



ROYAL LONDON 2017 FINANCIAL RESULTS

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FINANCIAL RESULTS 2017

FORWARD LOOKING STATEMENT

This document should be read in conjunction with Royal London's Financial Results Press Release for 2017, which can be found at:

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

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

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



FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS 2017

FINANCIAL HIGHLIGHTS

Royal London performed well during 2017 against a backdrop of economic uncertainty, which impacted market volatility and customer spending. Our operating profit has risen, driven by strong sales growth across the business.

		31 Dec 2017	Change ¹	
New business	Life and pensions PVNBP ²	£12,002m	+38%	<ul style="list-style-type: none"> We delivered record sales across our life and pensions business, as a result of demand for our award winning individual pension products and our customer centric approach to auto enrolment.
	Wealth gross inflows	£10.4bn	+55%	<ul style="list-style-type: none"> External gross inflows of £10.4bn to Royal London Asset Management.
	Margin ratio of new business contribution to PVNBP ²	1.8%	-0.1%	<ul style="list-style-type: none"> Margin remains broadly in line with the previous year despite strong new business growth and pressure from the competitive Protection market.
Profit	EEV operating profit before tax	£329m	+17%	<ul style="list-style-type: none"> Increase driven by strong new business profit and positive experience and assumption changes in our existing business, offset by increased strategic development costs as we invest to sustain growth. There was also an impairment charge in RLPS of £31m.
	IFRS transfer to the UDS before other comprehensive income	£352m	+47% ³	<ul style="list-style-type: none"> This result benefits from the strong trading performance of the Group and better than expected investment returns.
	ProfitShare after tax	£142m	+25%	<ul style="list-style-type: none"> Our performance translated into a 25% increase in ProfitShare for 2017, with 200,000 additional members receiving a distribution.

Notes to financial highlights:

¹ Change is increase or decrease compared to 31 December 2016.

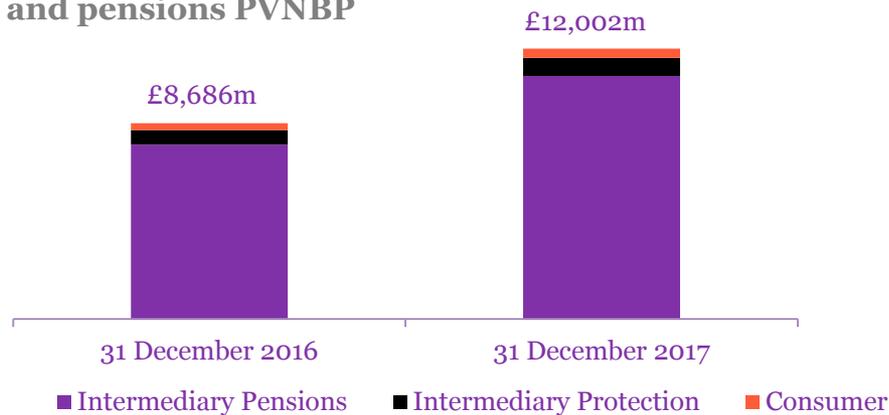
² Present value of new business premiums (PVNBP) is the total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums the Group expects to receive over the term of the new contracts sold in the year.

³ The 2016 comparative is presented before the change in estimate for Solvency II.

FINANCIAL RESULTS 2017

STRONG NEW BUSINESS GROWTH IN LIFE AND PENSIONS

Life and pensions PVNBP



£12,002m

38%

- **Intermediary Pensions** new business of **£10,787m** (2016: £7,738m), an increase of 39% primarily due to:
 - increased demand for individual pensions (rising from £3,778m to £6,339m) as customers continue to take advantage of the pension freedoms.
 - higher group pension new business (rising from £3,872m to £4,346m) from the completion of the initial auto-enrolment staging programme.
- **Intermediary Protection** new business of **£807m** (2016: £647m), an increase of 25%:
 - through a market leading and customer centric proposition and a focus on improving service for customers and advisers.
- **Consumer** new business of **£408m** (2016: £301m), representing growth of 36%:
 - through increased brand visibility, great value products and new distribution partners.

FINANCIAL RESULTS 2017 RECORD GROWTH IN WEALTH

Funds under management



Assets under administration



£114bn  14%

- Impressive Royal London Asset Management investment performance:
 - increased wholesale and institutional customers.
 - gross external inflows of **£10.4bn** (2016: £6.7bn).
- Strong result with more stable market conditions when compared to 2016.

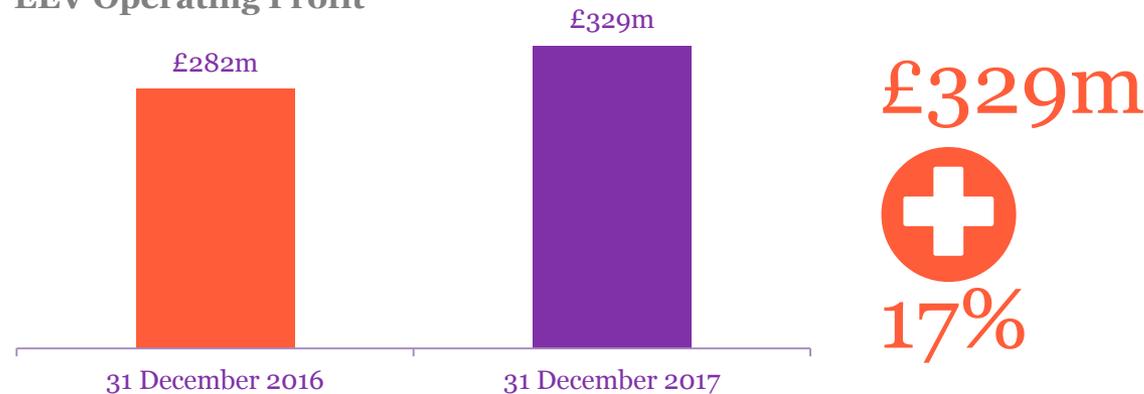
£14.4bn  17%

- Ascentric wrap platform assets under administration increase by 17% to **£14.4bn** (2016: £12.3bn).
- Record gross sales recorded of **£2.8bn** (2016: £2.3bn), an increase of 22%.

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EEV OPERATING PROFIT INCREASE DRIVEN BY STRONG NEW BUSINESS

EEV Operating Profit

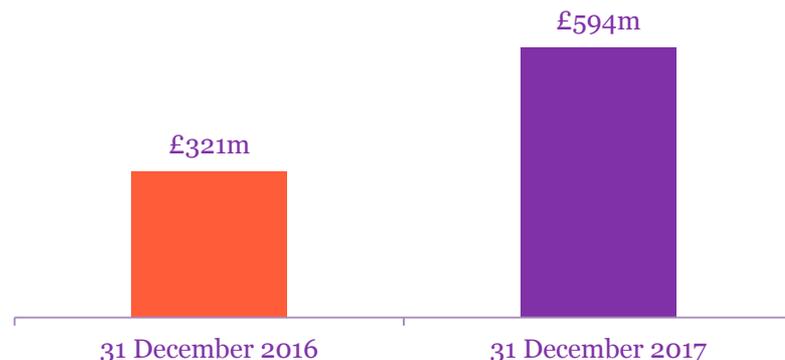


- EEV operating profit before tax increased by 17% to **£329m** (2016: £282m) driven by new business sales and profits from managing our existing book through positive experience variances:
 - Profit contribution from new business increased 31% to £292m;
 - Profit from existing business increased by £93m to £278m;
 - Existing business profit driven by positive experience variances of £37m and positive assumption changes, mainly relating to longevity and expense assumptions;
 - Strategic development costs increased from £82m to £208m reflecting our investment in the future; and
 - Includes an impairment to intangible assets of £31m relating to ongoing IT projects in back office systems.

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EEV PROFIT DRIVEN BY STRONG OPERATING PROFIT AND ECONOMIC ASSUMPTION CHANGES

EEV profit before tax, ProfitShare and change in estimate for Solvency II



£594m



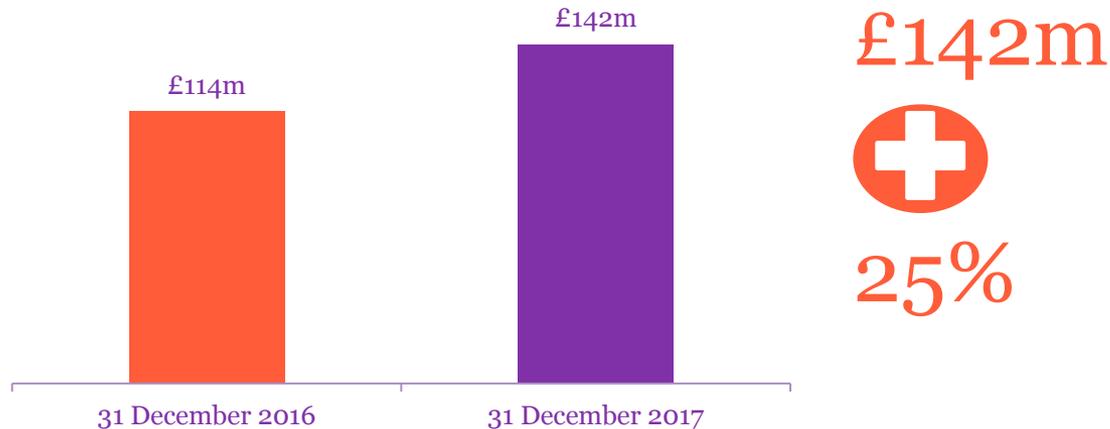
85%

- EEV profit before tax increased by 85% to **£594m** (2016: £321m). The increase was driven by our strong operating performance and positive changes to economic assumptions;
- Investment return was better than expected at the start of the year; and
- The Royal London Group Pension Scheme moved from a deficit position to surplus, following strong asset returns.

FINANCIAL RESULTS 2017

PROFITSHARE DISTRIBUTION INCREASES

ProfitShare distribution

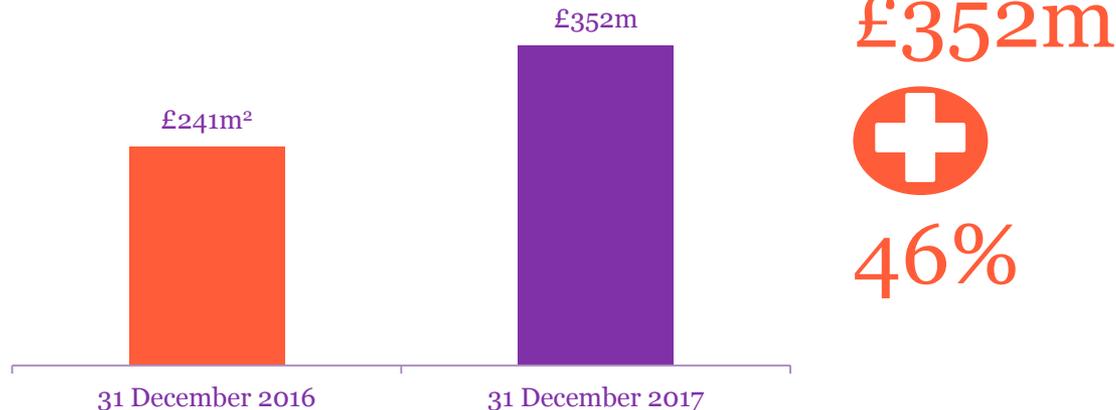


- Increase in ProfitShare driven by the strong performance of the Group.
- Increased distribution to 200,000 additional members compared with 2016.
- Amount of individual ProfitShare received by members remains similar to last year.
- Total of 1.2m members will receive the benefit of ProfitShare distribution in 2017.

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PROFITSHARE DISTRIBUTION INCREASES

IFRS transfer to UDS¹



- Increase driven by strong underlying business performance and better than expected investment returns.
- Robust Balance Sheet with a well balanced investment portfolio across a number of financial instruments.

Notes to IFRS transfer to UDS:

¹ Transfer to UDS is stated before Other Comprehensive Income.

² 2016 figure is stated before the impact of the change to Solvency II.

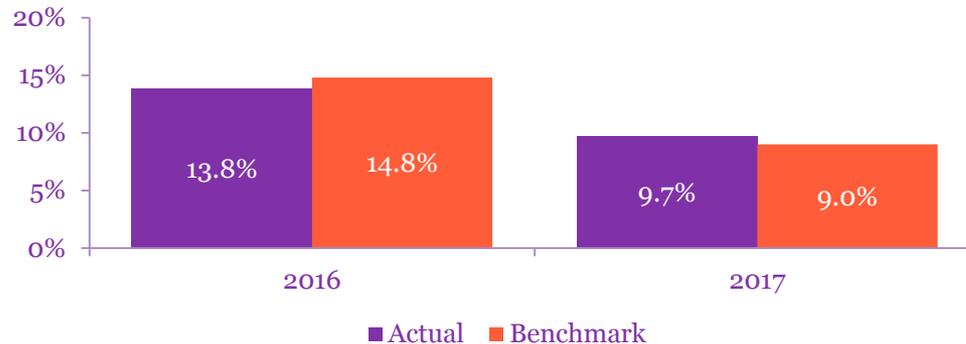


INVESTMENT PERFORMANCE

INVESTMENT PERFORMANCE 2017

STRONG INVESTMENT RETURNS AGAINST BENCHMARK

With-Profit performance vs benchmark



- Strong returns, boosted by buoyant stock markets and continued positive corporate bonds and property performance.
- Cumulative three-year outperformance against benchmark by 0.21% on average.

With-Profit 2017 performance by asset class





CAPITAL STRENGTH

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CAPITAL POSITION HIGHLIGHTS

Investor View

Capital cover

235%

(2016: 232%)



Closed fund surplus of £3.1bn is treated as a liability

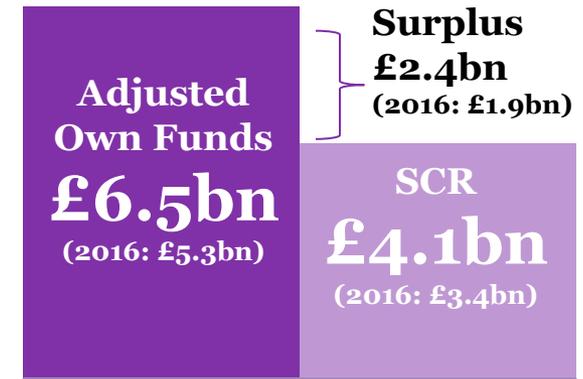
(2016: £2.6bn)

Regulatory View

Capital cover

159%

(2016: 155%)



- Investor view Surplus of **£5.5bn** (2016: £4.5bn) representing a Capital cover ratio of **235%** (2016: 232%).
- Regulatory view Surplus of **£2.4bn** (2016: £1.9bn) representing a Capital cover ratio of **159%** (2016: 155%).

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CAPITAL POSITION HIGHLIGHTS

- Continued strong capital position reflecting strength of underlying business and effective capital management strategies.

	Surplus (£'bn)		Capital cover ratio (%)	
	Investor View	Regulatory View	Investor View	Regulatory View
2017	£5.5bn  £1.0bn	£2.4bn  £0.5bn	235%  3%	159%  4%
2016	£4.5bn	£1.9bn	232%	155%

- Increase in Surplus driven by:
 - Recalculation of TMTP reflecting a significant reduction in the risk free rate since initial calculation in 2015;
 - Positive economic experience driven by positive investment returns, particularly equities; offset by
 - Operating assumption changes and experience variances, in particular strategic investment programmes;
 - Increased capital requirement from strong new business sales; and
 - Increase in ProfitShare allocations following strong performance.
- Seeking internal model approval in 2019.



Q&A



THANK
YOU