FY Results 2017

28th March 2018
Disclaimer

Although the statements of fact in this presentation have been obtained from and are based upon sources that the Issuer believes to be reliable, the Issuer does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this presentation constitute the Issuer's judgement, as of the date of this presentation and are subject to change without notice.

Past performance is not indicative of future performance.

Certain statements in this presentation may constitute "forward-looking statements". These statements reflect the Issuer's expectations and are subject to risks and uncertainties that may cause actual results to differ materially and may adversely affect the outcome and financial effects of the plans described herein. You are cautioned not to rely on such forward-looking statements. The Issuer disclaims any obligation to update their view of such risks and uncertainties or to publicly announce the result of any revisions to the forward looking statements made herein, except where they would be required to do so under applicable law.

If these presentation materials have been sent to you in an electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer nor any person who controls it nor any director, officer, employee nor agent of it or affiliate or any such person accepts any liability or responsibility whatsoever in respect of any difference between the presentation materials distributed to you in electronic format and the hard copy version available to you on request from the Issuer.

For the purposes of this notice, "presentation" shall mean and include the slides that follow, any oral presentation of the slides, any question-and-answer session that follows any such oral presentation, hard copies of this document and any materials distributed at or in connection with, any such oral presentation.

This presentation pack has been delivered for information only and on the express understanding that the recipient shall use it only for the purpose set out above. The Issuer gives no undertaking to provide the recipient with access to any additional information or to update this presentation document or any additional information or to correct any inaccuracies in it which may become apparent.
Contents

- Group CEO Summary & Results
- Life & GI businesses
- Expenses
- Capital
- Looking Ahead
- Green Heart Support
CEO FY 2017 Highlights

A transformative year, underpinned by financial and strategic delivery

1. Executing against strategy
   - Transformative year positioning LV= for future growth
     - Strategic partnership with Allianz secures capability for future success in GI
     - Unified Life business to create a platform for delivering a broader Health, Wealth & Knowledge provider
     - Continued development of new digital propositions; delivered the first stages of our £100m investment

2. Solid growth and underlying performance across the business
   - Underlying growth across the business
     - Operating profit of £158m (FY 2016: £127m profit pre-Ogden)
     - General Insurance GWP up 1% and operating profit up 7% pre-Ogden
     - Life sales up 9% and operating profit up £24m

3. Strengthened capital position
   - Good delivery on cost reduction
     - Expense savings of £8m vs FY 2016 and £33m against £40m target
     - FTE reduced by over 400
     - Continued focus on costs moving forward
   - Significantly improved capital position
     - Group Solvency II capital coverage ratio up to 180%
     - Capital surplus increased by £331m
     - Exit of certain capital intensive products in Life
Focus on being Britain’s “best loved” insurer bears dividends

<table>
<thead>
<tr>
<th>Award</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>YouGov’s Most Recommended Insurer</td>
<td>Remained YouGov’s Most Recommended Insurer for the third consecutive year</td>
</tr>
<tr>
<td>Insurance Provider of the Year at the Which Awards 2017</td>
<td>Named Insurance Provider of the Year at the Which Awards 2017</td>
</tr>
<tr>
<td>UK’s Most Trusted Insurer (Moneywise 2017), for the second consecutive year.</td>
<td>Improved 68 places in KPMG Nunwood Customer Experience Excellence Index to 32nd across all industries</td>
</tr>
</tbody>
</table>
Group Financial Headlines

Strong performance across both of our trading businesses and a significant strengthening of our capital position.

**Operating Profit**
- £158m (+24% *)

**Capital**
- 180% CCR (+40% pts)

**Operational Liquidity Inflow**
- £62m (+217%)

**Expenses**
- £431m (-2%)

**GI GWP**
- £1,596m (+1%)

**Life New Business Contribution**
- £37m (+19%)

Variances reported against FY 2016

* In comparison to 2016 excluding Ogden
Group Financial Performance

Strong FY financial performance in transformational year

<table>
<thead>
<tr>
<th>£m</th>
<th>FY</th>
<th>Var YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Insurance</td>
<td>121</td>
<td>(26)</td>
</tr>
<tr>
<td>Life</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td>Group</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Operating Profit/(loss)</strong></td>
<td>158</td>
<td>(12)</td>
</tr>
<tr>
<td>Centrally Managed Costs</td>
<td>(33)</td>
<td>(27)</td>
</tr>
<tr>
<td>STIF</td>
<td>37</td>
<td>14</td>
</tr>
<tr>
<td>Change in Economic Basis</td>
<td>(48)</td>
<td>0</td>
</tr>
<tr>
<td>Finance Costs</td>
<td>(24)</td>
<td>(24)</td>
</tr>
<tr>
<td>Impact of GI Transaction</td>
<td>35</td>
<td>0</td>
</tr>
<tr>
<td>Gain arising on Teachers Acquisition</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before tax</strong></td>
<td>122</td>
<td>(49)</td>
</tr>
<tr>
<td>Mutual Bonus</td>
<td>(26)</td>
<td>(17)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(50)</td>
<td>(35)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Pension scheme gain/(loss)</td>
<td>19</td>
<td>(2)</td>
</tr>
<tr>
<td>Impact of GI transaction taken directly to UDS</td>
<td>124</td>
<td>0</td>
</tr>
<tr>
<td><strong>Transfer to/(from) UDS</strong></td>
<td>191</td>
<td>(103)</td>
</tr>
</tbody>
</table>

- Overall operating profit up YoY by 24% (excl Ogden) to £158m.
- Strong GI trading performance post Ogden, benefiting from improved rates and favourable claims experience.
- GI result has been achieved whilst strengthening reserves against future shocks.
- Life operating profits boosted by growth in Pensions business and Model & Basis Changes.
- Impact of the sale of the renewal rights of the GI commercial business to Allianz and positive investment variances boost PBT to £122m.
- Change in economic basis represents an alignment of our reporting to Solvency II from Gilts to SWAPs.
GI Results

Strong FY performance reflecting favourable claims experience post Ogden

Operating Profit

- FY 2016 Pre Ogden: £113m
- FY 2016 Post Ogden: (£139)m
- FY 2017: £121m

Sales

- FY 2016: £1,581m
  - Personal Lines: £1,314m
  - Commercial Lines: £267m
- FY 2017: £1,596m
  - Personal Lines: £1,313m
  - Commercial Lines: £283m

Combined Operating Ratio

- FY 2016 Pre Ogden: 94.1%
- FY 2016 Post Ogden: 105.8%
- FY 2017: 91.8%

FTE (headcount)

- FY 2016: 3,599
- FY 2017: 3,341

£m unless otherwise stated
Life Results

FY performance driven by strong growth in Pensions volumes & margins

Operating Profit

<table>
<thead>
<tr>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>37</td>
</tr>
</tbody>
</table>

Retirement Sales (PVNBP)

<table>
<thead>
<tr>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,554</td>
<td>1,721</td>
</tr>
</tbody>
</table>

New Business Contribution

<table>
<thead>
<tr>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>18</td>
<td>23</td>
</tr>
</tbody>
</table>

Protection Sales (PVNBP)

<table>
<thead>
<tr>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>284</td>
<td>296</td>
</tr>
</tbody>
</table>

£m unless otherwise stated
Launched strategic Blueprint and Cost reduction seeking to achieve over £40m (8%) of real cost savings by 2018. Made £33m savings against target of £40m.

The aim of the cost transformation programme is to deliver a cultural change to spend and more competitive cost base going forward.

Savings have largely been achieved through strong day-to-day cost management discipline and an ongoing review of discretionary spend.

Expense savings of £8m (2%) vs FY 2016 delivered. 4% reduction in operating costs.

FTE has reduced by 484 (8%) vs FY 2016.

* Gross expenses pre-commission and costs associated with the general insurance transaction
LV= has withdrawn its internal model application following the announcement in August 2017 of the agreed sale of a stake in our general insurance business, as this represents a material change to the LV= risk profile.
Looking ahead to 2018 and beyond

GI

✓ Making a success of the strategic partnership with Allianz.
✓ Focus on underwriting profit.
✓ Continued investment in technology to deliver productivity improvements.
✓ Winning combination of excellent customer service, digital propositions and a strong brand.

Life

✓ Investment in technology to replace legacy systems and improve productivity.
✓ Continued capital light model to ensure Life is cash and capital generative.
✓ Evolve into a broader health, wealth and knowledge business.
✓ Clear focus on IP, drawdown and equity release as key growth areas.

Capital/Cost

✓ Continuing focus on reducing the balance sheet exposure to volatility.
✓ Secure dividend flows and shareholder return from the GI business.
✓ Retain a strong focus on cost reduction.
Green Heart Support

Helping make more people, more confident, more of the time

❤️ Our products provide confidence at a functional level.
❤️ We want to go further and use our business for social good, starting with our customers and members.
❤️ The nature of what we do means we often hear from people when they’re in the midst of life’s most difficult situations – when their confidence has taken a real hit.
❤️ Recognising when someone is in need and helping where we can is the essence of Green Heart support.
❤️ Launched as a pilot with £70,000 in 2017, Green Heart support made a difference to 193 people.
❤️ In 2018 we have committed £400,000 to Green Heart support and expect to help 2,500 people.
❤️ People like Keith and Jane. Keith suffered a mystery illness abroad and ended up back home in a coma in hospital. We sent Jane a luxury hamper and paid for a month of hospital parking so she could be with Keith as he recovered.
Q&A

Any questions?
Thank you