslow  
- Cheshire  
- SK9 1PF

**Reading**
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- Berkshire  
- RG1 8LS

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- Dublin 2