

A mutual understanding

Summary Financial Statement 2012

**ROYAL
LONDON**
FINANCIAL SENSE



Mutual dividend
£88m

We are pleased to be allocating a mutual dividend of £88m for 2012.

Welcome to your Summary Financial Statement for 2012.

This booklet, and 'the review' included in your pack, provide you with a summary of Royal London's performance during 2012.

To find out more and gain a better understanding of Royal London's performance, policies and Directors' remuneration, you should read the full Annual Report and Accounts online at www.royallondongroup.co.uk. If you would like us to post you a copy, please email us with your name and address to memberrelations@royallondongroup.co.uk.

Our auditors, PricewaterhouseCoopers LLP, issued unqualified reports on the full annual financial statements, on the auditable part of the Directors' remuneration report and on the consistency of the Directors' report with those annual financial statements. Their report on the full annual financial statements and the auditable part of the Directors' remuneration report contained no statement under sections 498(2)(a), 498(2)(b) or 498(3) of the Companies Act 2006.

Did you know?

The full Annual Report and Accounts is available online.

Contents

04

Additional information

To help you to decide how to vote at our AGM.



07

Your Board

Notice of Annual General Meeting and commentary on the resolutions	04
Board of Directors	07
Summary Directors' report	10
Auditors' statement	11
Summary financial statement: European Embedded Value (EEV) basis	12
Summary financial statement: IFRS basis	13
Summary Directors' remuneration report	14

Notice of Annual General Meeting

As a member of Royal London you can attend and vote at our AGM (EGM information is in the Purchase Information booklet). Your voting form is included in this pack. Here you can find the full 'notice of meeting' and an explanation of the resolutions to help inform your vote.

Notice is hereby given that the 2013 Annual General Meeting of The Royal London Mutual Insurance Society Limited (the Company) will be held at 11.30 a.m. (or immediately following the EGM, which commences at 11.00 a.m., if later) on Tuesday 4 June 2013 at Dexters House (etc.venues), No. 2 Royal Mint Court, Tower Hill, London, EC3N 4QN for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. That the audited Annual Report and Accounts for the year ended 31 December 2012 be received.

2. That the Directors' remuneration report 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 Andrew Carter be reappointed a director.
6. That Duncan Ferguson be reappointed a director.
7. That Tracey Graham be reappointed a director.
8. That Phil Loney be reappointed a director.
9. That Kerr Luscombe be reappointed a director.
10. That Jon Macdonald be reappointed a director.
11. That Kathryn Matthews be reappointed a director.
12. That Andrew Palmer be reappointed a director.
13. That Rupert Pennant-Rea be reappointed a director.
14. That David Weymouth be reappointed a director.
15. Special resolution that:

- (a) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association contained in the document produced to the meeting and initialled by the chairman of the meeting, for the purpose of identification, be approved and adopted as the new Articles of Association of

the Company in substitution for, and to the exclusion of, the existing Articles of Association.

A form of proxy for use at the AGM is enclosed.

To be valid, the form of proxy should be completed and returned in accordance with the instructions as soon as possible, but in any event so as to arrive no later than 2 June 2013.

By order of the Board



Simon Mitchley

For and on behalf of Royal London Management Services Limited
Company Secretary
27 March 2013

Registered Office: 55 Gracechurch Street, London EC3V 0RL (Registered in England and Wales: No. 99064).

Resolution Commentary

Resolution 1 – Annual Report and Accounts 2012

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

Resolution 2 – Directors' remuneration report

The Companies Act 2006 requires a company that is quoted on the London Stock Exchange to include at the Annual General Meeting (AGM), a resolution to approve the Directors' remuneration report. This requirement does not apply to the Company because it is a mutual and not a quoted company. The Board, however, believes that this resolution has become a part of good corporate governance and accordingly has voluntarily included it as a resolution at this AGM. The Directors' remuneration report appears on pages 56 to 67 of the Annual Report and Accounts 2012 and a summary of the report is on pages 14 to 17 of this Summary Financial Statement 2012.

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 14 – Reappointment of directors

In accordance with The Association of Financial Mutual's Annotated UK Corporate Governance Code and to increase accountability, all directors will retire at each AGM and stand for reappointment. Accordingly, all of your continuing directors are retiring and offering themselves for reappointment at this AGM.

Stephen Shone, Jane Platt, Tim Melville-Ross and David Williams will be stepping down at the forthcoming AGM and so will not be offering themselves for reappointment.

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 40 and 41 of the Annual Report and Accounts 2012 and on pages 7 to 9 of this Summary Financial Statement 2012.

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.

Resolution 15 – New Articles of Association

We are asking members to approve the adoption of new Articles of Association to take account of a number of developments in law applicable to companies since the current Articles of Association were adopted at the Annual General Meeting in 2008, primarily the remaining provisions of the Companies Act 2006, which came into force in October 2009.

An explanation of the main differences of substance between the current Articles of Association and the new Articles of Association is set out on the next page. We have also taken the opportunity to revise the current Articles of Association in order to update the language, style and approach in line with best practice.

Main changes to the Articles of Association

We need to make these changes to make sure our Articles are up to date with regulations and best practice.

1. Memorandum of association

Under the Companies Act 2006 the Memorandum of Association of a company is no longer required. The key provisions of the Memorandum have now been included in the Articles of Association.

2. Requisitions

Articles 4 and 5 contain provisions dealing with the requisition by members of an extraordinary general meeting and a resolution to be passed at an annual general meeting. They allow the Board to disregard a requisition in certain circumstances. Article 4.5 specifies that the Board shall put forward a resolution that can 'properly be moved'. The Articles do not however specify how to determine whether a resolution is capable of being properly moved. Practice in relation to the requisition of resolutions by members has developed since the Articles were last amended. The Articles have been updated to make reference to the criteria in relevant legislation, which sets out the circumstances in which a requisitioned resolution may be properly moved, in order to avoid disputes as to whether the Board should put a resolution to members.

These amendments in respect of requisition by members of an extraordinary general meeting, are not essential changes but may help avoid disputes in relation to requisitions in the future.

3. Electronic communications

Under article 6.8 there is provision for notice of general meetings to be sent via the website where a member has consented (or is deemed to have consented) to that method of service. There is currently no reference to other documents or information (such as annual reports) being sent in this way. Therefore the Articles have been updated so that members can receive documents other than notices via the website.

4. Delegation of directors' powers

Article 16.1 relates to Board committees consisting of a majority of directors. This amendment is required to take into account the independent non-director elements of the With-Profits Committee and the Royal Liver Supervisory Committee (established by the scheme of transfer).

5. Directors' fees

The new Articles of Association remove the aggregate annual limit on fees payable to directors. This is to enable the Board to continue recruiting and paying non-executive directors in line with the market rate. There has also been an increase in the number of Board Committees that the non-executive directors are required to attend and chair, with the establishment of the With-Profits Committee and the Investment Committee, which in turn has led to an increase in the number of non-executive directors. In addition, the overall growth of the business, the proposed acquisition of the Co-operative life pensions and asset

management businesses and increased regulatory focus have made it necessary to increase the size of the Board.

New legislation is being introduced this year to strengthen the current requirements for companies to disclose remuneration matters, including remuneration policy, in their report and accounts. One of the key proposals is that, as well as the vote on historical remuneration, there will also be a vote on future remuneration policy which will include non-executive director fees. Although the Company is not required to comply with all the legislation, it is envisaged that the key principles will be adopted, including the votes on remuneration, thereby giving members added protection to that afforded in the current Articles of Association.

6. Quorum of directors' meetings

Article 20.6 states that the quorum of the Board must be a majority of directors who are eligible to vote on that resolution. It is much more usual to have a minimum quorum of two directors.

7. Definitions and housekeeping

There are some minor changes to definitions and references to legislation that require amending to reflect enactments since the last change to the Articles.

Board of Directors

Our Board makes sure that Royal London is run for the best interests of customers and members.

These short biographies provide you with more information about their role at Royal London and other relevant experience.

Jane Platt, Stephen Shone, Tim Melville-Ross and David Williams will be standing down at the 2013 AGM. Rupert Pennant-Rea will then become our Chairman.

Chairman

Tim Melville-Ross CBE

Tim Melville-Ross was appointed to the Board on 1 June 1999 and became Non-Executive Deputy Chairman and Senior Independent Director in June 2002. Tim became Chairman on 1 January 2006 and is Chairman of the Nomination Committee. He was chief executive of the Nationwide Building Society from 1985 to 1994 and director-general of the Institute of Directors from 1994 to 1999. Tim is chairman of the Higher Education Funding Council for England.

Group Chief Executive

Phil Loney

Phil Loney was appointed to the Board on 1 October 2011, coinciding with his appointment as Group Chief Executive of Royal London Group. He previously spent eight years at Lloyds Banking Group, most recently as managing director; Life, Pensions and Investments. Prior to joining Lloyds, 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 and deputy chairman of Association of Financial Mutuals.

Group Finance Director

Kerr Luscombe BSc FFA

Kerr joined the group in October 2011 and was appointed to the board in July 2012 as Group Strategy Director prior to taking up the role of Group Finance Director on 1 January 2013. Before joining Royal London he was finance director in a number of organisations, including most recently in the Life, Pensions and Investment business of Lloyds Banking Group. Prior to that he was finance director for the life companies within Santander which became part of the Resolution group and subsequently the Phoenix Group. He previously held a number of senior management roles in Abbey National and Santander. Kerr is an actuary and was admitted as a Fellow of the Institute and Faculty of Actuaries in 1991.

Executive Director*

Stephen Shone BSc (Econ), FCA

Stephen Shone was appointed to the Board on 1 January 1999 when he joined Royal London as Group Finance Director. He has led the major acquisitions made by the Group during the last fourteen years, including Royal Liver and the life insurance and asset management business from The Co-operative Banking Group. He has 25 years' experience in the financial management of life companies. He has previously held senior positions at Prolific Group and Irish Life plc.

* (Group Finance Director until 31 December 2012)

Executive Director

Andrew Carter MA C.DIR

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. 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, including head of UK equities.

Group Risk Director

Jon Macdonald FIA

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 CRO for RSA. He has held a number of senior risk and capital management roles at Prudential, PwC, Aviva, 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.

Senior Independent Director

Duncan Ferguson FIA Dip Ag Sci

Duncan Ferguson was appointed to the Board on 1 April 2010. He is the Senior Independent Director and Chairman of the Board Risk Committee and the With-Profits Committee. He has some 40 years' experience in senior management of insurance companies and as a consulting actuary. He was senior partner of Bacon & Woodrow, then B&W Deloitte, from 1994 to 2003. Duncan was also a non-executive director of Halifax from 1994 until it merged with Bank of Scotland in 2001 and then of HBOS Financial Services until 2007. He is currently a non-executive director of Henderson Group plc and is chairman of the Guardian With-Profits Committee. He was President of the Institute of Actuaries from 1996 to 1998.

Non-Executive Director

Tracey Graham

Tracey Graham was appointed to the Board on 10 March 2013. 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, customer services director at AXA Insurance plc and held a number of senior positions at HSBC. Tracey is currently a non-executive director of RPS Group plc, Dialight plc, and Albemarle and Bond plc, where she chairs their respective remuneration committees.

Non-Executive Director

Kathryn Matthews

Kathryn Matthews was appointed to the Board on 26 June 2012 and chairs the Investment Committee and sits on the Nomination and Remuneration Committees. She was previously chief investment officer; Asia Pacific (excluding Japan) for Fidelity International. Prior to this she held positions at William M Mercer; Axa Investment Managers, Santander Global Advisors and Baring Asset Management. She is also a non-executive director of JPMorgan Chinese Investment Trust, APERAM SA, Conversus Capital, Montanaro UK Smaller Companies Investment Trust, Rathbone Brothers, Fidelity Asian Values plc and Hermes Fund Managers. In addition, Kathryn has also previously held a non-executive role at Religare Enterprises.

Non-Executive Director

Andrew Palmer FCA

Andrew Palmer was appointed to the Board on 1 April 2011. Andrew is Chairman of the Audit Committee. 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 currently senior independent director at SEGRO but will be stepping down at their AGM on 23 April 2013. He is a non-executive director of Direct Line Insurance Group and a member of the Financial Reporting Review Panel of the Financial Reporting Council.

Non-Executive Director

Rupert Pennant-Rea BA (Econ), MA (Econ) Chairman (designate)

Rupert Pennant-Rea was appointed to the Board on 13 December 2012 and he will become Chairman after the AGM this year. Rupert has extensive financial services industry experience. He is currently chairman of Henderson Group plc and will be stepping down at their 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 Go-Ahead Group plc, Gold Fields Limited (South Africa) and Hochschild Mining.

Non-Executive Director

Jane Platt Chartered FCSI

Jane Platt was appointed to the Board on 5 July 2012 and sits on the Audit, Board Risk and Nomination Committees. She is currently chief executive for National Savings & Investments. Prior to this she was chief operating officer; customer segments at Reuters Group, president of services for asset managers at Reuters and chief executive of Barclays Stockbrokers and Barclays Bank Trust Company. She has previously held non-executive positions at Witan Investment Trust and the Edinburgh UK Tracker Trust and acted as a pension fund trustee.

Non-Executive Director

David Weymouth BA Hons, MBA, FCIB

David Weymouth was appointed to the Board on 1 July 2012 and sits on the Board Risk, Investment and Nomination Committees. David is currently group chief risk officer having been group operations and risk director since he joined RSA in 2007. Prior to this he consulted to a number of major firms and government departments and enjoyed a successful 27 year career at Barclays including the role of group chief information officer. He has previously held a number of non-executive roles at the Department of Trade and Industry (Operating Committee), Chordiant Software and the Charities Aid Foundation. He is a non-executive director of the Financial Services Authority's Financial Compensation Scheme.

Non-Executive Director

David Williams MSc

David Williams was appointed to the Board on 1 March 2006. He is Chairman of the Remuneration Committee. He is currently chair of the operating partners with Duke Street LLP and chairman of Adelie Food Holdings Ltd, Wagamama Ltd and The Original Factory Shop Ltd. Additionally, he is a non-executive director of Mothercare plc. He also held a number of senior appointments with Diageo plc, PepsiCo Inc and Whitbread plc. He holds an MSc from the London Graduate School of Business Studies.

Summary Directors' report

This page contains highlights of the Directors' and Corporate Governance reports from the full Annual Report and Accounts.

Principal activities and business review

The principal activity of the Company is the transacting of long-term insurance business covering life and pensions. A review of Royal London's business is contained in the members' document, 'the review'.

Summary Financial Statement

The Summary Financial Statement has been prepared on the basis of the accounting policies set out in the Annual Report and Accounts 2012 and the financial information for the periods shown has been abridged from those accounts. The Summary Financial Statement was approved by the Board of Directors.

Directors

Details of the current directors are set out on pages 7 to 9. All of them have held office throughout the period under review except for Kerr Luscombe, Jon Macdonald, Kathryn Matthews, Rupert Pennant-Rea, Jane Platt and David Weymouth who joined the Board on 23 July, 14 December, 26 June, 13 December, 5 July and 1 July 2012 respectively. Tracey Graham was appointed a director on 10 March 2013. Robert Jeens and John Deane stepped down as directors on 22 May 2012 and 29 June 2012 respectively. Stephen Shone, Tim Melville-Ross and David Williams will be stepping down from the Board at the forthcoming AGM and so will not be offering themselves for reappointment. Jane Platt will also be stepping down at the AGM as she has been appointed to the Board of the Financial Conduct Authority. Rupert Pennant-Rea will be appointed Chairman in place of Tim Melville-Ross effective from the conclusion of the forthcoming AGM. In accordance with the UK Corporate Governance Code 2012: Annotated Version for Mutual Insurers published in November 2012 (the Code), all continuing directors will retire and offer themselves for reappointment.

Corporate governance

The Board is committed to high standards of corporate governance, which it believes are critical to business integrity, performance and maintaining member confidence.

The Board considers that, throughout the period under review, it has applied the relevant principles and complied with the relevant provisions of the Code. The Board meets regularly to determine the Group's strategy; to review the Group's operating and financial performance, to set the Group's risk appetite and to provide oversight that the Group is adequately resourced and effectively controlled. The Board determines the Group's:

- values, standards and ethics;
- strategy and objectives; approves an annual business plan and budget and monitors the Group's performance in achieving them;
- risk appetite;
- organisational structure; and
- pension and remuneration policies.

The Board reserves to itself certain decisions which include:

- those relating to the acquisition or disposal of any business or major asset;
- setting up of a new business or joint venture or the merging of any part of the Group's business with a third party;
- making or guaranteeing a significant loan; and
- significant investments and transactions not at arm's length.

To help the Board meet its objectives it has established the following committees: Audit, Board Risk, Investment, Remuneration, Nomination and With-Profits Committees. A full Corporate Governance statement is included on pages 44 to 55 of the Annual Report and Accounts 2012.

Annual General Meeting

The Royal London Mutual Insurance Society's AGM will be held at 11.30 a.m. (or immediately following the EGM, which commences at 11.00 a.m., if earlier) on 4 June 2013 at Dexters House (etc.venues), No.2 Royal Mint Court, Tower Hill, London EC3N 4QN. The notice convening the meeting is on page 4 and guidance on AGM voting is being sent to all members.

Auditors' statement

Independent auditors' statement to the members of The Royal London Mutual Insurance Society Limited.

The following section provides the report from our external auditors, PricewaterhouseCoopers LLP, on this Summary Financial Statement.

We have examined the Summary Financial Statement which comprises the Summarised consolidated statement of comprehensive income: IFRS, Summarised consolidated balance sheet: IFRS, Summarised consolidated income statement: EEV, Summarised consolidated balance sheet: EEV, summary Directors' report and the summary Directors' remuneration report set out on pages 10 and 12 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full annual financial statements, the Directors' report and the Directors' remuneration report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises the items listed on the contents page.

This statement, including the opinion, has been prepared for and, only for; the Company's members as a body in accordance with section 427 of the Companies Act 2006 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.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Company's full annual financial statements describes the basis of our audit opinion on those financial statements, the Directors' report and the Directors' remuneration report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Directors' report and the Directors' remuneration report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2012 and complies with the applicable requirements of section 427 of the Companies Act 2006, and the regulations made thereunder.

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London.
27 March 2013

Notes:

- The maintenance and integrity of the Royal London Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the Summary Financial Statement since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Summary financial statement: EEV basis



The economy in the UK remained flat in 2012. But as these figures show, Royal London performed well and added value for members.

The main financial basis we use to assess our performance is called the European Embedded Value (EEV) basis. Our total EEV profit after tax (and after deducting the mutual dividend) was £225m, an increase of 84% on 2011.

We have also provided a summary of our results on an IFRS basis.

“Customers benefit directly from the Company’s performance”

Royal London
Group customer

Summarised consolidated income statement: EEV

	2012 £m	2011 £m
Contribution from new business	89	77
Profit from existing business		
– Expected return	64	84
– Operating experience variances	34	31
– Operating assumption changes	61	15
Expected return on opening net worth	29	31
Profit on other business	8	9
Other items	(39)	(10)
Operating profit before business combinations	246	237
Gain arising on business combinations	-	97
Operating profit before tax	246	334
Economic experience variances	127	116
Economic assumption changes	83	(162)
Movement in pension scheme surplus (RLGPS)	(95)	(31)
Financing costs	(25)	(25)
EEV profit before tax and mutual dividend	336	232
Mutual dividend	(93)	(94)
EEV profit before tax	243	138
Attributed tax charge	(18)	(16)
EEV profit after tax	225	122

Summarised consolidated balance sheet: EEV

Net worth	967	769
Value of in-force business	1,386	1,264
Pension scheme surplus asset (RLGPS)	62	157
Embedded value	2,415	2,190

Summary financial statement: IFRS basis

Summarised consolidated statement of comprehensive income: IFRS

	2012 £m	2011 £m
Revenues		
Gross earned premiums	1,087	1,076
Amounts paid to reinsurers	(405)	(344)
Net earned premiums	682	732
Investment return	3,058	1,314
Gain arising on business combinations	-	91
Other revenues	211	204
Total revenues	3,951	2,341
Expenses		
Policyholder benefits and claims	2,701	1,600
Operating expenses	987	647
Finance costs	30	30
Total expenses	3,718	2,277
Result before tax	233	64
Tax credit	(27)	(24)
Transfer to the unallocated divisible surplus	260	88
Profit and comprehensive income for the year	-	-

Summarised consolidated balance sheet: IFRS

	2012 £m	2011 £m
Assets		
Property, plant and equipment	42	45
Investment property	2,319	2,259
Intangible assets	1,083	1,109
Reinsurers' share of insurance contract liabilities	1,159	1,043
Pension scheme asset	118	247
Financial investments	31,719	31,096
Other assets	408	447
Cash and cash equivalents	2,901	2,512
Total assets	39,749	38,758
Liabilities		
Unallocated divisible surplus (UDS)	2,648	2,388
Insurance and investment contract liabilities (excluding UDS)	34,270	33,008
Subordinated liabilities	398	398
Other liabilities	2,433	2,964
Total liabilities	39,749	38,758

The summary financial statements above were approved by the Board of Directors and signed on its behalf on 27 March 2013.

Kerr Luscombe
Group Finance Director

Summary Directors' remuneration report

This is a summary of the 2012 Directors' remuneration report of Royal London.
The full report is contained in the 2012 Annual Report and Accounts.

Remuneration Policy: key principles

Align with interests of members and customers	Performance-related incentives are designed to align the interests of executives with those of members and customers.
Align with delivering Group strategy	Taking full account of regulatory requirements, good corporate governance, and operating within the Group Risk Appetite.
Align with relevant market practice	Ensure total remuneration is appropriately competitive to support the recruitment, retention and motivation of talented people allowing us to compete with the top 12 UK life insurers who are our main competitors.

Remuneration Policy for executive directors

The Remuneration Policy for executive directors is primarily aligned with the interests of members and the other Key Principles. The table below sets out the policy for each element of executive director remuneration for 2013 onwards.

	Purpose	Operation
Base Salary	Align with relevant market practice	Salaries are reviewed by considering the individual's responsibilities, performance, the current market positioning against appropriate roles and the salary review for Royal London employees.
Benefits	Align with interests of members	Reviewed annually and includes private medical insurance, medical screening and, for some, either a company car or a cash allowance in lieu of a car. Executive directors are eligible to participate in the Group flexible benefits scheme.
Pension		New executive directors may opt to join a Defined Contribution Scheme or receive a salary supplement in lieu of participation. Certain existing executive directors participate in a Defined Benefit Scheme that is closed to new employees.
Short-term incentive plan, STIP	Align with delivering Group strategy Align with interests of members and customers	Rewards performance against a balanced scorecard of key performance objectives. Vesting outcomes are subject to a discretionary override based on the Remuneration Committee's assessment of underlying performance. Payment of one-third of any amount earned is deferred for three years and adjusted for the change in the value of Royal London to its members. Unvested deferred STIP awards are also subject to clawback. The vesting calculation is independently reviewed.
Long-Term Incentive Scheme, LTIS	Align with delivering Group strategy Align with interests of members and customers	Vesting of awards is based on performance over three years against five key measures of long-term performance. Vesting outcomes are subject to a discretionary override based on the Remuneration Committee's assessment of underlying performance. Half of any award is deferred for up to five years from grant. The value of an award is adjusted for the change in the value of Royal London to its members. Unreleased payments are also subject to clawback.

Executive director service contracts

	Contractual terms
Duration	Continuous term to retirement age.
Notice period	12 months by the Company; 6 months by the executive director.*
Pay in lieu of notice	If employment is terminated by the Group for reasons other than misconduct.

*Phil Loney and Jon Macdonald are required to give 12 months' notice to the Company.

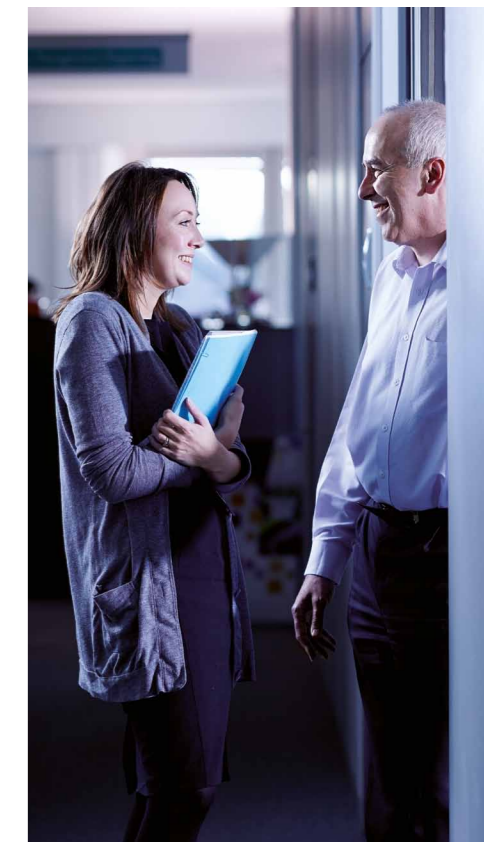
Phil Loney is eligible to claim reasonable travel costs from home to place of work and related accommodation costs.

Exit payment policy

The Remuneration Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, any contractual obligations and applicable incentive plan and pension scheme rules.

Remuneration policy for Chairman and non-executive directors

The remuneration of the Chairman and that of non-executive directors is determined in accordance with the Key Principles and reflects the responsibilities and time involved in Royal London matters.



2012 emoluments – audited

	Salary or fees 2012 £000	Pension supplement 2012 £000	Taxable benefits 2012 £000	STIP 2012 £000	Other 2012 £000	Total 2012 £000	Total 2011 £000
Chairman							
Tim Melville-Ross	200	-	-	-	-	200	198
Executive Directors							
Andrew Carter	341	-	15	223	-	579	802
John Deane ¹⁵	229	46	-	164	195	634	891
Phil Loney	609	152	74	778*	-	1,613	1,403
Kerr Luscombe	126	19	7	115	-	267	-
Jon Macdonald ³⁹	14	2	1	4	77	94	-
Stephen Shone ²⁶	406	-	27	323	-	756	873
Mike Yardley	-	-	-	-	-	-	2,277
Non-Executive Directors							
Duncan Ferguson	81	-	-	-	-	81	65
Robert Jeens ⁷	26	-	-	-	-	26	66
Kathryn Matthews ⁸	38	-	-	-	-	38	-
Andrew Palmer	61	-	-	-	-	61	41
Rupert Pennant-Rea ¹⁰	3	-	-	-	-	3	-
Jane Platt ¹¹	27	-	-	-	-	27	-
David Weymouth ¹²	27	-	-	-	-	27	-
David Williams	64	-	-	-	-	64	64

Note: figures are pro-rated to reflect date of joining the Board.

* Phil Loney will donate 25% of his STIP award to charity.

Notes:

- On leaving Royal London on 1 August 2012, John Deane:
 - received salary and benefits until the end of his notice period on 31 December 2012
 - participated in the 2012 STIP as a good leaver with payment pro-rated to 1 August 2012
 - remains eligible to receive, 2009 to 2012 deferred STIP awards, subject to the plan rules
 - remains eligible to participate in 2010 and 2011 Long-Term Incentive awards, subject to the plan rules
 - is not eligible to participate in the 2012 LTIS award.
- On leaving Royal London during 2013, Stephen Shone:
 - will receive salary and benefits until 31 December 2013, the end of his notice period
 - will receive a loss of office payment of £30,000
 - remains eligible to participate in the 2012 and 2013 STIP, subject to the plan rules
 - remains eligible to receive 2009, 2010 and 2011 deferred STIP awards subject to the plan rules
 - remains eligible for 2010, 2011 and 2012 Long-Term Incentive awards, subject to the plan rules
 - participates in an additional incentive for 2013 of up to 145% of salary in respect of key project-based targets
 - is not eligible to participate in the 2013 Long-term Incentive Scheme.
- On joining Royal London, Jon Macdonald was compensated for the loss of existing awards with a conditional award in shadow shares of £77,000 which will gradually vest over the period to June 2015 and a 2011 LTIS award of £39,100, which will vest subject to performance.
- Value to be confirmed on completion of 6 month's employment on 1 May 2013.
- Left the Board on 29 June 2012 and left the Company on 1st August 2012.
- Will leave during 2013
- Retired 22 May 2012
- Appointed 26 June 2012.
- Appointed 14 December 2012.
- Appointed 13 December 2012.
- Appointed 5 July 2012.
- Appointed 1 July 2012.

Exercisable Long-Term Incentive awards – audited

	Exercisable at 31.12.11 £000	Transfer from provisions £000	Change in value during 2012 £000	Paid in 2012 £000	Exercisable at 31.12.2012 £000
Andrew Carter	834	404	324	(734)	828
John Deane	808	192	193	(940)	253
Phil Loney	-	117	-	(117)	-
Stephen Shone	937	200	246	(1,069)	314
Mike Yardley	1,532	335	17	(1,884)	-

Pension entitlements – audited

	Age	Accrued Pension at 31.12.12 ¹ £000pa	Increase in accrued pension during the year £000pa	Transfer value of accrued pension at 31.12.12 ² £000	Transfer value of accrued pension at 31.12.11 ² £000	Increase in transfer value over the year, net of director's contributions ² £000
Stephen Shone	55	170	17	3,663	3,093	570
Andrew Carter	52	82	10	1,430	1,089	341

Notes:

- The amounts which the directors would be entitled to from normal retirement age if they left service at the date shown. No director is eligible to receive any additional benefit in the event of early retirement.
- Calculated in accordance with the relevant legislation and guidance and based on the cash equivalent basis applicable to the Royal London Group Pension Scheme (the "Scheme") at the relevant date.
- The Company paid the following contributions on behalf of the directors, via salary sacrifice: Stephen Shone £30,000 and Andrew Carter £25,000. These amounts have not been deducted from the amounts shown in the table above.



FSC certified products are in compliance with high environmental and social standards for responsible forest management.

www.myroyallondon.co.uk