

Positive first half performance despite continued lockdown

Financial Highlights

		Six months ended 30 June 2021	Six months ended 30 June 2020
UK GAAP	Operating profit before tax ³	£80m	£36m
	Profit/(loss) before tax ⁴	£228m	£(181)m
New business	Life and pensions new business sales ⁵	£4,620m	£4,747m
Inflows	Gross inflows ⁶	£11,987m	£14,419m
	Net inflows ⁶	£405m	£997m
		30 June 2021	31 December 2020
Funds	Assets under management ⁷	£153bn	£148bn
	Regulatory View solvency surplus ⁸	£2.6bn	£2.3bn
Capital⁹	Regulatory View capital cover ratio ^{8, 11}	159%	147%
(Solvency II)	Investor View solvency surplus ⁸	£2.6bn	£2.3bn
	Investor View capital cover ratio ^{8, 11}	204%	190%

- Operating profit before tax³ increased to £80m (H1 2020: £36m), with improved contributions from the UK insurance and asset management businesses.
- Profit before tax⁴ of £228m (H1 2020: loss of £181m) due to higher returns on UK investments and yield increases during the first half of 2021.
- Life and pensions new business sales⁵ were down 3% at £4,620m (H1 2020: £4,747m). Protection products have continued to sell strongly in the UK and Ireland in the first half of the year. Pensions new business sales have recovered from the lower levels in the second half of 2020 but are below pre-pandemic levels.
- Net inflows⁶ decreased to £405m (H1 2020: £997m). Demand for our sustainable funds remains strong. Net inflows have been impacted by institutional outflows and a reduced level of internal flow from our individual pension business. 97%¹⁰ of actively managed funds outperformed their three-year benchmark (H1 2020: 60%).
- Assets under management⁷ increased to a record high of £153bn (31 December 2020: £148bn), due to positive market movements and net inflows.
- We have committed to reduce the emissions from our investment portfolio by 50% by 2030 as part of the transition to Net Zero by 2050¹².
- Our capital position remains robust, with our key capital metrics improving in the first half. Additional equity hedges have increased our solvency surplus and will help to maintain capital stability going forwards.

Barry O'Dwyer, Group Chief Executive, commented:

"During the first half of 2021, we paid claims totalling over £397m to families who faced a life shock, whether that was someone contracting a serious illness or dying. In the same period, we helped our pension customers to invest £4bn in their futures. We welcomed 86,000 new workplace pension customers to Royal London, many of whom are starting their journey in what will hopefully become a lifetime of investing.

Our strong credentials as a sustainable asset manager and an increasing societal focus on responsible investment continues to drive strong flows into our award-winning funds ranges. We believe that our reputation for investing responsibly, combined with our mutual status and the way we share our profits with eligible customers, means we have a uniquely attractive offer, helping Royal London customers to protect their families against life shocks whilst investing in a better future."

Financial calendar:

- 5 August 2021 – Interim Financial Results for 2021 and conference call*
- 7 October 2021 – RL Finance Bonds No 4 plc subordinated debt interest payment date
- 13 November 2021 – RL Finance Bonds No 3 plc subordinated debt interest payment date
- 30 November 2021 – RL Finance Bonds No 2 plc subordinated debt interest payment date

*Royal London will hold an investor conference call to present its 2021 Interim Results on Thursday 5 August 2021 at 09:00. Interested parties can register at: <https://cosspreg.btc.com/prereg/key.process?key=PB99HR4YK>. A copy of the presentation to investors is available on the Group's website at <https://www.royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/>.

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About Royal London

Royal London is the UK's largest mutual life, pensions and investment company. We provide pensions, protection and wealth management products and services in the UK, and protection products in Ireland. We work with advisers and customers to deliver long-term growth, income and protection.

Editor's notes

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). 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. Operating profit before tax represents profit (transfer to fund for future appropriations before other comprehensive income) excluding: short-term investment return variances and economic assumption changes; amortisation and impairment of goodwill and other intangibles arising from mergers and acquisitions; ProfitShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits arising within the closed funds are held within the respective closed fund surplus; therefore UK operating profit represents the result of the RL Main Fund (including transfers to the RL Main Fund from the closed funds).
4. Profit/(loss) before tax represents the statutory 'Profit/(loss) before tax and before transfer to/(deduction from) the fund for future appropriations' in the consolidated statement of comprehensive income.
5. Life and pensions new business sales represent life and pensions business only and exclude Asset Management and other lines of business. Sales are presented as the Present Value of New Business Premiums (PVNBP), which is the total of new single premium sales received in the 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 30 June 2021 swap curve provided by the Prudential Regulation Authority (PRA).
6. Gross and net inflows incorporate flows into Royal London Asset Management Limited (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.
7. Assets under management (AUM) represent the total of assets actively managed by the Group, including funds managed on behalf of third parties.
8. The 'Regulatory View' solvency surplus and capital cover ratio restricts each closed funds' surplus to the value of the Solvency Capital Requirement (SCR) of that fund. The 'Investor View' equals the Royal London Main Fund capital position (excluding ring-fenced funds, which are run on a standalone basis).
9. All capital figures are stated on a Group Partial Internal Model basis.
10. Investment performance has been calculated using a weighted average of active assets under management. Benchmarks differ by fund and reflect their mix of assets to ensure direct comparison. Passive funds are excluded from this calculation as, whilst they have a place as part of a balanced portfolio, Royal London believes in the long-term value added by active management.
11. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.
12. The term Net Zero means achieving a balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed from it. The commitment is based on the expectation that governments and policy makers will deliver on the commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and this action does not contravene Royal London's fiduciary duty to external investors. The commitment is based on our emissions profile of 2020. It includes assets that are controlled by RLMIS and are managed on its behalf by RLAM and excludes segregated mandates managed by RLAM on behalf of its external clients.

Business Review

The first half of 2021 has been characterised by an increased focus on strategic delivery. In April we acquired Wealth Wizards, a leading fintech advice business. We will use technology to help scale the provision of impartial advice and offer high quality solutions that mean financial advisers are confident to recommend us. Our support for customers funding their later life has been enhanced by the purchase of a 30% stake in Responsible Life and Responsible Lending (Responsible Group), which completed on 1 July. This will strengthen our participation in the growing later-life lending market.

We have continued to invest in simplifying our legacy systems. Since the beginning of 2020 we have moved over three million in-force policies onto new technology, improving the efficiency and quality of the customers' servicing experience. We expect to migrate a further 150,000 policies in the second half of the year. We have progressed the consolidation of four with-profits funds that are now closed to new business into the Royal London Main Fund. We successfully consolidated one fund in the first half of the year and, subject to policyholder and court approval, the other funds are on track to be consolidated by the end of 2021.

We changed the way we manage our UK business, aligned to our Purpose and strategy. It is now organised by customer lifecycle, allowing us to offer our wide range of products to best meet the changing needs of customers at the point when they need them the most. The Group is now structured into three business units: UK, Ireland and Asset Management (which operates through the Group's asset management subsidiary, RLAM).

Through the ongoing disruption caused by the pandemic we have focused on providing our high quality service to customers and advisers while safeguarding colleagues' health and wellbeing. With many colleagues keen to return to the office, we continue to follow the latest guidance from the UK, Scottish and Irish governments. When we are able, we will implement a hybrid working approach, with most colleagues splitting their time between the office and home.

In the first half of the year we actively championed the role mutuals play in our sector and demonstrated our continued commitment to running our business solely for the benefit of our customers. Through our ProfitShare allocation, we have now shared over £1bn with eligible customers since its introduction in 2007. This enhancement in policy value is only available because we are a mutual.

Our mutuality underpins our ambition to protect the standard of living of this and future generations. In June we launched a campaign to call for immediate action to address the issues created by the ageing population and climate change by championing the need to build financial resilience and invest responsibly. This included committing to reducing the carbon equivalent emissions from our investment portfolio by 50% by 2030 and achieving Net Zero by 2050.

Trading performance

The ongoing impact of the Covid-19 pandemic continues to affect trading in some areas of the Group, however there are positive indicators of economic recovery.

Our pension new business sales were £3,819m (H1 2020: £4,094m), with individual pension volumes remaining below pre-pandemic levels but recovering compared to the second half of 2020. There has been a steady improvement in workplace pension sales where recruitment and scheme tender activity increased.

New business sales of our protection business have continued to perform strongly in the UK, increasing by 16% to £676m (H1 2020: £581m). Sales have also performed strongly in Ireland, increasing by 40% to £88m (H1 2020: £63m). Through our continued focus on customer service and proposition enhancements we have met the increasing customer demand for protection products.

In February we introduced a new product which allows us to offer existing customers who benefit from a Guaranteed Annuity Rate an option to take their annuity with Royal London. We expect this area of business to build over the next few years as more and more pension customers approach retirement and choose to vest their pension with us.

RLAM, which manages the funds for our customers and external clients, continued to perform well. Assets under management increased to £153bn (2020: £148bn), passing the £150bn milestone for the first time. RLAM's strategy of the past five years to expand into the wholesale market continues to yield success, particularly with our sustainable funds where demand remains strong. As at the end of June 2021, 97% of actively managed funds outperformed their three-year benchmark (H1 2020: 60%).

Looking ahead

Enabled by our robust capital position and long-term approach to decision making, we will work in partnership with financial advisers to deliver better outcomes to customers, supporting the growing need for high quality, technology-enabled solutions to help improve efficiency in adviser businesses. We will continue to be there for the increasing number of customers looking for protection products and expect to see continued growth in both UK and Irish markets. We anticipate growth in our pensions sales as economic recovery builds employer and customer confidence.

Drawing on our asset management credentials, we expect to support more customers as they seek out means to invest their money to achieve good financial returns whilst also investing responsibly to help tackle some of the big problems faced by the world, such as climate change.

We will continue to champion the need to protect the standard of living of this and future generations through building financial resilience and investing responsibly. Royal London intends to play a leading role in how we move fairly towards a sustainable world.

Financial Review

Group operating profit before tax for the six months ended 30 June 2021 increased to £80m (H1 2020: £36m), with statutory profit before tax for the period of £228m (H1 2020: loss of £181m).

Our capital position is robust. The Investor View capital cover ratio increased to 204% (31 December 2020: 190%) and the Regulatory View capital cover ratio increased to 159% (31 December 2020: 147%). The capital position improvement was driven by additional equity hedging entered into in April 2021 and increases in yields during the first half of 2021.

Group operating profit before tax

The following table shows the Group operating profit for the six months ended 30 June 2021. Further detail on changes to the Group's segmental reporting is included on pages 16-17.

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 (Restated) ^a £m	Change £m
Long-term business			
New business contribution	81	93	(12)
Existing business contribution	82	46	36
Contribution from AUM and other businesses	59	43	16
Business development and other costs	(16)	(24)	8
Strategic development costs	(39)	(43)	4
Result from operating segments	167	115	52
Corporate costs	(50)	(42)	(8)
Financing costs	(37)	(37)	-
Group operating profit before tax	80	36	44

^a Following the introduction of the new Group operating structure, we have updated the presentation of Group operating profit. The prior period comparatives have been restated accordingly, with no change to total Group operating profit for the six months ended 30 June 2020.

New business contribution

New business contribution for long-term business reduced to £81m (H1 2020: £93m). New business contribution from Q2 2020 was impacted by a reduction in long-term business sales as economic uncertainty, stock market volatility and the national lockdowns caused disruption to the services provided by intermediaries to their clients. This also resulted in a reduction in new business margin from 2.0% for the six months ended 30 June 2020 to 1.7% for the 12 months ended 31 December 2020. The new business margin has increased to 1.8% in the first half of 2021.

	New business contribution		PVNBP		New business margin	
	Six months ended 30 June 2021	Six months ended 30 June 2020 (Restated) ^b	Six months ended 30 June 2021	Six months ended 30 June 2020 (Restated) ^b	Six months ended 30 June 2021	Six months ended 30 June 2020 (Restated) ^b
	£m	£m	£m	£m	%	%
Individual pensions	43	53	2,360	2,662	1.8	2.0
Workplace pensions	15	18	1,459	1,432	1.0	1.3
Protection	21	17	676	581	3.1	2.9
Other ^c	(4)	-	37	9	n/a	n/a
UK	75	88	4,532	4,684	1.7	1.9
Ireland (Protection)	6	5	88	63	6.8	7.9
	81	93	4,620	4,747	1.8	2.0

UK

Individual pensions new business sales were £2,360m (H1 2020: £2,662m). Volumes have recovered compared with the second half of 2020 but remain below pre-pandemic levels. Compared with the first half of 2020, the decrease in new business sales resulted in a reduction in the new business margin to 1.8% (H1 2020: 2.0%). Following the impact on our multi-asset funds of the sharp correction in equity markets in 2020, we have re-positioned asset allocations to re-weight equity exposures from UK assets towards overseas and emerging markets and the funds have been outperforming their benchmarks so far this year. We have also launched fund versions of our Governed Portfolios to give customers more flexibility in how they diversify their assets.

Workplace pensions new business sales were £1,459m (H1 2020: £1,432m). Total volumes increased over the first half of 2021 with a number of new scheme mandates, following many employers deferring decisions to change pension providers during 2020, as well as increasing levels of new entrants into existing schemes as recruitment started to recover, particularly in the second quarter. Despite the increase in new business sales, new business contribution decreased to £15m (H1 2020: £18m) as a result of a decrease in the rate used to discount future new business cash flows, leading to a reduction in the new business margin to 1.0% (H1 2020: 1.3%).

Sales of our protection products increased 16% to £676m (H1 2020: £581m), with growth driven by enhancements to our proposition and continued focus on providing high quality customer service throughout the Covid-19 pandemic. We have observed renewed growth in the specialist markets of business protection and income protection following the easing of lockdown restrictions. New business margin increased to 3.1% (H1 2020: 2.9%).

Ireland

New business sales increased to £88m (H1 2020: £63m), with strong demand for term assurance and mortgage protection. Despite the new business sales increase, new business margin has reduced to 6.8% (H1 2020: 7.9%) due to a decrease in the rate used to discount new business and a change in business mix.

Existing business contribution

Existing business contribution for long-term business increased to £82m (H1 2020: £46m), primarily due to positive experience variances. We continue to see positive workplace pensions persistency experience as fewer people changed employers during the lockdown period. We have retained a specific allowance in our assumptions for the expected adverse impacts on our pension business of potential higher unemployment caused by the economic slowdown and the end of the Government's furlough scheme in the second half of 2021. H1 2020 included an allowance of £10m for higher mortality claims expected to arise from Covid-19, and our claims experience has been in line with our expectations.

^b The prior period comparatives have been updated to align to the new Group operating structure, with the UK segment including the previous Intermediary, Consumer and Legacy business units.

^c Other predominantly relates to new products which we have started to sell in 2021, including annuities. New business margin will be presented in the full year results.

Contribution from AUM and other businesses

Contribution from AUM and other businesses increased to £59m (H1 2020: £43m) following a rise in revenues generated primarily through higher AUM. The comparative period included a trading loss of £4m in relation to the Ascentric business which was disposed of in September 2020.

Business development and other costs

Business development and other costs of £16m (H1 2020: £24m) include costs of investment in our products and propositions, as well as implementing product-related regulatory change. The reduction in spend in the first half of 2021 reflects the completion of a number of regulatory driven activities.

Strategic development costs

Strategic development costs of £39m (H1 2020: £43m) represent the continued investment in our pensions business to drive digital transformation and improve customer experience as well as investment in propositions and systems in our Irish and asset management businesses. The Group has also invested in enhancements to legacy systems, fund consolidation and our annuity offering, which became available to customers in early 2021.

Corporate and Financing costs

Corporate costs of £50m (H1 2020: £42m) have increased as we have restructured parts of our business and our property estate to deliver ongoing reductions in our costs. We have also continued to strengthen our IT security and resilience across the Group. Financing costs of £37m (H1 2020: £37m) represent the interest payable on the Group's subordinated debt.

Reconciliation of operating profit before tax to statutory profit/(loss) before tax

Profit/(loss) before tax for the period was £228m (H1 2020: loss of £181m), reflecting increased operating profit and positive economic movements compared to the prior period.

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Change £m
Group operating profit before tax	80	36	44
Economic movements	148	(224)	372
Amortisation of goodwill/intangibles ^d	-	7	(7)
Statutory profit/(loss) before tax	228	(181)	409

Economic movements

Economic movements increased to £148m (H1 2020: loss of £224m), reflecting higher relative returns on UK investments and increases in yields during 2021, reversing the falls observed during 2020.

^d Amortisation of goodwill/intangibles relates to negative goodwill (capitalised under UK GAAP) and goodwill capitalised in relation to Police Mutual which joined the group on 1 October 2020. Both are amortised on a straight-line basis over 10 years. For the six months ended 30 June 2021 it also includes fully amortised goodwill relating to Wealth Wizards of £2m.

Assets under management

Assets under management increased to a record high of £153bn (31 December 2020: £148bn), driven predominantly by positive market movements.

External net outflows decreased to £1m in H1 2021 (H1 2020: £534m), driven by a lower level of institutional outflows compared with H1 2020 and continued high demand for sustainable funds. In H1 2021 there was a large institutional outflow, which was replaced by a larger reinvestment of £2.1bn in early July. Internal net inflows reduced to £0.4bn in H1 2021 (H1 2020: £1.5bn) due to higher outflows in our individual pensions business.

	Gross inflows		Net inflows	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
	£m	£m	£m	£m
Internal flows	4,165	4,325	406	1,531
External flows	7,822	10,094	(1)	(534)
Total	11,987	14,419	405	997

Strength of our capital base

The strength of our capital base is essential to our business, both to ensure we have the capital to fund further growth and to give peace of mind to our customers that we can meet our commitments to them.

Managing our capital base effectively is a key priority for us. In common with others in the industry, we present two views of our capital position: an Investor View for analysts and investors in our subordinated debt and a Regulatory View where the closed funds' surplus is excluded as a restriction to Own Funds.

The table below sets out the capital position and key Solvency II metrics on a Partial Internal Model basis for the Group.

Key metrics	Group	
	30 June 2021	31 December 2020
Regulatory View solvency surplus	£2,601m	£2,258m
Regulatory View capital cover ratio	159%	147%
Investor View solvency surplus	£2,601m	£2,258m
Investor View capital cover ratio	204%	190%

At 30 June 2021, the Solvency II Investor View capital cover ratio was 204% (31 December 2020: 190%) and the Solvency II Regulatory View capital cover ratio was 159% (31 December 2020: 147%). Solvency surplus on both an Investor and Regulatory View was £2,601m (31 December 2020: £2,258m).

The Investor View capital position has improved during H1 2021 primarily due to additional equity hedges entered into in April 2021, which have operated as intended and will help to maintain capital stability going forwards.

The Regulatory View capital position improved in part due to an increase in yields during the first half of 2021, reversing the falls observed during 2020. The Regulatory View capital position has also benefitted from the additional equity hedging.

Balance Sheet

Our balance sheet position remains robust. Our total investment portfolio, including investment property, increased to £110.3bn (31 December 2020: £107.9bn), primarily driven by positive returns on equity securities, as sectors heavily impacted by the pandemic recovered.

Our financial investment portfolio remains well diversified across a number of financial instrument classes, with the majority invested in equity securities and fixed income assets.

A significant portion of our investment portfolio is in high quality assets with a credit rating of 'A' or above. In our non-linked portfolio, 90% (31 December 2020: 91%) of our non-linked debt securities and 80% (31 December 2020: 81%) of our non-linked corporate bonds had a credit rating of A or better at 30 June 2021. There have been no significant defaults in our corporate bond portfolio.

Acquisitions

On 1 April 2021 the Group acquired Wealth Wizards Limited and its subsidiaries for nominal consideration. Net liabilities acquired were £2m and the goodwill arising of £2m was fully amortised in the period.

On 1 July 2021 the Group acquired 30% stakes in Responsible Life Limited and Responsible Lending Limited. The consideration paid (including transaction costs) was £20m. The transaction is a non-adjusting post balance sheet event and will be accounted for and disclosed in the 2021 Annual Report and Accounts.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group have not changed materially from those set out in the 'Principal risks and uncertainties' section of the strategic report in Royal London's 2020 Annual Report and Accounts (ARA) (royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/). These risks and uncertainties continue to be monitored and managed through our risk management system.

Forward-looking statements

Royal London may make verbal or written 'forward-looking statements' within this announcement, with respect to certain plans, its current goals and expectations relating to its future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about Royal London's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. The statements are based on plans, estimates and projections as at the time they are made and involve unknown risks and uncertainties. These statements are therefore not guarantees of future performance and undue reliance should not be placed on them.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, some of which will be beyond Royal London's control. Royal London believes factors could cause actual financial condition, performance or other indicated results to differ materially from those indicated in forward-looking statements in the announcement. Potential factors include but are not limited to: the ongoing effects of the Covid-19 pandemic; UK and Ireland economic and business conditions; future market-related risks such as fluctuations in interest rates; the continuance of a sustained low-interest rate environment and the performance of financial markets generally; the policies and actions of governmental and regulatory authorities (for example new government initiatives); the political, legal and economic effects of the UK's withdrawal from the European Union; the impact of competition; the effect on Royal London's business and results from, in particular, mortality and morbidity trends, lapse rates and policy renewal rates; and the timing, impact and other uncertainties of future mergers or combinations within relevant industries. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits.

As a result, Royal London's future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements in this announcement or any other forward-looking statements Royal London may make. Forward-looking statements in this announcement are current only at the date on which such statements are made. This report has been prepared for the members and bondholders of Royal London and no one else. None of Royal London, its advisors or its employees accept or assume responsibility to any other person and any such responsibility or liability is expressly disclaimed to the extent not prohibited by law.

The Royal London Mutual Insurance Society Limited is registered in England and Wales (99064) at 55 Gracechurch Street, London, EC3V 0RL.

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Interim Financial Statements

Consolidated statement of comprehensive income (unaudited)

For the period ended 30 June 2021

	Group		
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Year ended 31 December 2020
	£m	£m	£m
Technical account – long-term business			
Gross premiums written	575	492	1,018
Outwards reinsurance premiums	62	(425)	(541)
Earned premiums, net of reinsurance	637	67	477
Investment income	1,905	1,916	5,447
Unrealised gains on investments	1,918	-	-
Other income	297	262	548
Total income	4,757	2,245	6,472
Claims paid			
• Gross claims paid	(1,430)	(1,319)	(2,657)
• Reinsurers' share	271	245	505
Change in provision for claims			
• Gross amount	(19)	(14)	77
• Reinsurers' share	(3)	3	(6)
Claims incurred, net of reinsurance	(1,181)	(1,085)	(2,081)
Change in long-term business provision, net of reinsurance			
• Gross amount	1,711	(1,661)	(1,522)
• Reinsurers' share	(466)	455	243
	1,245	(1,206)	(1,279)
Change in technical provision for linked liabilities, net of reinsurance	(4,317)	2,737	(1,426)
Change in technical provisions, net of reinsurance	(3,072)	1,531	(2,705)
Change in non-participating value of in-force business	308	(46)	140
Net operating expenses	(330)	(298)	(619)
Investment expenses and charges	(112)	(118)	(222)
Unrealised losses on investments	-	(2,283)	(597)
Other charges	(142)	(127)	(257)
Total operating expenses	(584)	(2,826)	(1,695)
Profit/(loss) before tax and before transfer to/(deduction from) the fund for future appropriations	228	(181)	131
Tax attributable to long-term business	(51)	8	(51)
Transfer to/(deduction from) the fund for future appropriations	177	(173)	80
Balance on technical account – long-term business	-	-	-
Other comprehensive income, net of tax:			
Remeasurement of defined benefit pension schemes	171	(29)	(71)
Foreign exchange rate movements on translation of group entities	27	10	(36)
Transfer to/(deduction from) the fund for future appropriations	198	(19)	(107)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	-	-

As a mutual company, all earnings are retained for the benefit of participating policyholders and are carried forward within the fund for future appropriations. Accordingly, the total comprehensive income for the period is always £nil after the transfer to or deduction from the fund for future appropriations.

Consolidated Balance Sheet (unaudited)

As at 30 June 2021

	Group		
	30 June 2021 (unaudited) £m	30 June 2020 (unaudited) £m	31 December 2020 £m
ASSETS			
Intangible assets			
Goodwill	27	-	28
Negative goodwill	(49)	(58)	(52)
	(22)	(58)	(24)
Other intangible assets	70	70	70
	48	12	46
Non participating value of in-force business	2,537	2,043	2,229
Investments			
Land and buildings	160	165	168
Other financial investments	44,490	46,651	47,502
	44,650	46,816	47,670
Assets held to cover linked liabilities	65,608	54,749	60,229
Reinsurers' share of technical provisions			
Long-term business provision	4,712	5,383	5,181
Claims outstanding	93	94	93
Technical provisions for linked liabilities	(46)	(15)	(50)
	4,759	5,462	5,224
Debtors			
Debtors arising out of direct insurance operations	43	140	192
Debtors arising out of reinsurance operations	52	34	41
Other debtors	808	395	493
	903	569	726
Other assets			
Tangible assets	22	18	25
Cash at bank and in hand	767	677	851
	789	695	876
Prepayments and accrued income			
Deferred acquisition costs on investment contracts	149	179	163
Other prepayments and accrued income	46	41	35
	195	220	198
Pension scheme asset	258	137	128
Total assets	119,747	110,703	117,326

Consolidated Balance Sheet (continued)

	Group		
	30 June 2021 (unaudited) £m	30 June 2020 (unaudited) £m	31 December 2020 £m
LIABILITIES			
Subordinated liabilities	1,333	1,332	1,332
Fund for future appropriations	4,048	3,509	3,673
Technical provisions			
Long-term business provision	40,412	41,651	42,181
Claims outstanding	276	343	259
	40,688	41,994	42,440
Technical provisions for linked liabilities	65,410	54,567	60,059
Provisions for other risks			
Deferred taxation	200	103	140
Other provisions	277	268	282
	477	371	422
Creditors			
Creditors arising out of direct insurance operations	255	208	237
Creditors arising out of reinsurance operations	2,612	2,965	2,871
Amounts owed to credit institutions	72	78	72
Other creditors including taxation and social security	4,756	5,555	6,055
	7,695	8,806	9,235
Pension scheme liability	-	5	44
Accruals and deferred income	96	119	121
Total liabilities	119,747	110,703	117,326

Notes to the Interim Financial Statements

1. Basis of preparation

The Group has prepared the Interim Financial Statements in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'. The accounting policies applied in the Interim Financial Statements are the same as those applied in the Group's 2020 ARA. The full UK GAAP accounting policies can be found in the Group's 2020 ARA on the Royal London website at (royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/).

The Interim Financial Statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative results for the full year 2020 have been taken from the Group's 2020 ARA. The Group's 2020 ARA has been filed with the Registrar of Companies.

The Interim Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the inclusion of certain assets and liabilities at fair value as permitted or required by FRS 102. The potential impacts on the Group's performance, liquidity and capital position from Covid-19 and the associated market uncertainty have been considered.

The Group regularly performs sensitivities and stress testing on a range of severe but plausible scenarios, including but not limited to global pandemics, and stress testing has been performed on the capital position for severe adverse economic and demographic impacts arising over the short to medium term. There are a range of actions available to the Directors in stress scenarios which could also be considered if there were a deterioration in the capital position of the Group. The capital position remains sufficient to cover capital requirements in these scenarios. Ongoing monitoring is in place over the liquidity coverage ratios and matching of asset and liability maturity profiles, and cash flow forecasts are also stressed under severe but plausible scenarios to ensure adequate levels of liquid assets are available to fund claims and other expenses. Having considered these matters, the Directors have concluded that no material uncertainty exists over the going concern assumption.

2. Segmental information

Operating segments

The operating segments reflect the level within the Group at which key strategic and resource allocation decisions are made and the way in which operating performance is reported internally to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of Directors.

The Group's segmental reporting has been updated in 2021 to align the operating segments to the new Group operating structure. As a result, the new reporting segments are UK, Ireland and Asset Management. The 2020 comparatives have been restated to reclassify segments on this basis. There is no change to the total Group operating profit for the six months ended 30 June 2020 and for the year ended 31 December 2020.

The activities of each operating segment are described below:

UK

The UK segment includes the previous Intermediary, Consumer and Legacy segments. The UK business provides pensions and other retirement products to individuals and to employer pension schemes and protection products to individuals in the UK.

Ireland

The Ireland business was previously shown within the 'Other' segment and comprises the Group's Irish subsidiary, Royal London Insurance Designated Authority Company (RLI DAC). It provides intermediated protection products to individuals in the Republic of Ireland.

Asset Management

The Asset Management segment comprises Royal London Asset Management Holdings Limited and its subsidiaries. RLAM provides investment management services to the other entities within the Group and to external clients, including pension funds, local authorities, universities, and charities, as well as individuals.

Segmental profit

A key measure used by the Company's Board of Directors to monitor performance is operating profit, which is classed as an APM. The Company's Board of Directors considers this measure provides a more meaningful indication of the underlying trading of the Group than statutory profit.

The presentation of certain items in the Group's operating profit has been updated in 2021 to allocate both income and expenses, where relevant into the operating segments. Specifically:

- 'Business development and other costs' are those costs that relate to the enhancement of current or creation of new customer products, including product related regulatory change.
- 'Strategic development costs' are costs that relate to major strategic projects that are expected to deliver value for the Group by improving operations, delivering significant new product lines or enhancing the structure or capital efficiency of the Group.
- 'Corporate costs' relate to group-wide activities and hence are not allocated to operating segments. These include central management and brand costs, pensions, corporate development activities and group-wide change activities, such as IT security.

The operating profit by operating segment is shown in the following table.

Six months ended 30 June 2021					Six months ended 30 June 2020 (Restated)			
	UK £m	Ireland £m	Asset Management £m	Total £m	UK £m	Ireland £m	Asset Management £m	Total £m
Long-term business								
New business contribution	75	6	-	81	88	5	-	93
Existing business contribution	81	1	-	82	46	-	-	46
Contribution from AUM and other businesses	21	-	38	59	10	-	33	43
Business development and other costs	(9)	-	(7)	(16)	(15)	-	(9)	(24)
Strategic development costs	(34)	(3)	(2)	(39)	(42)	(1)	-	(43)
Result from operating segments	134	4	29	167	87	4	24	115
Corporate costs				(50)				(42)
Financing costs				(37)				(37)
Group operating profit before tax				80				36

Year ended 31 December 2020 (Restated)				
	UK £m	Ireland £m	Asset Management £m	Total £m
Long-term business				
New business contribution	137	12	-	149
Existing business contribution	96	3	-	99
Contribution from AUM and other businesses	8	-	87	95
Business development and other costs	(26)	-	(16)	(42)
Strategic development costs	(89)	(3)	-	(92)
Result from operating segments	126	12	71	209
Corporate costs				(93)
Financing costs				(75)
Group operating profit before tax				41