2022 Interim Financial Results

5 August 2022

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Agenda

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

2022 half year overview

- Strong new business sales driven by financial adviser support for investment proposition
- Significant increase in operating profit despite uncertain economic environment
- Continued investment in digital capabilities to strengthen customer and adviser experience
- Robust capital position maintained

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Performance of our business

UK

- New business sales up 19% to £5.5bn driven by strong pensions performance
- Governed Range assets £51bn supported by net inflows (FY 2021: £51bn)
- Launched free financial wellbeing tool through Wealth Wizards
- Migrated a further 1 million long-standing policies onto new technology

Asset Management

- Increased external net inflows of £1.5bn (H1 2021: £1m net outflow) supported by new investment capabilities
- Assets under management £150bn (FY 2021: £164bn) impacted by market declines
- Continued focus on responsible investment through active engagement
- Ongoing investment in infrastructure and systems

Ireland

- Protection sales momentum continued with new business sales of £88m (H1 2021: £88m)
- Royal London Ireland brand launched
- New individual pension proposition on track to launch in H2 2022

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Financial highlights

		H1 2022	H1 2021	Change
UK GAAP	Operating profit before tax	£109m	£80m	+£29m
	(Loss) / profit before tax	(£228m)	£228m	-£456m
NEW BUSINESS	Life and pensions new business sales	£5,494m	£4,620m	+£874m
INFLOWS	Gross inflows	£18,180m	£11,987m	+£6,193m
	Net inflows	£2,578m	£405m	+£2,173m

		H1 2022	FY 2021	Change
FUNDS	Assets under management	£150bn	£164bn	-£14bn
CAPITAL	Regulatory View solvency surplus	£3.0bn	£2.8bn	+£0.2bn
	Regulatory View capital cover ratio	202%	173%	+29% points
	Investor View solvency surplus	£3.0bn	£2.8bn	+£0.2bn
	Investor View capital cover ratio	227%	216%	+11% points

Metrics are defined on page 18

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Life and pensions new business

	New business sales	New business margin
Individual pensions	£2,725m (HY21: £2,360m)	1.8% (HY21: 1.8%)
Workplace pensions	£2,025m (HY21: £1,459m)	0.9% (HY21: 1.0%)
Protection	£569m (HY21: £676m)	2.2% (HY21: 3.1%)
Other	£87m (HY21: £37m)	3.9% (HY21: N/A)*
UK	**£5,406m (HY21: £4,532m)**	**1.5% (HY21: 1.7%)**
Ireland	**£88m (HY21: £88m)**	**8.5% (HY21: 6.8%)**
Life and pensions new business	**£5,494m (HY21: £4,620m)**	**1.6% (HY21: 1.8%)**

- Pension new business sales increased with strong flows into both Workplace and Individual pensions
- UK Protection new business sales reduced to pre-pandemic levels
- Good growth in Annuity sales following launch in early 2021
- Overall new business margin of 1.6% reflects lower UK Protection volumes

* Other includes annuities as well as other savings products. As the annuity product was launched part way through H1 2021, new business margin for the comparative period has not been presented

Metrics are defined on page 18

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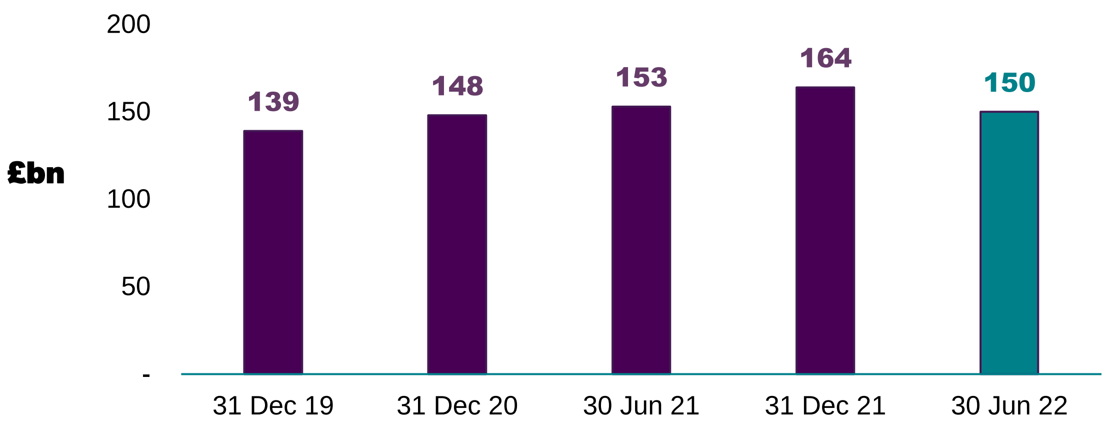
Assets under management



	Gross inflows		Net inflows / (outflows)	
£m	HY22	HY21	HY22	HY21
Internal flows	10,282	4,165	1,110	406
External flows	7,898	7,822	1,468	(1)
Total	18,180	11,987	2,578	405

- AUM reduced by £14bn to £150bn reflecting the impact of market falls in the first half
- Improved sales with positive net inflows of £2.6bn
- Continued demand for Sustainable funds

Metrics are defined on page 18

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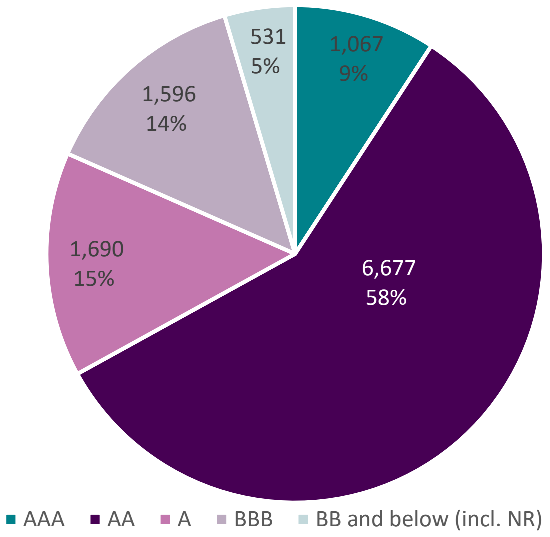
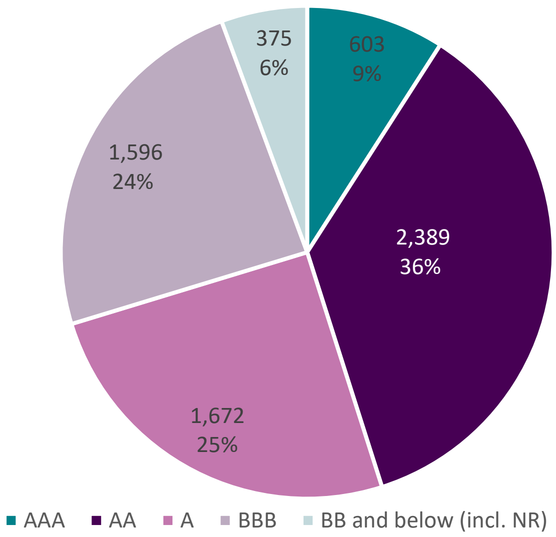
Balance sheet – Investment portfolio

- Investment portfolio decreased to **£106.3bn** (31 Dec 21: £118.1bn)
- Continued to maintain a highly-rated, well diversified investment portfolio
- No significant defaults in our corporate bond portfolio

Non-linked debt security portfolio (£m): 30 June 2022



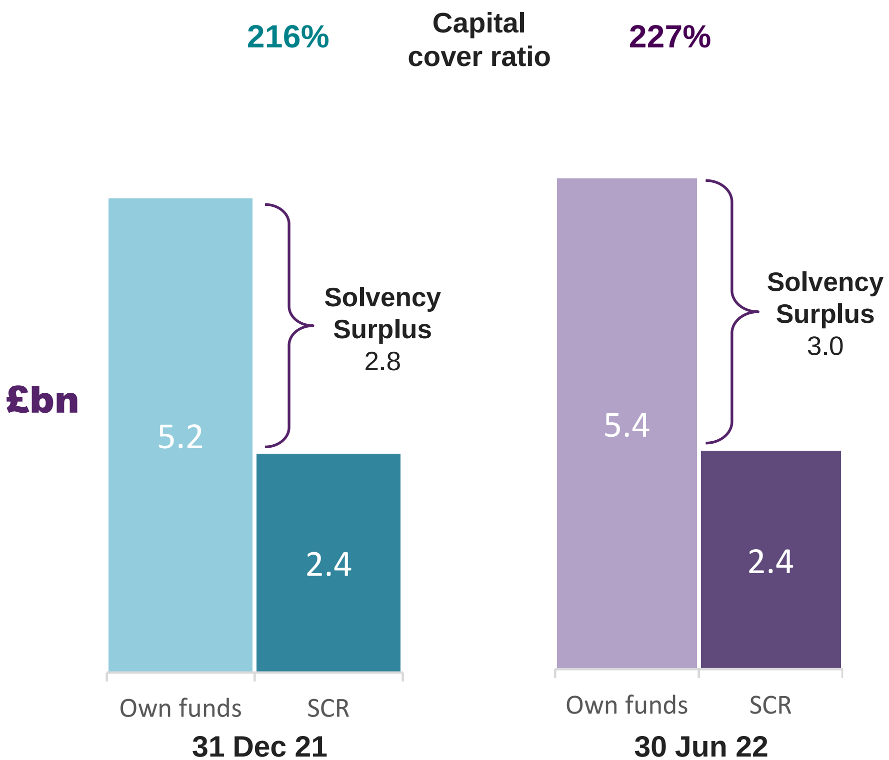
Non-linked corporate bonds (£m): 30 June 2022



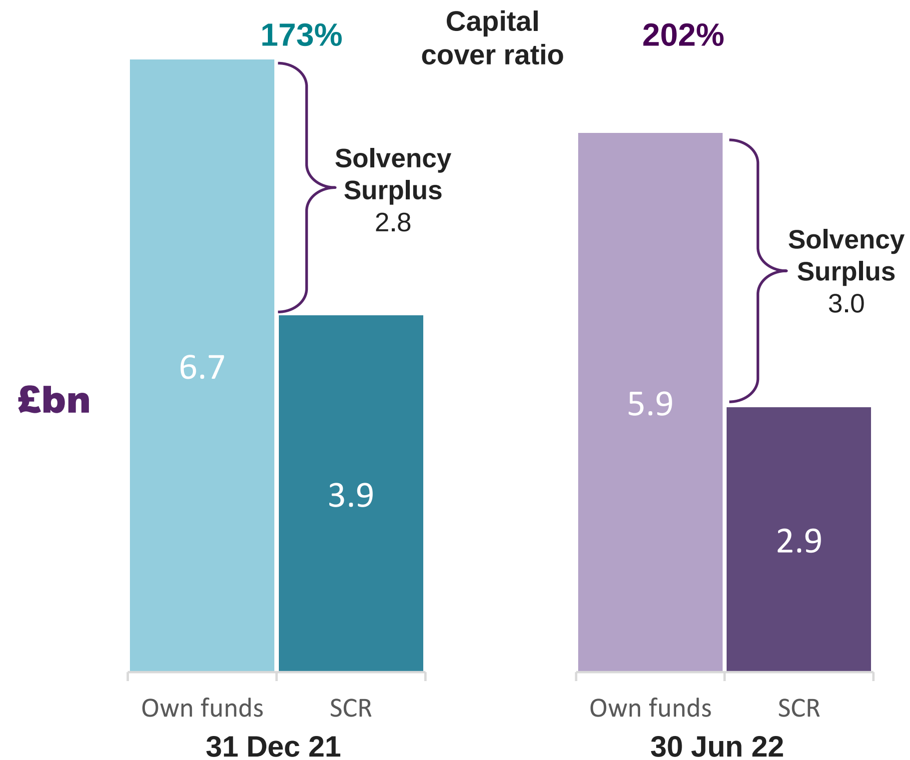
Capital

- Robust capital position maintained; both capital cover ratios improved
- Increase in capital ratios reflects the significant increases in yields and credit spreads in H1 2022
- Significant reduction in capital requirement of the closed funds

Investor View



Regulatory View



Metrics are defined on page 18

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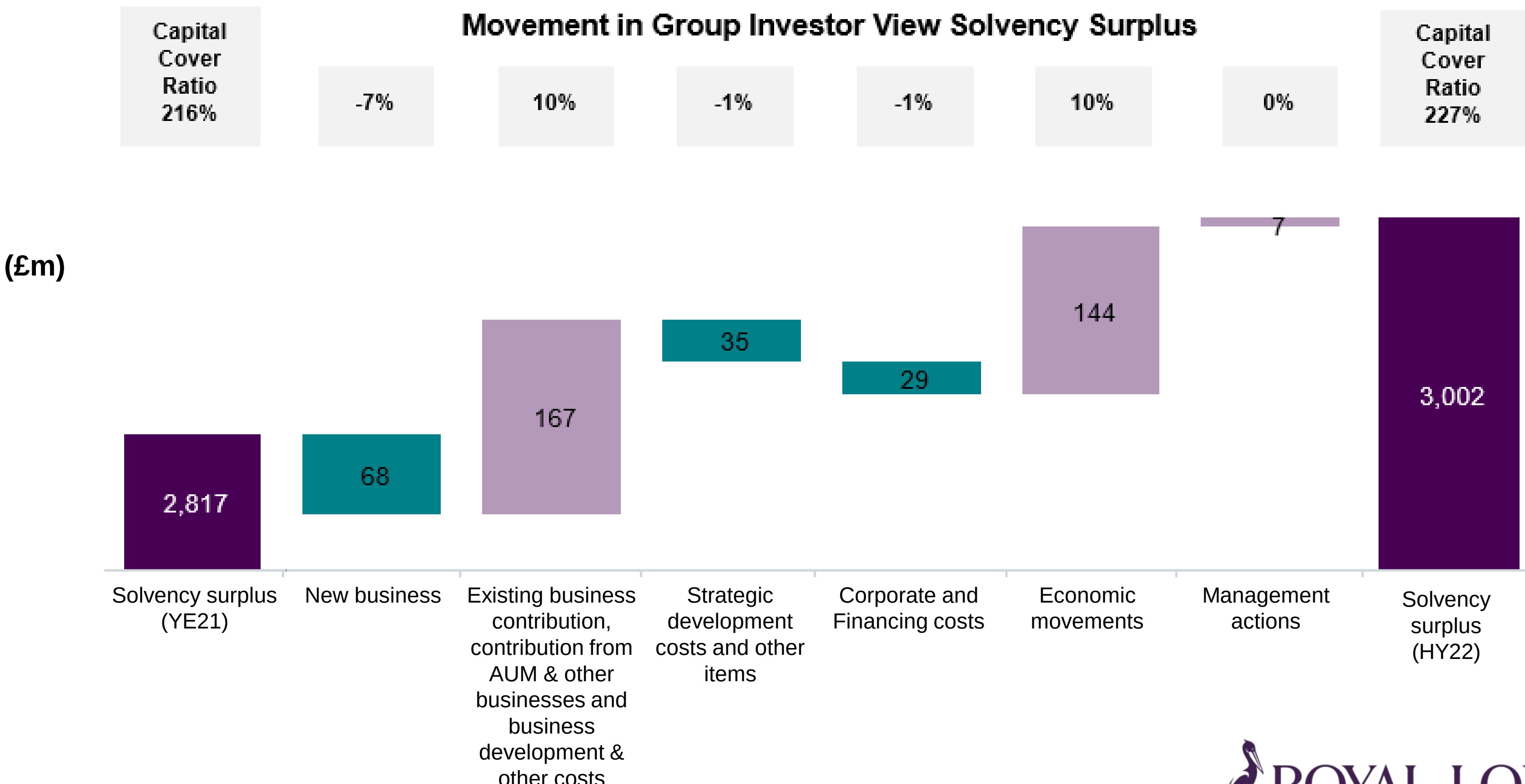
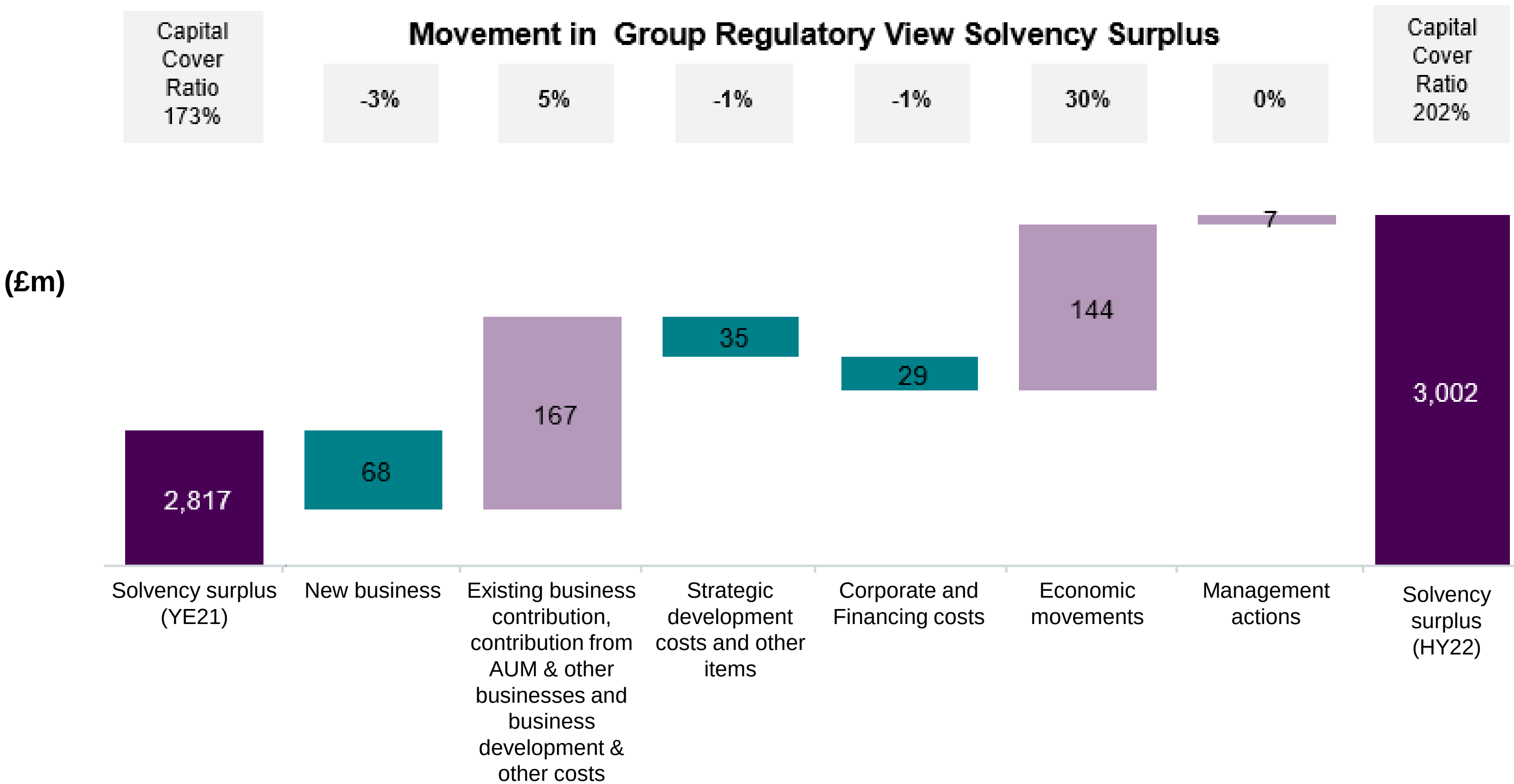
Capital – Group Investor view

- Economic movements reflect large increases in credit spreads
- Continued growth of our Matching Adjustment annuity fund through on-going new business and the one-off transfer of an existing annuity portfolio in H1



Capital – Group Regulatory view

- Significant increases in yields have reduced capital requirements of the closed funds, particularly in relation to the capital requirements for guaranteed annuity options



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Summary

- Strength of investment offering driving increased flows into both Workplace and Individual Pensions
- Significant increase in operating profit through new business growth and management of costs
- Continued focus on delivering enhanced digital services
- Robust capital position enables long-term approach to decision making
- Trading environment remains challenging but strategy continuing to deliver

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Q&A

Appendix 1 – Operating profit before tax

	H1 2022	H1 2021	Change
Long-term business			
New business contribution	**£89m**	£81m	+£8m
Existing business contribution	**£87m**	£82m	+£5m
Contribution from AUM and other businesses	**£55m**	£59m	-£4m
Business development and other costs	**(£19m)**	(£16m)	-£3m
Strategic development costs	**(£35m)**	(£39m)	+£4m
Result from operating segments	**£177m**	**£167m**	**+£10m**
Corporate costs	**(£31m)**	(£50m)	+£19m
Financing costs	**(£37m)**	(£37m)	-
Group operating profit before tax	**£109m**	**£80m**	**+£29m**

Metrics are defined on page 18

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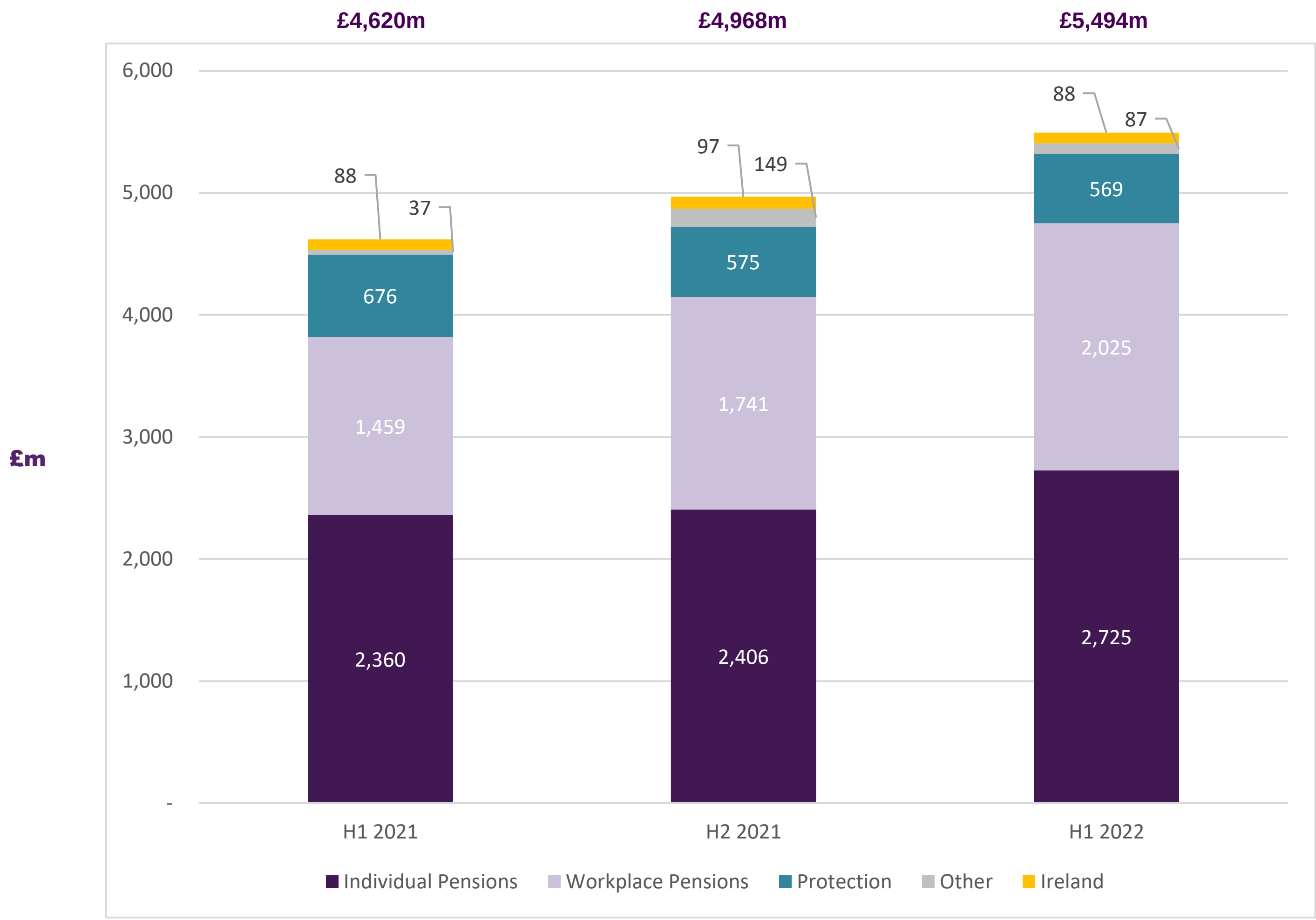
Appendix 2 – Life and pensions new business



Metrics are defined on page 18

Appendix 3 – Capital sensitivities

Scenario	Solvency II Investor View Sensitivities: Capital cover ratio (%)	Solvency II Investor View Sensitivities: Impact on solvency surplus (£bn)	Solvency II Regulatory View Sensitivities: Capital cover ratio (%)	Solvency II Regulatory View Sensitivities: Impact on solvency surplus (£bn)
Base: 30 June 2022	**227%**	**3.0**	**202%**	**3.0**
25% decrease in equity investments	-1%	-0.2	-3%	-0.2
15% decrease in property prices	-4%	-0.1	-4%	-0.1
100bps rise in interest rates	-2%	-0.1	+6%	-0.1
100bps fall in interest rates	+6%	+0.1	-11%	+0.1
25bps increase in government bond yields	-1%	0.0	-1%	0.0
200bps widening in credit spreads	+7%	+0.1	+9%	+0.1
15% fall in GBP exchange rates	+1%	+0.1	+2%	+0.1

Sensitivities are estimated. Scenarios are explained on page 18

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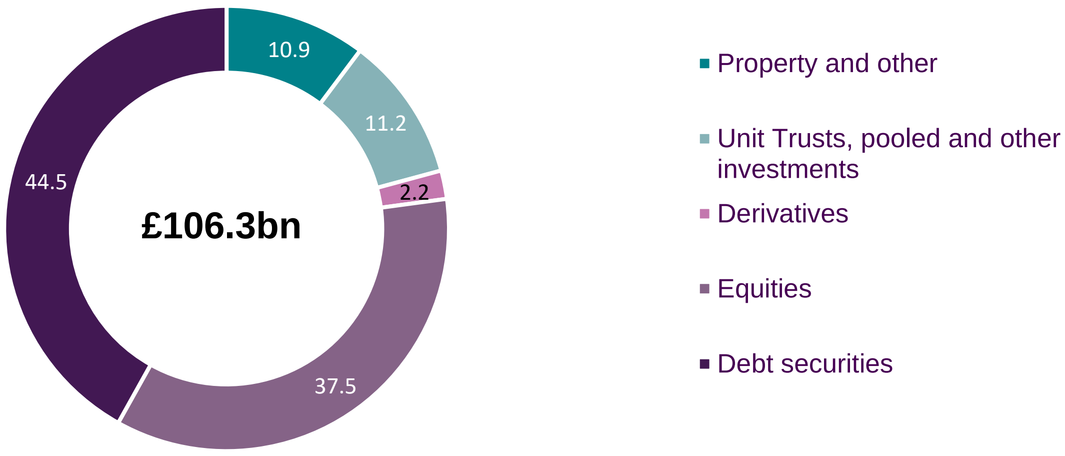
Appendix 4 – Investment portfolio

- Maintained a significant proportion of highly-rated assets:
  - **82%** (A rated or better non-linked debt securities)
  - **70%** (A rated or better non-linked corporate bonds)
  - Diversified investment portfolio

Investment Portfolio (£bn)



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. The Group assesses its financial performance based on a number of measures, some of which are not defined or specified in accordance with relevant financial reporting frameworks such as UK GAAP or Solvency II. These measures are known as alternative performance measures (APMs) and include Operating profit before tax. APMs are disclosed to provide further information on the performance of the Group and should be viewed as complementary to, rather than a substitute for, the measures determined according to UK GAAP and Solvency II requirements. Accordingly, these APMs may not be comparable with similarly titled measures and disclosures by other companies.
3. Investment performance has been calculated using a weighted average of active assets under management for funds with a defined external benchmark. 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.
4. Operating profit before tax represents (loss)/profit (transfer (from)/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/losses arising within the closed funds are held within the respective closed fund surplus; therefore operating profit represents the result of the Royal London Main Fund (RL Main Fund).
5. (Loss)/profit before tax represents the statutory '(Loss)/profit before tax and before transfer (from)/to the fund for future appropriations' in the consolidated statement of comprehensive income.
6. Life and pensions new business sales represent life and pensions business only and excludes 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 period 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 period. The rate used to discount the cash flows in the reported results has been derived from the swap curve at 31 December 2021 for all new business except annuities, where instead the swap rate at the end of each prior month is used to discount the next month's new business cashflows.
7. 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 paid (net of reinsurance). Given its nature, non-linked Protection business is not included.
8. Assets under management (AUM) represent the total of assets managed by the Group, including funds managed on behalf of third parties.
9. The capital cover ratio is calculated as the Group's Own Funds, being the regulatory capital under Solvency II, divided by the Solvency Capital Requirement (SCR). The 'Regulatory View' solvency surplus and capital cover ratio restricts each closed funds' surplus to the value of the SCR of that fund. The 'Investor View' equals the RL Main Fund capital position (excluding ring-fenced funds, which are run on a standalone basis). All capital figures are stated on a Group Partial Internal Model basis.
10. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.
11. Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was last formally recalculated at 31 December 2021. 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.
12. 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.
13. The government bond yield sensitivity assumes risk-free rates and other yields remain constant. The Volatility Adjustment has been reassessed in the stressed scenario.
14. 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.
15. The fall in GBP exchange rates stress assumes an increase to the value of assets held in currencies other than GBP by 15% in GBP terms.

FORWARD-LOOKING STATEMENTS

This document should be read in conjunction with Royal London's 2022 Interim Results Announcement, which can be found at:

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

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