2021 INTERIM FINANCIAL RESULTS

5 August 2021

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ROYAL LONDON

AGENDA

1. Financial highlights
2. New business
3. Assets under management
4. Capital
5. Q & A

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2021 INTERIM RESULTS OVERVIEW

- Positive Group trading performance despite continued lockdown
- Robust capital position maintained
- Record level of assets under management
- Acquisition of Wealth Wizards and stake in the Responsible Group
- Reorganised the UK business to align to customer life stage

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FINANCIAL HIGHLIGHTS

		H1 2021	H1 2020	Change
UK GAAP	Operating profit before tax	**£80m**	£36m	+£44m
	Profit/(loss) before tax	**£228m**	£(181)m	+£409m
NEW BUSINESS	Life and pensions new business sales	**£4,620m**	£4,747m	-£127m
INFLOWS	Gross inflows	**£11,987m**	£14,419m	-£2,432m
	Net inflows	**£405m**	£997m	-£592m

		30 Jun 21	31 Dec 20	Change
FUNDS	Assets under management	**£153bn**	£148bn	+£5bn
CAPITAL	Regulatory View solvency surplus	**£2.6bn**	£2.3bn	+£0.3bn
	Regulatory View capital cover ratio	**159%**	147%	+12% points
	Investor View solvency surplus	**£2.6bn**	£2.3bn	+£0.3bn
	Investor View capital cover ratio	**204%**	190%	+14% points

Metrics are defined on page 18

LIFE AND PENSIONS NEW BUSINESS

	New business sales	New business margin
Individual pensions	£2,360m (HY20: £2,662m)	1.8% (HY20: 2.0%)
Workplace pensions	£1,459m (HY20: £1,432m)	1.0% (HY20: 1.3%)
Protection	£676m (HY20: £581m)	3.1% (HY20: 2.9%)
Other	£37m (HY20: £9m)	n/a (HY20: n/a)
UK	**£4,532m (HY20: £4,684m)**	**1.7% (HY20: 1.9%)**
Ireland	**£88m (HY20: £63m)**	**6.8% (HY20: 7.9%)**
Life and pensions new business	**£4,620m (HY20: £4,747m)**	**1.8% (HY20: 2.0%)**

- Individual and workplace pensions sales improved but remain below pre-pandemic levels
- Continued strong protection growth in UK and Ireland
- New business margin improved from 1.7% at FY20

Metrics are defined on page 18

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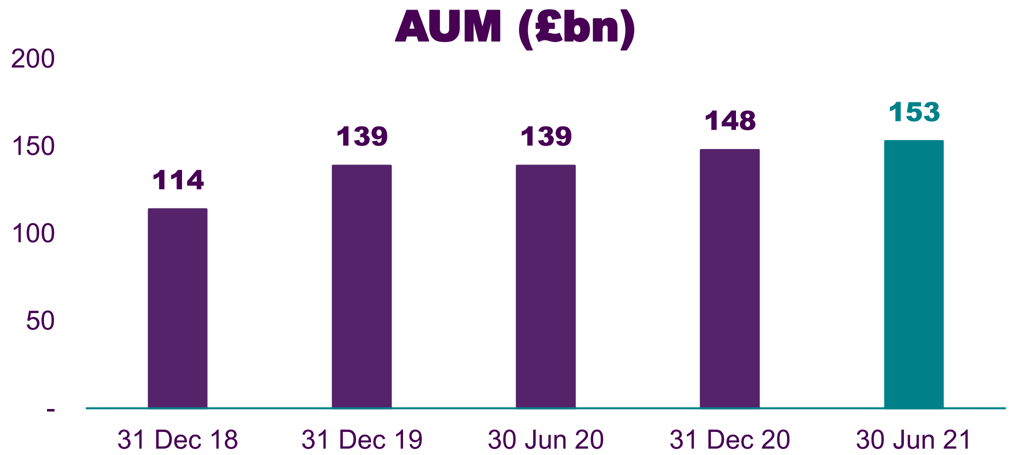
ASSETS UNDER MANAGEMENT



- Passed £150bn AUM milestone for first time
- Internal net inflows lower due to higher pensions transfers out
- Continued strong flows into sustainable funds
- 97% of actively managed funds outperformed their benchmark over 3 years

	Gross inflows		Net inflows / (outflows)	
	HY21 (£m)	HY20 (£m)	HY21 (£m)	HY20 (£m)
Internal flows	4,165	4,325	406	1,531
External flows[1]	7,822	10,094	(1)	(534)
Total	11,987	14,419	405	997

Note 1: H1 2021 external flows include a large institutional outflow, which was replaced by a larger reinvestment of £2.1bn in early July 2021.

Metrics are defined on page 18

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CLIMATE CHANGE

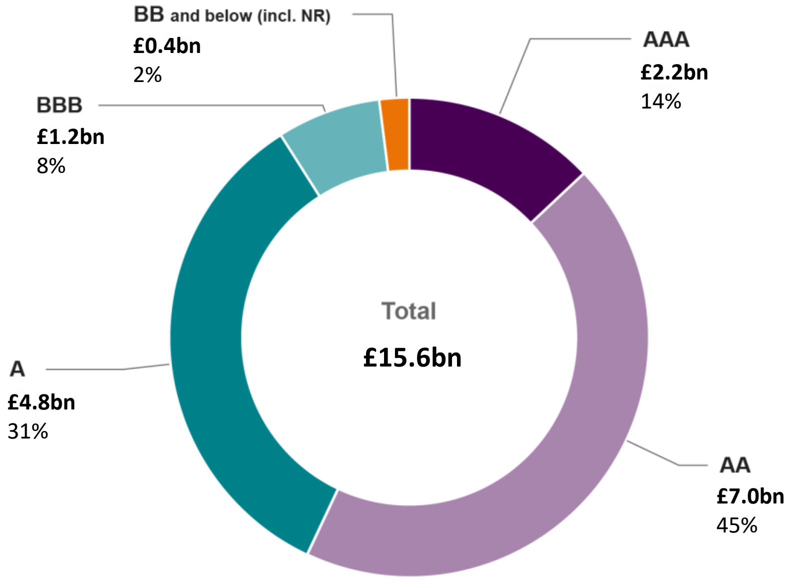
- We have committed to:
  - reduce the emissions from our investment portfolio by 50% by 2030 as part of the transition to Net Zero by 2050
  - develop climate solutions that enable customers to invest in the low carbon transition
- We will engage with the largest carbon emitters on the need for ‘Just Transition’ plans
- We are taking immediate steps to reduce the carbon intensity of our Governed Range and with-profits funds

Further explanation of our climate commitments is set out on page 3 of the 2021 Interim Results Announcement

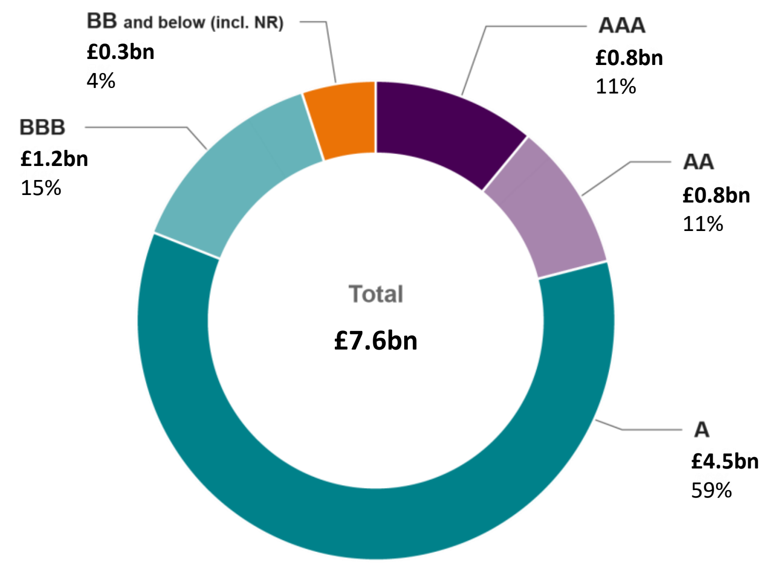
BALANCE SHEET – INVESTMENT PORTFOLIO

- Investment portfolio increased to **£110.3bn** (31 Dec 20: £107.9bn)
- Maintained a highly-rated, well diversified asset base
- No significant defaults in our corporate bond portfolio

Non-linked debt security portfolio:
30 June 2021



Non-linked corporate bonds:
30 June 2021



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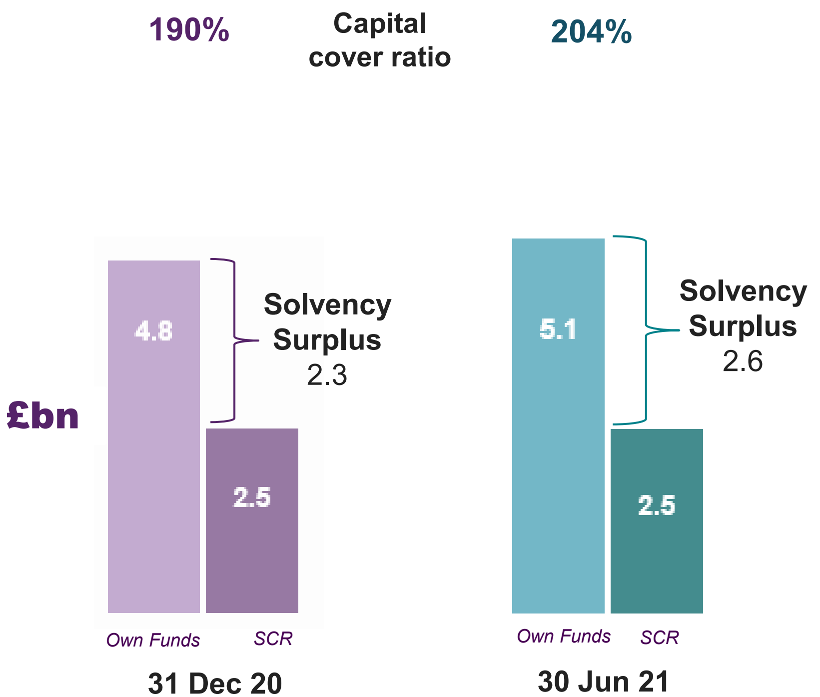
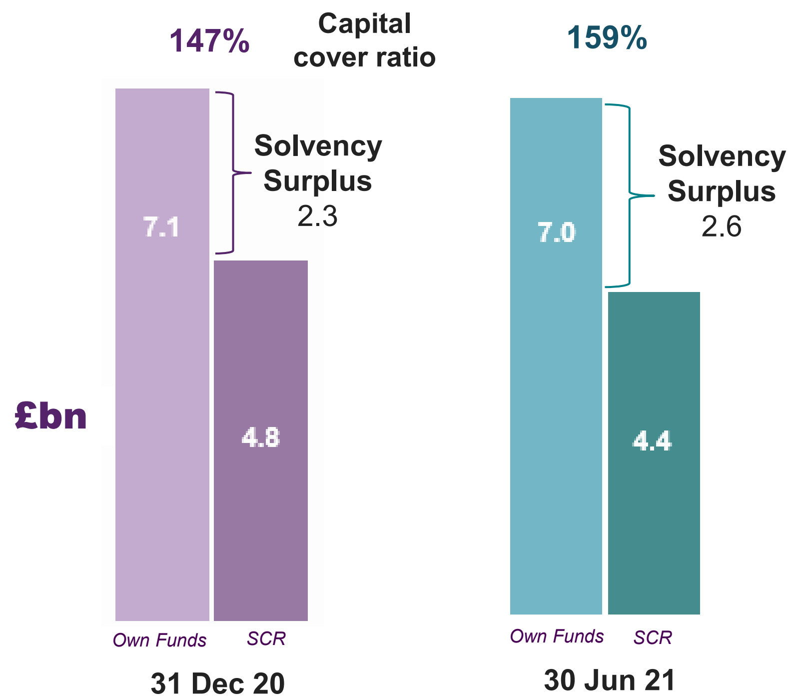
CAPITAL

- Robust capital position maintained
- Additional equity hedges increased solvency surplus and will improve capital stability

Investor View

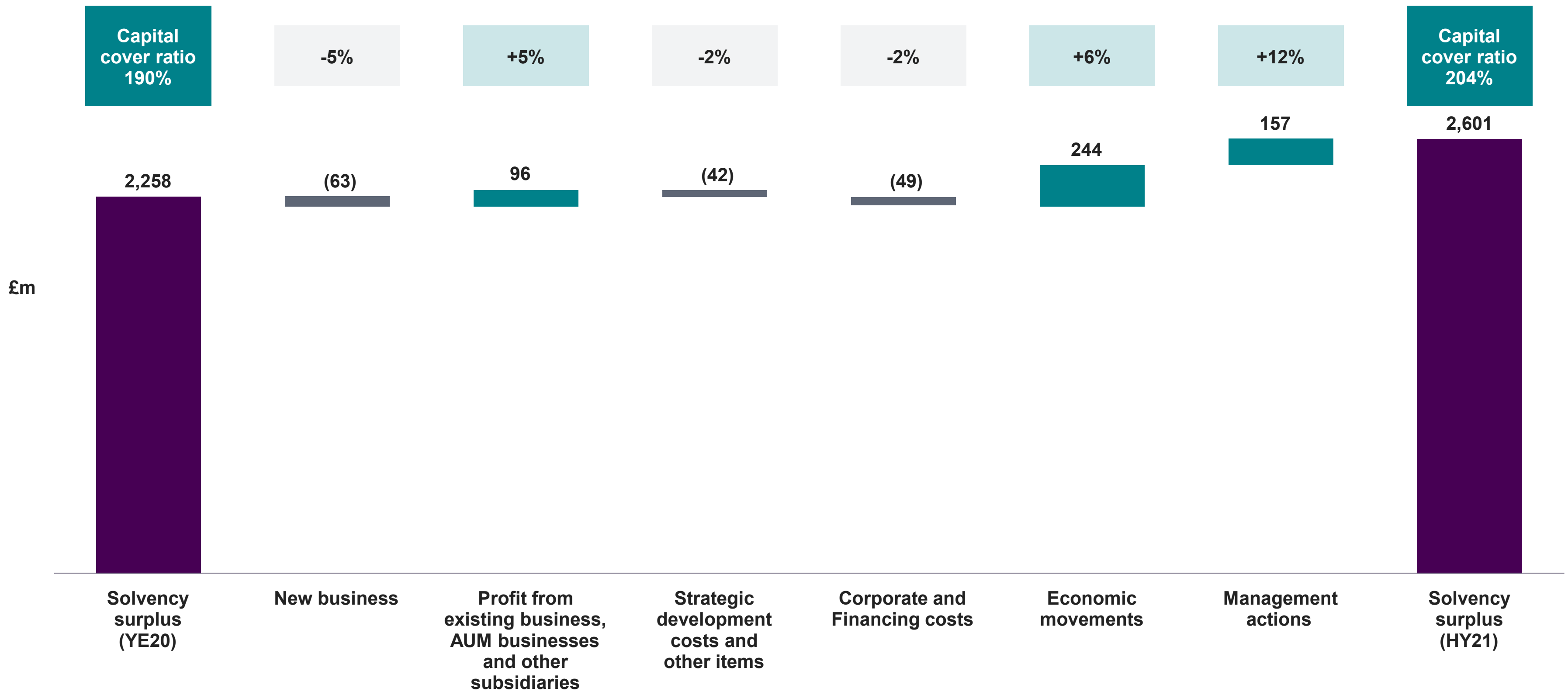


Regulatory View



Metrics are defined on page 18

CAPITAL - GROUP INVESTOR VIEW



- Management actions primarily relate to the additional equity hedging

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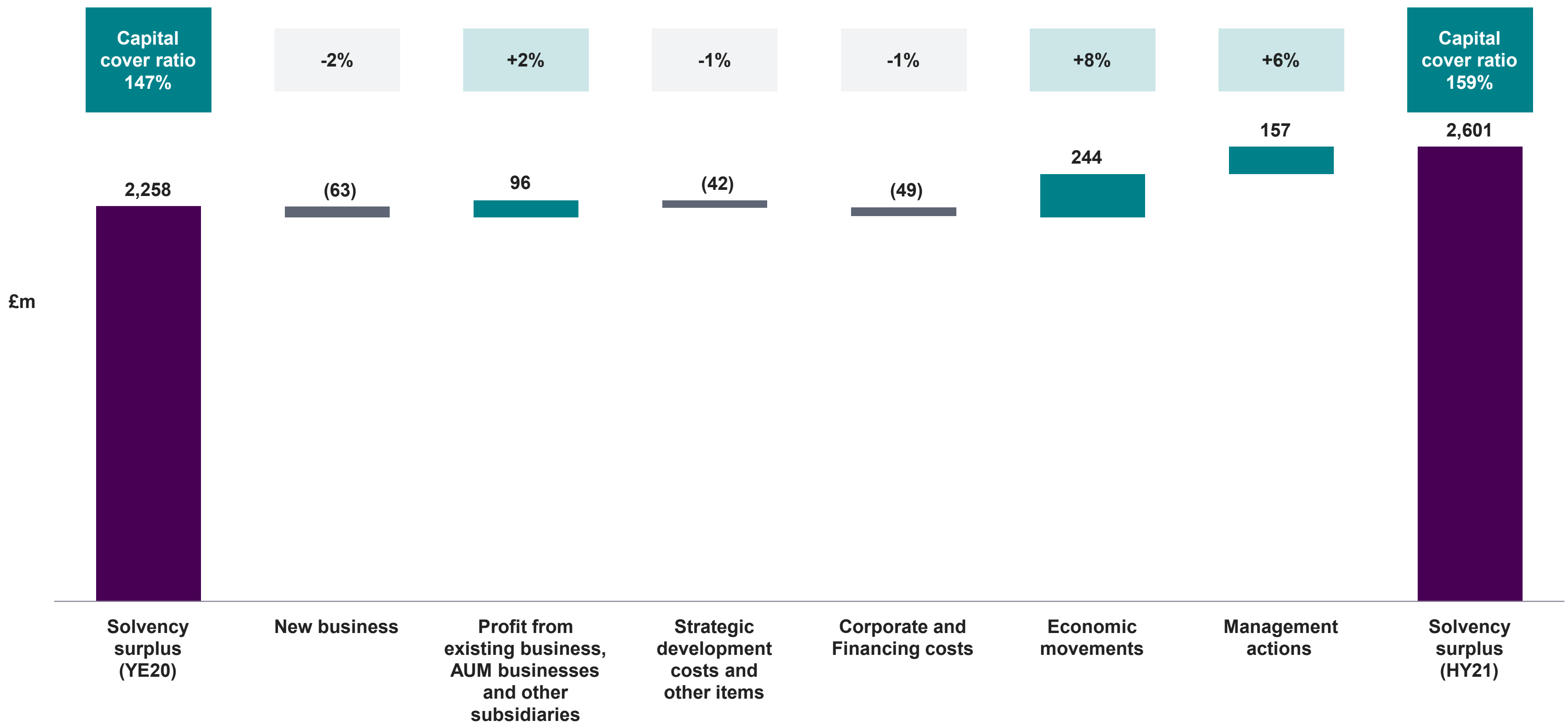
CAPITAL - GROUP REGULATORY VIEW



SUMMARY

- Positive first half performance
- Robust capital position maintained
- Passed the milestone of £150bn AUM for the first time
- Actively reducing carbon intensity of our Governed Range and with-profits funds
- On track to consolidate closed funds and deliver benefits of annuity proposition in H2

Q&A

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APPENDIX 1 – OPERATING PROFIT BEFORE TAX

	H1 2021	H1 2020 (restated)	Change
Long-term business			
New business contribution	**£81m**	£93m	-£12m
Existing business contribution	**£82m**	£46m	+£36m
Contribution from AUM and other businesses	**£59m**	£43m	+£16m
Business development and other costs	**£(16)m**	£(24)m	+£8m
Strategic development costs	**£(39)m**	£(43)m	+£4m
Result from operating segments	**£167m**	**£115m**	**+£52m**
Corporate costs	**£(50)m**	£(42)m	-£8m
Financing costs	**£(37)m**	£(37)m	-
Group operating profit before tax	**£80m**	**£36m**	**+£44m**

Metrics are defined on page 18

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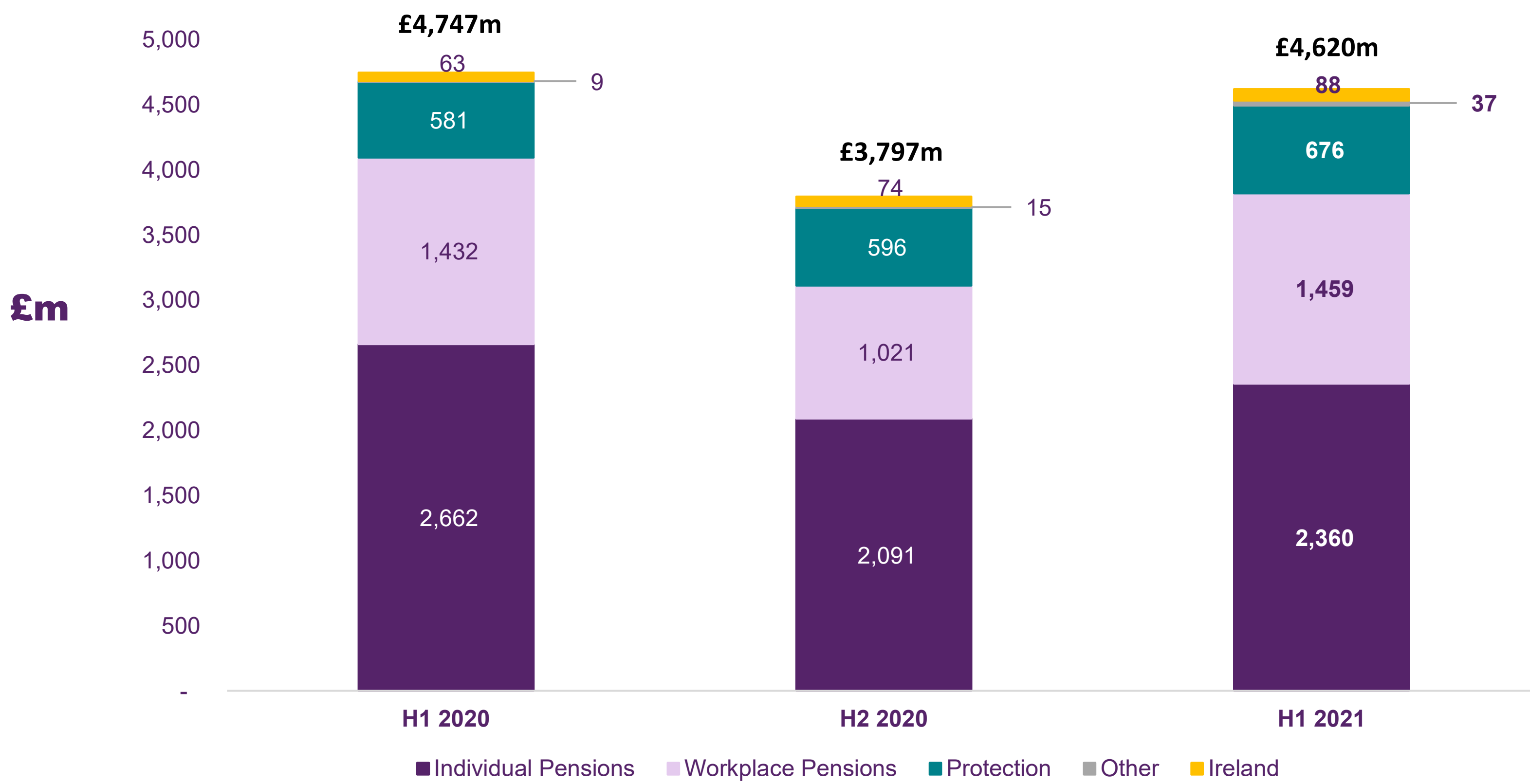
APPENDIX 2 – LIFE AND PENSIONS NEW BUSINESS



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APPENDIX 3 – CAPITAL SENSITIVITIES

Scenario	Solvency II InvestorView Sensitivities: Capital cover ratio (%)	Solvency II InvestorView Sensitivities: Impact on solvency surplus (£bn)	Solvency II RegulatoryView Sensitivities: Capital cover ratio (%)	Solvency II RegulatoryView Sensitivities: Impact on solvency surplus (£bn)
Base: 30 June 2021	**204%**	**2.6**	**159%**	**2.6**
25% decrease in equity investments	-3%	-0.3	-5%	-0.3
15% decrease in property prices	-3%	-0.1	-2%	-0.1
100bps rise in interest rates	+2%	+0.1	+14%	+0.1
100bps fall in interest rates	-4%	-0.1	-15%	-0.1
25bps increase in government bond yields	-2%	0.0	-1%	0.0
200bps widening in credit spreads	+1%	-0.1	+5%	-0.1
15% fall in GBP exchange rates	+4%	+0.2	+3%	+0.2

 Sensitivities are estimated. Scenarios are explained further on page 18

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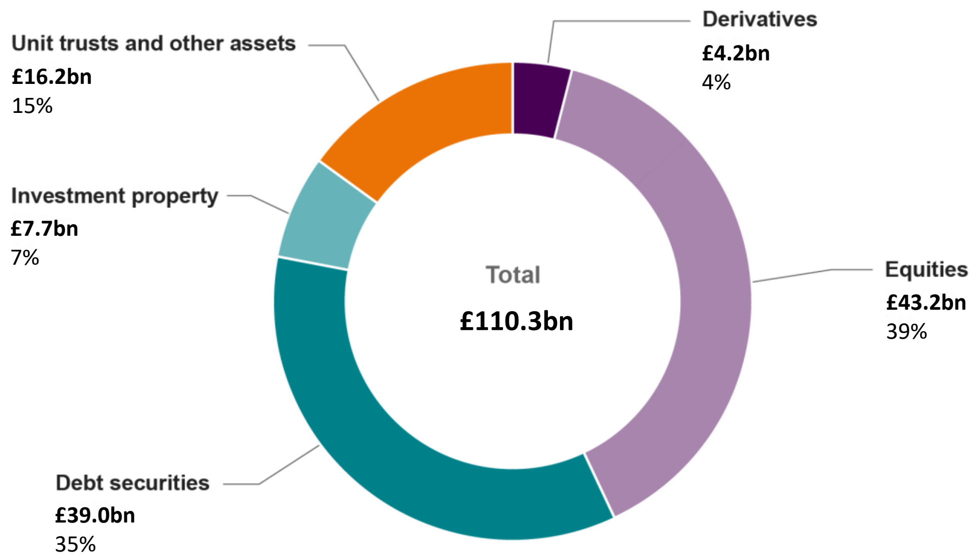
APPENDIX 4 - INVESTMENT PORTFOLIO

- Maintained a significant proportion of highly-rated assets:
  - **90%** (A rated or better non-linked debt securities).
  - **81%** (A rated or better non-linked corporate bonds).
  - Diversified investment portfolio.

Investment portfolio:



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FOOTNOTES

1. The information in this announcement relates to The Royal London Mutual Insurance Society Limited ('RLMIS' or 'the Company'), and its subsidiary undertakings, together referred to as 'Royal London' or 'the Group'.
2. Operating profit before tax represents 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 and acquisitions; ProfitShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits arising within the closed funds are held within the respective closed fund surplus; therefore UK operating profit represents the result of the RL Main Fund (including transfers to the RL Main Fund from the closed funds).
3. Profit/(loss) before tax represents the statutory 'Profit/(loss) before tax and before transfer to the fund for future appropriations' in the consolidated statement of comprehensive income.
4. Life and pensions new business sales represent life and pensions business only and exclude Asset Management and other lines of business. Sales are presented as the Present Value of New Business Premiums (PVNBP), which 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 2021 swap curve provided by the Prudential Regulation Authority (PRA).
5. Gross and net inflows incorporate flows into Royal London Asset Management (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.
6. Assets under management (AUM) represent the total of assets actively managed by the Group, including funds managed on behalf of third parties.
7. The 'Regulatory View' solvency surplus and capital cover ratio restricts each closed funds' surplus to the value of the Solvency Capital Requirement (SCR) of that fund. The 'Investor View' equals the Royal London Main Fund capital position (excluding ring-fenced funds, which are run on a standalone basis).
8. All Group capital figures are stated on a Partial Internal Model basis.
9. Investment performance has been calculated using a weighted average of active assets under management. Benchmarks differ by fund and reflect their mix of assets to ensure direct comparison. Passive funds are excluded from this calculation as, whilst they have a place as part of a balanced portfolio, Royal London believes in the long-term value added by active management.
10. Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was last formally recalculated at 31 December 2019. The economic sensitivities presented reflect 1-in-20-year events. For equity and interest rate sensitivities, these stresses are consistent with the PRA's SS7/17: Solvency II: Data collection of market risk sensitivities, which is available at bankofengland.co.uk/pra/Documents/publications/ss/2017/ss717.pdf.
11. 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.
12. The government bond yield sensitivity assumes risk-free rates and other yields remain constant. The Volatility Adjustment has been reassessed in the stressed scenario.
13. 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 Royal Liver pension schemes at 25% of the asset spread stress. The Volatility Adjustment has been reassessed in the stressed scenario.
14. 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.
15. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.

FORWARD-LOOKING STATEMENTS

This document should be read in conjunction with Royal London's 2021 Interim Results Announcement, which can be found at:

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

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