

# 2020 Interim Results

10 August 2020

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# 2020 INTERIM FINANCIAL RESULTS AGENDA

- 1 Our response to COVID-19
- 2 Transition to UK GAAP
- 3 Financial highlights
- 4 Capital
- 5 Q&A

# 2020 INTERIM FINANCIAL RESULTS

## SUPPORTING CUSTOMERS AND COLLEAGUES THROUGH COVID-19



**No disruption to our  
customer service  
delivery**



**98% of our people  
working from home  
within 6 days**



**Telephone lines have  
remained open  
throughout**



**Health and wellbeing  
of colleagues a  
priority**



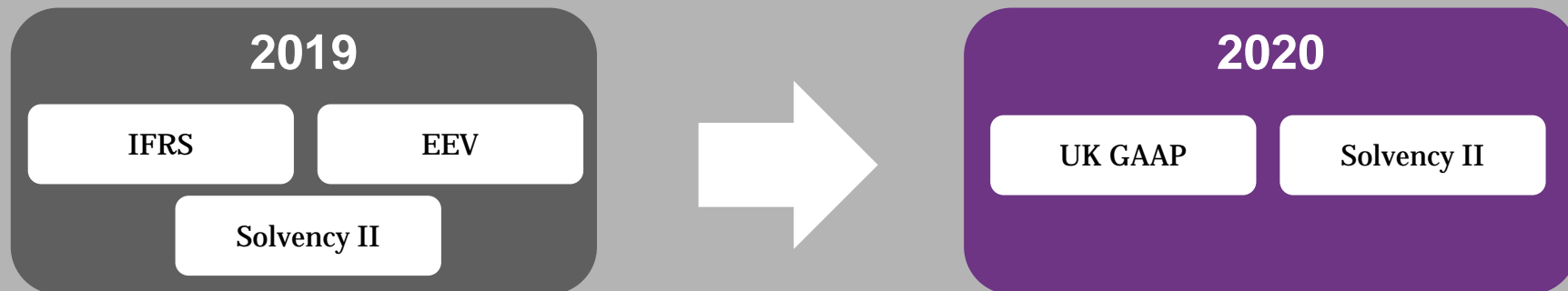
**Protection premium  
deferral**



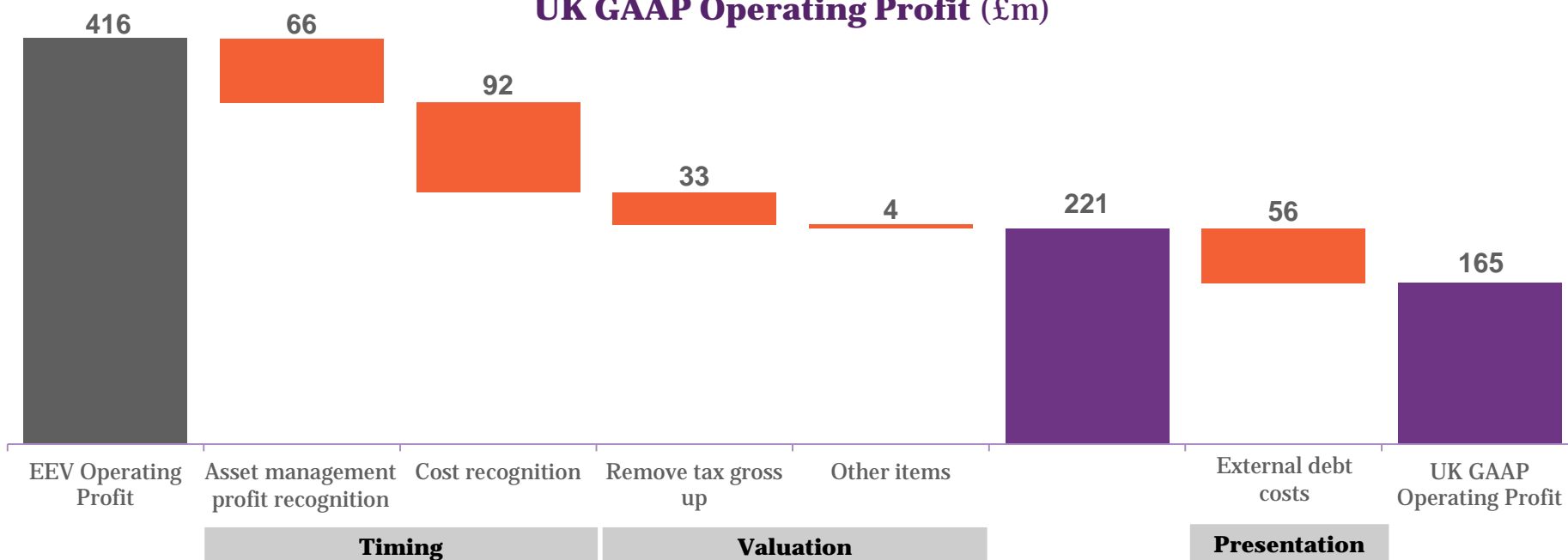
**Over 1,200 Covid-19  
related death  
claims paid**

# 2020 INTERIM FINANCIAL RESULTS

## SIMPLIFIED REPORTING BASIS



### Reconciliation of YE19 EEV Operating Profit to UK GAAP Operating Profit (£m)



# 2020 INTERIM FINANCIAL RESULTS

## FINANCIAL HIGHLIGHTS

		30 Jun 20	30 Jun 19	Change
<b>UK GAAP</b>	<b>Operating profit before tax<sup>1</sup></b>	£36m	£90m	(£54m)
	<b>(Loss)/profit before tax<sup>2</sup></b>	(£181m)	£397m	(£578m)
<b>NEW BUSINESS</b>	<b>Life and pensions sales PVNBP<sup>3</sup></b>	£4,747m	£5,822m	(£1,075m)
<b>FLOWS</b>	<b>Gross inflows<sup>4</sup></b>	£14,419m	£12,618m	£1,801m
	<b>Net flows<sup>4</sup></b>	£997m	£5,473m	(£4,476m)

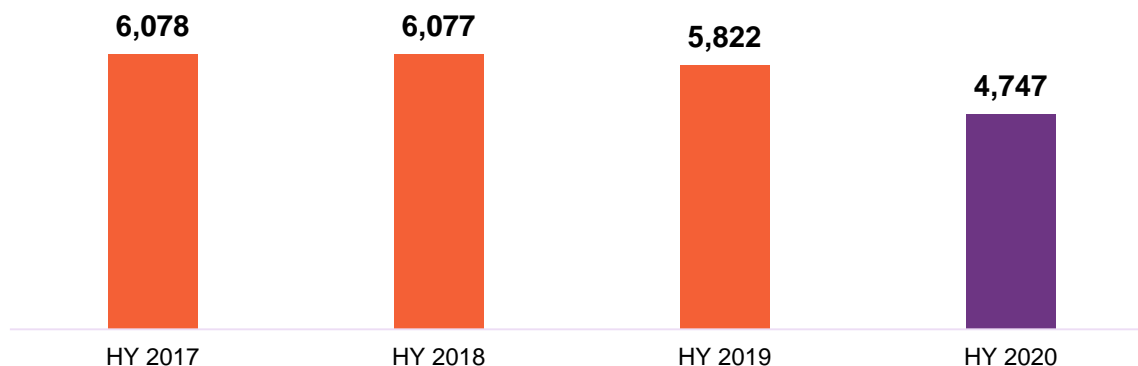
		30 Jun 20	31 Dec 19	Change
<b>FUNDS</b>	<b>Assets under management<sup>5</sup></b>	£139bn	£139bn	-
<b>CAPITAL</b>	<b>Regulatory solvency surplus<sup>6</sup></b>	£2.5bn	£2.6bn	(£0.1bn)
	<b>Regulatory capital cover ratio<sup>6</sup></b>	149%	159%	(10%)
	<b>Investor view solvency surplus<sup>7</sup></b>	£2.5bn	£2.6bn	(£0.1bn)
	<b>Investor view capital cover ratio<sup>7</sup></b>	212%	219%	(7%)

All footnotes shown on page 12.

# 2020 INTERIM FINANCIAL RESULTS

## NEW BUSINESS IMPACTED BY LOCKDOWN IN Q2

### Life and Pensions PVNBP (£m)



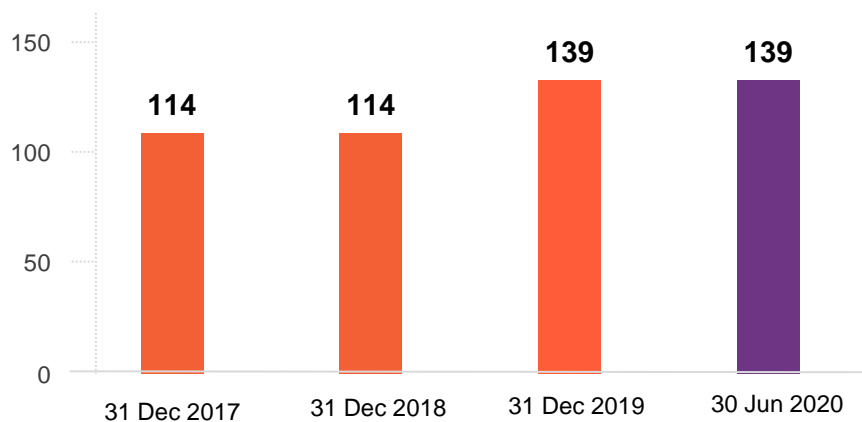
	PVNBP	New business margin <sup>3</sup>
<b>Pensions</b>	<b>£4,103m</b> (HY 2019: £5,162m)	<b>1.7%</b> (HY 2019: 1.9%)
<b>Intermediated Protection</b>	<b>£407m</b> (HY 2019: £354m)	<b>5.1%</b> (HY 2019: 4.9%)
<b>Ireland Protection</b>	<b>£63m</b> (HY 2019: £65m)	<b>8.6%</b> (HY 2019: 10.7%)
<b>Consumer</b>	<b>£174m</b> (HY 2019: £241m)	<b>(2.0%)</b> (HY 2019: 2.9%)
<b>Life and Pensions business</b>	<b>£4,747m</b> (HY 2019: £5,822m)	<b>2.0%</b> (HY 2019: 2.2%)

All footnotes shown on page 12.

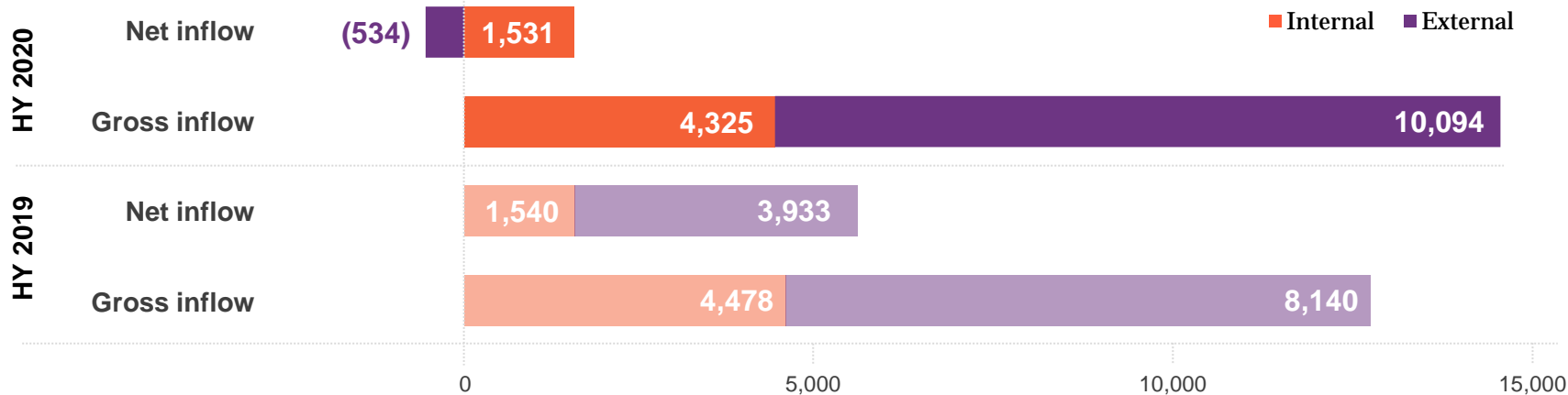
# 2020 INTERIM FINANCIAL RESULTS

## ASSETS UNDER MANAGEMENT STABLE AT £139 BILLION

**Assets under management (£bn)**



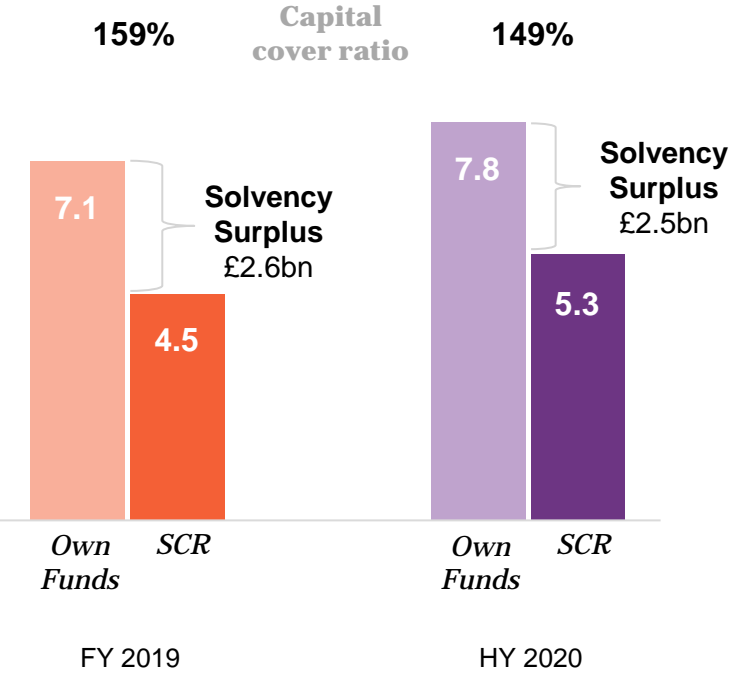
**Flows (£m)**



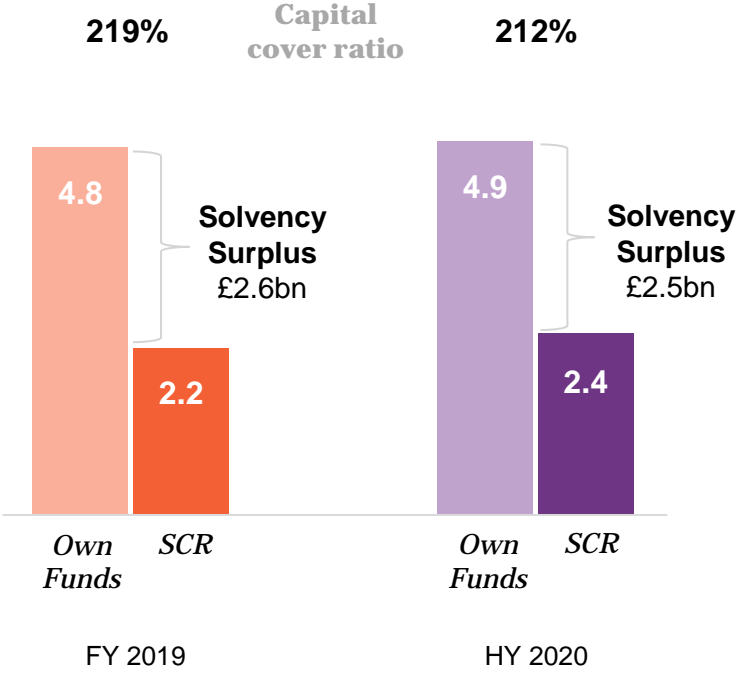
# 2020 INTERIM FINANCIAL RESULTS

## GROUP CAPITAL POSITION REMAINS STRONG

**Group Capital Position  
Regulatory View (£bn)**



**Group Capital Position  
Investor View<sup>7</sup> (£bn)**



All footnotes shown on page 12.





Q&A

# 2020 INTERIM FINANCIAL RESULTS

## APPENDIX – CAPITAL SENSITIVITIES

### Solvency II Regulatory View Sensitivities

Scenario <sup>9</sup>	Capital cover ratio (%)	Impact on solvency surplus (£bn)
<b>Base: 30 June 2020</b>	<b>149%</b>	<b>2.5</b>
25% decrease in equity investments	(4%)	(0.3)
15% decrease in property prices	(2%)	(0.1)
100bps rise in interest rates	12%	-
100bps fall in interest rates	(14%)	(0.1)
25bps increase in government bond yields <sup>10</sup>	0%	-
200bps widening in credit spreads <sup>11</sup>	0%	(0.1)
15% fall in GBP exchange rates <sup>12</sup>	2%	0.2

All footnotes shown on page 12.

# 2020 INTERIM FINANCIAL RESULTS

## APPENDIX – CAPITAL SENSITIVITIES

### Solvency II Investor View Sensitivities

Scenario <sup>9</sup>	Capital cover ratio (%)	Impact on solvency surplus (£bn)
<b>Base: 30 June 2020</b>	<b>212%</b>	<b>2.5</b>
25% decrease in equity investments	(5%)	(0.3)
15% decrease in property prices	(3%)	(0.1)
100bps rise in interest rates	1%	-
100bps fall in interest rates	(7%)	(0.1)
25bps increase in government bond yields <sup>10</sup>	(1%)	-
200bps widening in credit spreads <sup>11</sup>	5%	(0.1)
15% fall in GBP exchange rates <sup>12</sup>	4%	0.2

All footnotes shown on page 12.

# 2020 INTERIM FINANCIAL RESULTS

## FOOTNOTES

1. UK GAAP operating profit before tax is represented as profit (transfer to Fund for Future Appropriations before Other Comprehensive Income) excluding: short-term investment return variances and economic assumption changes; amortisation and impairment of goodwill and other intangibles arising from mergers & acquisitions; ProfitShare; tax; and one off items of an unusual nature that are not related to the underlying trading of the Group.
2. Loss before tax represents the '(Loss)/profit before tax and before (deduction from)/transfer to the fund for future appropriations' in the statement of comprehensive income.
3. Present Value of New Business Premiums (PVNBP) is the total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums the Group expects to receive over the term of the new contracts sold in the year. The rate used to discount the cash flows in the reported results has been derived from the 30 June 2020 swap curve calculated in accordance with specification provided by the European Insurance and Occupational Pensions Authority (EIOPA). New business margin for 2019 has been restated to reflect the removal of the tax gross up of 19% that was applied in EEV reporting.
4. Gross and net inflows incorporate flows into RLAM from external clients (external flows) and those generated from RLMIS (internal flows). External client net inflows represent external inflows less external outflows, including cash mandates. Internal net inflows from RLMIS represent the combined premiums and deposits received (net of reinsurance) less claims and redemptions (net of reinsurance). Given its nature, non-linked Protection business is not included.
5. Assets under management represent the total of assets actively managed by, or on behalf of, the Group, including funds managed on behalf of third parties. Figures are stated as at 30 June, and exclude assets administered through IFDL, the Group's platform business.
6. The 'Regulatory View' capital cover ratio restricts each closed funds' surplus to the value of the Solvency Capital Requirement (SCR) of that fund.
7. The Group changed the Solvency II 'Investor View' metric in H1 2020 to equal the Royal London Main Fund (RL Main Fund) capital position (excluding ring-fenced funds). The definition is considered to be more appropriate given the RL Main Fund is the primary source of capital for the group, and that the closed funds are ring-fenced and run on a standalone basis.
8. Figures presented in tables throughout are rounded. The capital cover ratios and new business margins are calculated based on unrounded figures.
9. Sensitivities assume a recalculation of the Transitional Measure on Technical Provisions (TMTP). Equity and interest rate sensitivities are consistent with the PRA's SS7/17: Solvency II: Data collection of market risk sensitivities, which is available at [bankofengland.co.uk/pr/Documents/publications/ss/2017/ss717.pdf](http://bankofengland.co.uk/pr/Documents/publications/ss/2017/ss717.pdf). The remaining economic sensitivities presented have been updated to be the equivalent to a 1-in-20-year event. Interest rate sensitivities assume that government and other bond yields and risk-free rates all move by the same amount. Interest rates are allowed to be negative.
10. The government bond yield sensitivity assumes risk-free rates and other yields remain constant.
11. The widening in credit spreads stress assumes a widening in all ratings and an associated increase in the discount rate for the Royal London Group Pension Scheme and Liver pension schemes at 25% of the asset spread stress.
12. The fall in GBP exchange rates stress assumes an increase to the value of assets held in currencies other than GBP by 17.5% in GBP terms.

# 2020 INTERIM FINANCIAL RESULTS

## FORWARD LOOKING STATEMENT

This document should be read in conjunction with Royal London's Interim Results Announcement 2020, which can be found at:

<https://www.royallondon.com/media/press-releases/>

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