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Summary Financial Statement 2010



Board of directors	04
Summary directors' report	06
Auditors' statement	07
Summary financial statement: European Embedded Value (EEV) basis	08
Summary financial statement: IFRS basis	09
Summary directors' remuneration report	10
Notice of Annual General Meeting and commentary on the Resolutions	14

Full Annual Report and Accounts

This Summary Financial Statement and accompanying Members' Review 2010 provides a summary of Royal London's performance during 2010 and the state of affairs of the Group at the end of the year. This document does not contain sufficient information to allow you as full an understanding of the results and state of affairs of Royal London, and of its policies and arrangements concerning directors' remuneration, as would be provided by the Annual Report and Accounts 2010.

The auditors have 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.

If you would like a copy of the Annual Report and Accounts 2010 free of charge please telephone 0800 085 7835 or e-mail to agm@royallondongroup.co.uk. Alternatively, you can view and print the Annual Report and Accounts 2010 by visiting www.royallondongroup.co.uk

Tim Melville-Ross CBE (66)

Chairman

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 DTZ Holdings plc and Manganese Bronze Holdings plc. He is also chairman of the Higher Education Funding Council for England.

Mike Yardley FIA (54)

Group Chief Executive

Mike Yardley has more than 30 years' experience of the insurance and investment industries. He will be stepping down from his role later this year having spent 13 years leading the strategic transformation of the Royal London Group. This followed five years as Executive Chairman of Royal London Asset Management. Mike joined Royal London in 1978 after three years at Pearl Assurance and was appointed to the Royal London Board in 1989. He is a director of the Association of British Insurers, a member of its Life Insurance Committee and a director of the Juvenile Diabetes Research Foundation. He is also a director and past Chairman of the Association of Financial Mutuals.

Stephen Shone BSc (Econ), FCA (54)

Group Finance Director

Stephen Shone was appointed to the Board on 1 January 1999 when he joined Royal London as Group Finance Director. He trained as a chartered accountant with KPMG, has more than 20 years' experience in the financial management of life companies and has led a significant number of major acquisitions. On leaving KPMG in 1987 Stephen became finance director of Prolific Group. From 1990 to 1998 he was with Irish Life plc based in Dublin and St Albans, where he held a number of posts, including group chief financial officer from 1996 to 1998.

John Deane FIA (52)

Executive Director

John Deane was appointed to the Board on 1 April 2007. He has some 30 years' experience in the life assurance industry. His roles have involved leading acquisitions in the public and private arena with UK and international experience. John has previously established an outsourcing company and has 20 years of senior executive and board experience in IT, administration, compliance, risk, distribution and corporate development. He is responsible for the intermediary businesses of Royal London.

Andy Carter MA (50)

Executive Director

Andy 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. Andy 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.

Robert Jeens FCA (57)

Non-Executive Director

Robert Jeens was appointed to the Board on 1 May 2003. He is Chairman of the Audit Committee. He has some 30 years' experience within large financial services businesses, initially as a partner at Touche Ross & Co and latterly as finance director at Kleinwort Benson Group plc and Woolwich plc. Robert is currently a non-executive director of Henderson Group plc, TR European Growth Trust plc, Gartmore Fledgling Trust plc and a number of private companies.

David Williams MSc (64)

Non-Executive Director

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 Capital LLP and chairman of Adelle Food Holdings Ltd, Oasis Ltd and The Original Factory Shop Ltd. Additionally, he is a non-executive director of Mothercare Plc and Sandpiper Ltd. David also held number of senior appointments with Diageo plc, PepsiCo Inc and Whitbread plc. He holds an MSc from the London Graduate School of Business Studies.

Duncan Ferguson FIA (68)

Senior Independent Director

Duncan Ferguson was appointed to the Board on 1 April 2010. He is the Senior Independent Director and Chairman of the Board Risk 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 Phoenix Group with-profits committees. He is a past president of the Institute of Actuaries.

Andrew Palmer FCA (57)

Non-Executive Director
with effect from 1 April 2011

Andrew Palmer has been appointed to the Board with effect from 1 April 2011. Formerly group finance director of Legal & General Group plc where he had also held a number of financial and operational roles in the asset management, insurance and international businesses. He is senior independent director at SEGRO plc, and a non-executive director of RBS Insurance, and a number of its operating subsidiaries. He is also a member of the Financial Reporting Review Panel of the Financial Reporting Council.

Principal activities and business review

The principal activity of the Company is the transaction of long-term insurance business covering life and pensions. A review of Royal London's business is contained in the Members' Review 2010 on pages 6 to 11.

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 2010 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 4 and 5. All of them have held office throughout the period under review except for Duncan Ferguson who joined the board on 1 April 2010 and Andrew Palmer who joins the board on 1 April 2011. Trevor Bish-Jones and Tom Ross stepped down as directors on 29 April and 20 May 2010 respectively.

In accordance with the Annotated UK Corporate Governance Code of the Association of Financial Mutuals, with effect from this year; all Directors will retire and offer themselves for reappointment each year.

Corporate Governance

The Board is committed to high standards of corporate governance which it believes are critical to business integrity and 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 Combined Code on Corporate Governance 2008 (the Code), together with the Annotated Combined Code for Mutual Insurers published in February 2008 except that at least half the Board of directors were not independent following the resignation of Trevor Bish-Jones in April. Andrew

Palmer, an independent non-executive director, has been appointed to the board with effect from 1 April 2011 which addresses this imbalance.

The Board determines the Group's values, standards and ethics, strategy and objectives, risk appetite, organisational structure, and pension and remuneration policies. The Board reserves certain decisions to itself, including acquisitions and disposals of any business or major asset, new business or joint ventures making or guaranteeing a significant loan, and significant investments and transactions not at arm's length. The Board has established Audit, Board Risk, Nomination and Remuneration Committees. Beneath the Board there is in place clear and appropriate apportionment of responsibilities amongst executive directors and senior managers so that the business of the Group can be effectively managed and monitored.

A full Corporate Governance statement is included on pages 44 to 52 of the Annual Report and Accounts 2010.

People

Royal London is committed to providing equal opportunities to all employees. It recognises that valuing diversity brings benefits to business performance and to employee satisfaction. The Group is committed to recruiting, developing, promoting and training employees on the basis of their individual competences and performance. Royal London is committed to an ongoing dialogue with employees on all developments affecting it and its business.

Political donations

No political donations were made during 2010.

Annual General Meeting

Royal London's AGM will be held at 11.00 a.m. on 19 May 2011 at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD. The notice convening the meeting is on page 14 and guidance on AGM voting is being sent to all members.

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

We have examined the Summary Financial Statement which comprises the Summarised Consolidated Statement of Comprehensive Income: IFRS, the Summarised Consolidated Balance Sheet: IFRS, the Summarised Consolidated Income Statement: EEV, the Summarised Consolidated Balance Sheet: EEV and the Summary Directors' Remuneration Report set out on pages 10 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statements 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 all 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 except 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 2010 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.
30 March 2011

Notes:

- (a) 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 web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Summarised consolidated income statement: EEV	2010	2009
	£m	£m
Contribution from new business	84	63
Profit from existing business		
– Expected return	91	114
– Operating experience variances	18	(34)
– Operating assumption changes	84	(66)
Expected return on opening net worth	27	4
Profit on other business (see note)	9	15
Other items	(70)	75
Operating profit before tax	243	171
Economic experience variances	99	234
Economic assumption changes	(118)	183
Movement in pension scheme surplus	128	(30)
Financing costs	(26)	(35)
Mutual dividend	(90)	(26)
Other items	–	(62)
EEV profit before tax	236	435
Attributed tax charge	(8)	(31)
EEV profit after tax	228	404

Summarised consolidated balance sheet: EEV	2010	2009
	£m	£m
Net worth	566	497
Value of in-force business	1,314	1,283
Pension scheme asset	188	60
Embedded value	2,068	1,840

Note: Other business includes general insurance, the provision to third parties of administration services and cash management.

Summarised consolidated statement of comprehensive income: IFRS	2010	2009
	£m	£m
Revenues		
Gross earned premiums	1,057	1,099
Amounts paid to reinsurers	(319)	(317)
Net earned premiums	738	782
Investment return	3,317	3,071
Other revenues	335	189
Total revenues	4,390	4,042
Policyholder benefits and claims	3,340	2,679
Operating expenses	786	858
Finance costs	32	44
	4,158	3,581
Result before tax	232	461
Tax charge	43	51
Transfer to the unallocated divisible surplus	189	410
Profit and comprehensive income for the year	-	-

Summarised consolidated balance sheet: IFRS	2010	2009
	£m	£m
Assets		
Property, plant and equipment	39	38
Investment property	1,877	1,791
Intangible assets	1,111	1,161
Reinsurers' share of insurance contract liabilities	713	658
Pension scheme asset	188	60
Financial investments	27,453	24,137
Other assets	381	400
Cash and cash equivalents	2,482	3,132
Total assets	34,244	31,377
Liabilities		
Unallocated divisible surplus (UDS)	2,300	2,111
Insurance and investment contract liabilities (excluding UDS)	29,155	26,596
Subordinated liabilities	398	397
Other liabilities	2,391	2,273
Total liabilities	34,244	31,377

The summary financial statements above were approved by the Board of Directors and signed on its behalf on 30 March 2011.


Stephen Shone
 Group Finance Director

This information is extracted from the directors' remuneration report of Royal London. This is a summary of the Group's remuneration policy and practice. Full information appears in the Annual Report and Accounts 2010.

Policy

The Remuneration Committee considers it is in Royal London members' interests for remuneration packages to be competitive in order to attract and retain people of the required calibre. The policy is for the total remuneration to be at the median of the UK financial services market, subject to the individual's experience and performance in the role. Comparisons are made with other companies taking account of the Group's scale and complexity. Where possible, such analysis is based on multiple reference points to help ensure a holistic assessment of market pay positioning.

Returns to our members are driven primarily by the investment performance of our with-profits funds, which is reflected in bonuses declared on with-profits policies and increases in the value of the Group's businesses, which influence bonuses declared and the mutual dividend allocated. The value of the business comprises the embedded value of the Group and its franchise value, i.e. the value of our ability to produce profitable new business in the future.

Bonus plans for executive directors are designed to encourage and reward good investment performance and increases in the value of Royal London for the benefit of members, taking into account risk.

For all Royal London short and long-term incentive arrangements, the Committee, at its discretion, can amend incentive amounts prior to payment.

Remuneration package – executive directors

Salaries

The salaries of executive directors are determined by considering the individual's responsibilities, performance, and the current salary positioning against appropriate roles in listed and mutual life insurers.

Annual performance-related bonus plans

The Short-Term Incentive Plan (STIP) is designed to focus participants on the results that need to be achieved to meet Royal London's annual financial and non-financial objectives in the context of the agreed strategy. Payment of one-third of any amount earned under the STIP is deferred for three years and is adjusted for the change in the value of Royal London (adjusted for mutual dividends and investment returns on members' asset shares compared to benchmark) over this time. Andy Carter's STIP focuses primarily on delivery against objectives specific to Royal London Asset Management's agreed strategy.

Long-term incentives

During 2010, Royal London operated the Long-Term Incentive Plan (LTIP) and Long-Term Relative Incentive Plan (LTRIP). Details of these two plans can be found below. The maximum payout under the 2010 long-term incentive is capped.

A substantive review of remuneration was undertaken in 2010 and these two plans will be replaced by a new Long-Term Incentive Scheme.

Long-Term Incentive Plan and Long-Term Relative Incentive Plan

These are phantom share option plans which reward growth in Royal London's value over the long-term. Under the LTIP, payouts are subject to the achievement of minimum growth targets.

Under the LTRIP, payouts are directly related to the investment returns on members' asset shares against benchmark and the outperformance of Royal London's value in comparison to a basket of share prices. No payout under the LTRIP is made unless the change in Royal London's value is at least equal to the median performance of the comparator companies.

Long-Term Incentive Scheme

Following a review of the Group's long-term incentive arrangements, the Committee has approved the Long-Term Incentive Scheme (LTIS) to replace the current schemes. The LTIS is a phantom share plan designed to provide stronger alignment with the interests of members and with-profits policyholders, and is fully compliant with the FSA Code for remuneration and Royal London's remuneration principles.

Awards are based on performance against four measures (adjusted appropriately for mutual dividends), namely relative appraisal value growth against comparator companies; growth in European Embedded Value (EEV); growth in franchise value and investment returns on members' asset shares compared to benchmark. Half of any award is deferred for up to five years.

Benefits

Benefits offered are private medical insurance, medical screening and either a company car or a cash allowance. John Deane is not eligible for a company car or a cash allowance.

Pensions

John Deane is paid a salary supplement in lieu of pension benefits. The other executive directors are members of defined benefit pension arrangements.

Executive service contracts and termination

All executive directors have contracts of employment or service contracts that do not have a fixed term, but which provide for a year's notice from the Company. Executive directors' contracts allow for termination with contractual notice from the Company or, in the alternative, termination by way of payment in lieu of notice, which are subject to phased payments and contractual mitigation. The Company's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and incentive plan and pension scheme rules. The period of notice required to be given to the Company by executive directors is six months. Executive directors' contracts do not include compensation for severance as a result of a change of control. Details of when current executive directors were appointed to the Board are included on page 41 of the Annual Report and Accounts 2010 and on pages 4 and 5 of this Summary Financial Statement 2010.

Chairman and non-executive directors' remuneration

The remuneration of the Chairman is determined by the Committee and that of the non-executive directors by the Board, with the non-executive directors not voting. The principles adopted by the Board in determining the fees are that they should be competitive, appropriate to attract and retain directors of the necessary calibre, and reflect the responsibilities and time involved in Royal London matters.

Directors' emoluments

	Salary or fees	Bonuses	Benefits	Total	
	2010	2010	2010	2010	2009
	£000	£000	£000	£000	£000
Chairman					
Tim Melville-Ross	190	–	–	190	183
Executive directors					
Andy Carter	320	435	15	770	683
John Deane	375	416	–	791	686
Stephen Shone	390	437	27	854	763
Mike Yardley	585	768	24	1,377	1,251
Non-executive directors					
Trevor Bish-Jones – Resigned 29 April 2010	29	–	–	29	49
Duncan Ferguson – Appointed 1 April 2010	50	–	–	50	–
Robert Jeens	63	–	–	63	61
Tom Ross – Resigned 20 May 2010	23	–	–	23	55
David Williams	61	–	–	61	58
	2,086	2,056	66	4,208	3,789

Long-Term Incentive Plan awards

Name	Exercisable at 31.12.09 £000	Increase in exercisable awards during 2010 £000	Paid in 2010 £000	Exercisable at 31.12.10 £000
Andy Carter	736	185	(730)	191
John Deane	1,179	35	(1,160)	54
Stephen Shone	1,252	47	(1,240)	59
Mike Yardley	2,007	86	(1,988)	105
	5,174	353	(5,118)	409

Pension entitlements

Name	Accrued pension 31.12.10 £000pa	Increase in accrued pension during the year £000pa	Transfer value of accrued pension at 31.12.10 £000	Change in transfer value in 2010 £000
Andy Carter	62	9	892	245
Stephen Shone	138	17	2,504	626
Mike Yardley	412	30	7,075	1,452

Notes:

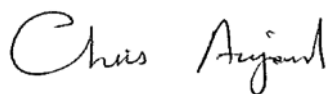
1. The accrued pensions are the amounts which the directors would be entitled to from normal retirement age if they left service at the relevant date.
2. The transfer values have been calculated in accordance with the guidance note 'GNI I' published by the Institute of Actuaries and Faculty of Actuaries.

Notice is hereby given that the 2011 Annual General Meeting of The Royal London Mutual Insurance Society Limited (the 'Company') will be held at 11.00 a.m. on Thursday 19 May 2011 at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD 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 2010 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 Andy Carter be reappointed a director.
6. That John Deane be reappointed a director.
7. That Duncan Ferguson be reappointed a director.
8. That Robert Jeens be reappointed a director.
9. That Tim Melville-Ross be reappointed a director.
10. That Andrew Palmer be reappointed a director.
11. That Stephen Shone be reappointed a director.
12. That David Williams be reappointed a director.
13. That Mike Yardley be reappointed a director.

By order of the Board



Group Legal Director and Company Secretary
30 March 2011

Registered Office:

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

Resolution 1 – Annual Report and Accounts 2010

Following changes introduced by the Companies Act 2006, the Company is not required to lay its accounts before a general meeting. The Board nonetheless considers it best practice to do so and will continue to lay before a general meeting its annual accounts, the directors' report and the auditors' report for every financial year.

Resolution 2 – Directors' remuneration report

The Companies Act 2006 requires a company that is quoted on the London Stock Exchange (or in Europe or the USA) to include at the Annual General Meeting a resolution to approve the directors' remuneration report. The resolution is advisory. This requirement does not, of course, apply to the Company because it is a mutual and not a quoted company. The Board, however, believes that such a resolution has become a part of good corporate governance and accordingly has voluntarily included it as a resolution to be considered at this AGM.

The directors' remuneration report appears on pages 53 to 57 of the Annual Report and Accounts 2010 and a summary of the report is on pages 10 to 13 of this Summary Financial Statement 2010.

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. A resolution will also be proposed to 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 13 – Reappointment of directors

The Company's Articles of Association provide that all directors who held office at the start of the last two AGMs and who did not retire at either of those AGMs must retire by rotation at the AGM. In addition, the Articles provide that a newly appointed director should retire at the first AGM.

However, in view of the newly introduced Association of Financial Mutual's Annotated Combined Code, published in 2010, which is based upon the UK Corporate Governance Code, and to increase accountability further, with effect from this year all directors will retire at each AGM and stand for reappointment by members if they wish to continue to serve as a director of the Company. Accordingly, all of your directors are retiring and offering themselves for reappointment at this Annual General Meeting.

Mike Yardley announced he will be stepping down as Group Chief Executive of the Company and he has been asked to stay on as Group Chief Executive and a director for a period of time to effect a smooth transition following the appointment of Phil Loney as his successor. However, because all directors are now reappointed annually he is offering himself for reappointment.

The Board considers that each of the aforementioned directors 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 2010 and on pages 4 and 5 of this Summary Financial Statement 2010.

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.