

Royal London results: Mutual boosts policy values for eligible customers**Barry O'Dwyer, Group Chief Executive, commented:**

"In 2022 we concluded our programme to simplify our business. As a direct result, Royal London has been able to increase the value of our long-standing customers' policies by £675m in total through the consolidation of closed with-profits funds. We have also successfully modernised many elements of our business, introducing more efficient digital services for over four million customers whose policies have been moved onto enhanced systems.

"During the year we have continued to see good growth, delivering a 12% increase in new business sales in 2022. Supported by our focus on cost efficiency as we have streamlined our operations, this has driven a 58% increase in operating profit."

Kevin Parry OBE, Chairman, commented:

"Our ability to share our success with customers is only possible because we are a mutual. Our aim is to invest continually in our business while awarding discretionary ProfitShare every year. We have again maintained our allocation rates awarding £155m to eligible customers. Our continued strength means they are receiving ProfitShare for the seventh year in a row, demonstrating Royal London's consistent approach.

"We also believe our role and responsibilities extend to supporting wider-society and in 2022, charitable and social impact initiatives benefited from over £2m in donations and support, the equivalent of 1% of our operating profit. This included support for our flagship national charity partner Turn2us, who provide guidance and financial relief to families in crisis. In addition, we also broadened our charitable giving to organisations who are focused on preventing and limiting the impact of serious illnesses, including Cancer Research UK, and we will be looking at additional opportunities to build on this over the coming year."

Highlights

- ProfitShare allocation rates maintained, with total ProfitShare of £155m (2021: £169m), with the reduction attributable to market movements in eligible policies.
- We have added a total of £675m over the last two years to our long-standing customers' policy values as a result of our closed with-profits fund consolidation programme, which is now complete.
- Our flagship Governed Range attracted net inflows of £3.4bn, with AUM reaching a record high of £53bn.
- Investment performance of actively managed funds over three years remains strong in difficult market conditions, with 80% of funds outperforming their three-year benchmark (2021: 99%)⁴
- Launched a free online service for Workplace Pension members to assess their financial wellbeing and build awareness of financial resilience for them and their families.
- Enhanced support for Protection advisers through a new online dashboard providing proactive case management, while also improving Protection customers' experience with the new MyRoyalLondon portal.
- Completed the three-year migration of 4.3 million long-standing policies onto new technology, enhancing the quality of customers' servicing experience.
- Royal London Asset Management (RLAM) launched two new sustainable fund offerings, the Sustainable Growth Fund, and the Sustainable Short Duration Corporate Bond fund, to capitalise on investment opportunities that can have a positive influence on society and the environment.
- Entered the individual pension market in Ireland, offering customers access to our investment range and services to build their financial resilience, while capitalising on our strong brand and reputation with brokers.

Financials

		Year ended 31 December 2022	Year ended 31 December 2021
UK GAAP	Operating profit before tax ⁵	£210m	£133m
	Transfer (from)/to the fund for future appropriations ⁶	£(162)m	£79m
	ProfitShare ³	£155m	£169m
New business	Life and pensions new business sales ⁷	£10,776m	£9,588m
Inflows	Gross inflows ⁸	£26,647m	£26,432m
	Net inflows ⁸	£3,718m	£5,287m
		31 December 2022	31 December 2021
Funds	Assets under management ⁹	£147bn	£164bn
Capital¹¹ (Solvency II)	Regulatory View solvency surplus ¹⁰	£2.5bn	£2.8bn
	Regulatory View capital cover ratio ¹⁰	206%	173%
	Investor View solvency surplus ¹⁰	£2.5bn	£2.8bn
	Investor View capital cover ratio ¹⁰	213%	216%

- Operating profit before tax⁵ increased by 58% to £210m as the adverse market impacts on asset management revenues were more than offset by the benefits from a continuing focus on cost control, growing the annuity portfolio, and consolidating and simplifying closed funds.
- Transfer from the fund for future appropriations (FFA)⁶ was £162m (2021: transfer to FFA £79m), reflecting adverse market movements, in particular the fall in equity and bond markets, outweighing benefits from increased yields.
- Life and pensions new business sales⁷ up 12% at £10,776m (2021: £9,588m), reflecting the post-pandemic increase in both Individual and Workplace pension flows, a strong UK employment market, and the relative performance of our Governed Range.
- Net inflows⁸ remained positive at £3,718m (2021: £5,287m) supported by our strong performance track record across our range of asset classes and despite cash outflows from some institutional clients with leveraged LDI portfolios managed by other institutions.
- Assets under management⁹ decreased to £147bn (2021: £164bn) despite the net inflows, as falls in equity and bond markets impacted underlying asset values.
- Capital position remains robust with the Investor View capital cover stable at 213% (2021: 216%) and the Regulatory View capital cover ratio¹⁰ increasing to 206% (2021: 173%) following the significant increases in yields which have reduced the closed fund capital requirements.

Investor Conference call

Royal London will hold an investor conference call to present its 2022 Financial Results on Wednesday, 8 March 2023 at 08:30. Interested parties can register [here](#). A copy of the presentation to investors is available on the [Group's website](#).

For further information please contact:

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About Royal London

Royal London is the UK's largest mutual life, pensions and investment company. We provide long-term savings, protection and asset management products and services in the UK and Ireland. We work with advisers and customers to protect the standard of living of this and future generations.

Financial calendar:

- 8 March 2023 – Financial Results for 2022
- 6 June 2023 – Annual General Meeting
- 4 August 2023 – Interim Financial Results
- 6 October 2023 – RL Finance Bonds No 4 plc subordinated debt interest payment date
- 13 November 2023 – RL Finance Bonds No 3 plc subordinated debt interest payment date
- 29 November 2023 – RL Finance Bonds No 2 plc subordinated debt interest payment date

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. ProfitShare is a discretionary enhancement to eligible customers with unit-linked or with-profits policies. The allocation is considered annually and depends on a number of factors including financial performance, capital position, the risks and volatility of financial markets and the Group's outlook.
4. Investment performance has been calculated using a weighted average of active assets under management for funds with a defined external benchmark. Benchmarks differ by fund and reflect their mix of assets to ensure direct comparison. Passive funds are excluded from this calculation as, whilst they have a place as part of a balanced portfolio, Royal London believes in the long-term value added by active management.
5. Operating profit before tax represents profit/(loss) before transfer to/(from) the fund for future appropriations excluding: short-term investment return variances and economic assumption changes; amortisation of goodwill and other intangibles arising from mergers and acquisitions; ProfitShare; ValueShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits or losses arising within the closed funds are held within the respective closed fund surplus; therefore operating profit represents the result of the Royal London Main Fund (RL Main Fund).
6. Transfer (from)/to the fund for future appropriations represents the statutory UK GAAP measure '(Deduction from)/transfer to the fund for future appropriations' in the technical account within the consolidated statement of comprehensive income.
7. Life and pensions new business sales represent life and pensions business only and excludes Asset Management and other lines of business. New 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 opening swap curve at 31 December 2021 for all new business except annuities, where instead the swap rate at the end of each prior month is used to discount the next month's new business cashflows.
8. Gross and net inflows incorporate flows into RLAM from external clients (external flows) and those generated from RLMIS (internal flows). External client net inflows represent external inflows less external outflows, including cash mandates. Internal net inflows from RLMIS represent the combined premiums and deposits received (net of reinsurance) less claims and redemptions paid (net of reinsurance). Given its nature, non-linked Protection business is not included.
9. Assets under management (AUM) represent the total of assets actively managed by the Group, including funds managed on behalf of third parties.
10. The capital cover ratio is calculated as the Group's Own Funds, being the regulatory capital under Solvency II, divided by the Solvency Capital Requirement (SCR). The 'Regulatory View' solvency surplus and capital cover ratio restricts each closed fund's surplus to the value of the SCR of that fund. The 'Investor View' equals the RL Main Fund capital position (excluding ring-fenced funds, which are run on a standalone basis). All capital figures are stated on a Group Partial Internal Model basis and the 2022 figure is estimated.
11. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.

Review of the Year

Our mutual status helps us to be genuinely purpose-driven. Since it was conceived in 2020, the articulation of our Purpose – ‘Protecting today, investing in tomorrow. Together we are mutually responsible’ – has truly galvanised our colleagues. It has allowed us to successfully navigate short term challenges, while focusing on the long term.

Clarity of purpose ensures we are very deliberate about the role we will play and the difference we intend to make for the benefit of our members and customers, and wider society.

While our Purpose determines our direction, our strategy to deliver it is to be an insight-led modern mutual, growing sustainably by deepening customer relationships. This means we will use the information our customers share with us to help them build their financial resilience in a sustainable way.

Sustainability is a key part of our strategy. First and foremost, we want to help customers to maximise their financial security but we also want to help them build the best possible world to retire into. This is a complex area but we want to use our customers’ collective strength to best effect, influencing positive change in the companies where we invest your money and using our voice as the UK’s largest mutual insurance group to lobby policymakers for societal change.

We also want Royal London to be financially sustainable. That means being careful stewards of our capital, investing sufficiently to make sure our products and services remain competitive, managing our costs carefully to generate the best possible value-for-money and sharing the benefits of our success with eligible members via ProfitShare.

Insight-led

In times of considerable uncertainty, the value of impartial advice and guidance is clear and so is having a deep understanding of the needs of customers, a central component of our strategy. In 2022 we began a new research series to gain better insight into how people are coping with pressures on their finances and to help us shape how we support our customers. As a result, we introduced a dedicated cost of living hub with information to help people navigate the challenges they are facing.

More generally, we use what we know about our customers to help them build the financial resilience they need to thrive in an ageing society. We are focused on helping customers accumulate the wealth required to retire well. We can protect them and their families against life shocks along the way.

Enhancing our products and services

As the increased cost of living continues to create uncertainty, building customers’ financial resilience is a key focus for us. Following our acquisition of Wealth Wizards in 2021, we launched a free online tool in 2022 for Workplace Pension members to assess their financial wellbeing. We have continued to enhance many other digital capabilities, like updating our mobile app so Workplace Pension customers can request a transfer using a digital signature.

As we continue to attract assets and build scale, we have been able to consider increasingly complex fund structures for the benefit of customers. Over 2022, RLAM has developed two tax transparent funds which launched in March 2023. The funds will underpin the US and Japanese equity components of the Governed Range and deliver a more efficient investment outcome.

RLAM launched a new Sustainable Growth Fund to capitalise on investment opportunities in companies that can have a positive influence on society and the environment. It also introduced a Sustainable Short Duration Corporate Bond Fund giving access to a variety of socially impactful sectors that are often out of reach of investors such as charities, government agencies or privately owned businesses.

Building on our heritage in Ireland, we introduced a revised brand, ‘Royal London Ireland’, enhancing our market visibility. We have also looked to capitalise on our strong broker relations in Ireland by introducing a value for money and competitively priced individual pension proposition, the first life company to do so in 30 years.

Through our Simplification programme, we continued to move long-standing customers onto a modern IT system to improve the service we offer while reducing risk. We successfully migrated 1.1 million policies onto new technology in 2022, bringing the total number to over four million since 2020. We also consolidated a further two closed with-profits funds, simplifying their services and our corporate fund structure. This finalised a four-year consolidation programme, with long-standing customers’ policy values uplifted by a total of £675m.

During 2022 we took the difficult decision to withdraw from the Over 50s life insurance market as a result of the combination of a shrinking market and the rising cost of reinsurance. We remain committed to serving our existing Over 50s customers.

This year will see the introduction of the FCA's new Consumer Duty which aims to deliver higher standards of care across the industry. Royal London will fulfil the requirements of the Duty when it is brought in and our programme of work is well underway. In addition to this, we have been working with financial advisers to ensure they understand what is required to evolve their business practices to be compliant.

Looking ahead

A key focus for 2023 will be the enhancement of our technology across Royal London, to make it easier for customers and clients to deal with us. In Royal London Asset Management, we will broaden asset classes while extending our international footprint. We will continue to invest in our pensions and protection offerings both in the UK and Ireland, as well as developing additional 'later life' services to support longer-term financial planning.

2023 will be another demanding year, with ongoing geopolitical uncertainty and cost pressures at home. We are adapting to this challenging environment and, like our customers and members, responding with renewed focus on cost efficiency, so we can continue to provide great value products and services.

While the outlook remains challenging, our robust capital position means we are well-positioned to continue to take a long-term approach to decision-making. Driven by our Purpose, we are focused on how we enhance our offering to meet the needs of members and customers to support and protect their standard of living now and in the future.

UK

Market overview

Financial uncertainty has featured heavily for many throughout the year with disposable income levels being squeezed against the backdrop of climbing energy prices and spiralling food costs.

The market for Protection new business was broadly flat in 2022 as a result of these pressures, with almost one in ten customers saying they anticipated reducing, or stopping, their protection premiums^a. This meant customer reassurance was key – ensuring that decisions being made did not lead to further financial insecurity.

However, the low level of UK unemployment seen across the year has driven a higher level of workplace participation, reflecting increased confidence as Covid-19 restrictions were lifted. The turbulence in many investment markets throughout the year underlined the value of broad diversification in our Governed Range portfolios to improve resilience to such market shocks.

The ethical and social risks of complex supply chains have been highlighted by the war in Ukraine, bringing our sustainability and responsible investment commitments into sharp focus. 2022 saw our continued commitment to invest the money in our care responsibly, increasing our industry's ability to influence those who can make the biggest difference.

Business performance

Our Pensions business performed well over 2022, with our continued focus on core service proposition and investment performance allowing us to capitalise on the continued recovery in the UK employment market. Our total number of members increased to over 2 million (2021: 1.8 million).

Protection new business sales reduced, as customers experienced rising inflation and cost of living pressures, with our own research indicating over 80% of our customers have changed their spending habits to some degree. Our customers are generally more resilient than the broader UK population, but they still face significant financial pressures. This throws an even sharper focus on the importance of helping our customers build financial resilience.

Throughout the year, we have improved key processes, customer support and product solutions that specifically help customers make better decisions and achieve good outcomes. These include simplifying pensions consolidation, improving the protection claims experience, offering wellbeing support and increasing access to advice by helping advisers reach more clients.

Whole of Life customers can now nominate beneficiaries, we offer a broader range of protection options and we have continued to develop our annuity offering. We have started to define a support and guidance service for our later life customers, introduced a referral service for advisers to source lending products for their clients and made changes to our funeral plan product that support regulatory objectives to create a fairer market that meets customer needs.

Pensions

Workplace Pensions saw a significant increase in both new entrants to existing schemes and new employers choosing Royal London, leading to new business sales increasing by 29% to £4,114m. We continued our focus on Workplace Pensions consolidation process improvements. More and more customers are now making these requests digitally via the mobile app and we introduced a fast-track question-set, reducing the time taken to complete transfers by removing the need to contact the previous provider for over a quarter of customer requests.

We have streamlined our approach to scheme eligibility, with over 90% of applications we receive being accepted at the outset without the need for physical evidence from the adviser or previous provider. We are also continuing to invest in the digital experience of customers, with the implementation of a fully digital consolidation experience which went live in January 2023.

Our Individual Pensions new business sales increased by 10% to £5,219m supported by the relative investment performance from our flagship Governed Range, alongside positive communication around our investment range to advisers and customers through our app. We have continued to focus on highlighting Royal London's approach to responsible investment and raising awareness among customers about the power their pension investments can have in making a difference. Our service teams continued to work towards providing faster responses to customers, and we have seen the effect of this in customer feedback.

^a Royal London Cost of Living Report September 2022

We focused on the future of advice, promoting the value of financial advice for customers, and have provided dashboards to advisers allowing them to manage their client portfolios more effectively. Our work in this area has resulted in more customers taking guidance from Pensions Wise in 2022.

Protection

Sales of our Protection products fell 17% to £1,037m, as we saw increasing competition in a broadly flat market. We continue to manage the mix of our business to ensure we write profitable business through advisers and distributors who will deliver good customer outcomes. Part of the reduction in sales is a result of our decision to exit the Over 50s life insurance market at the end of 2022, following the shrinkage in the market whilst the cost of reinsurance has increased. We paid out £590m in protection claims supporting approximately 74,000 customers and their families.

Through the year we have continued to enhance our support for advisers, to help them operate efficiently and focus their time where it adds most value to customers. We delivered a dashboard to provide online, proactive updates to advisers and reduce demand on our servicing teams and as at the end of January 2023 we have had over 140,000 uses of the online service. We have provided thought leadership around the impact of the FCA's new Consumer Duty, encouraging advisers to focus on the customer outcome and value rather than purely on price, and encouraging them to ensure protection cover is considered as a key part of building financial resilience and avoiding foreseeable harm.

We have also focused on improving experience and engagement for our customers, with the launch of the MyRoyalLondon portal for Protection customers. This portal enables customers to see the progress of their applications online and provides a platform for ongoing regular communication.

We continuously seek to improve our overall proposition, delivering incremental changes regularly to ensure we continue to meet customers' needs. This year we broadened our Critical Illness definitions to increase coverage for certain heart conditions and to improve children's cover. We also extended the use of our successful 'Underwrite Later' approach to cover more products and sums assured, enabling immediate cover for customers whilst underwriting is carried out and widened our capturing of nominated beneficiaries for Whole of Life customers, helping claims to be paid more quickly. We were also able to improve our underwriting approach for mental health disclosures, allowing decisions to be made more swiftly or cover to be provided in more situations.

Annuities

Our annuity proposition was launched in 2021 and provides a Royal London annuity to long-standing customers invested in the Royal London (CIS) Sub-Fund with pension policies that have guaranteed annuity rates. Over 2022 we have continued to expand our annuities portfolio (called a Matching Adjustment portfolio) to create value for our members. As well as providing an option for long-standing customers to remain with Royal London, we transferred £112m of Scottish Life deferred annuities and £233m of Royal London (CIS) annuities in payment into the Royal London Main Fund Matching Adjustment portfolio. Total annuities new business volumes increased by 17% to £190m, despite the significant rise in bond yields over the second half of 2022 reducing the average value of customers' pots at retirement.

Value enhancement

In line with our aim of providing value for money through efficient operational and capital management, we have delivered a series of further changes to modernise and simplify our processes for the benefit of our long-standing customers.

During 2022 we successfully completed a consultation process with our with-profits policyholders in two of the with-profits funds that are closed to new business, to merge these funds into the Royal London Main Fund, our largest with-profits fund. We implemented the changes for the Phoenix Life Assurance Limited (PLAL) Fund and the Royal Liver Fund on 31 December 2022, the latter following resounding approval from eligible policyholders, as well as from the UK High Court and the Irish High Court. These changes sped up the distribution of surplus to those with-profits policyholders through immediate uplifts to policy values of 5.6% and 23.1% for PLAL and Royal Liver policyholders respectively.

Our successes in 2022 built upon our extensive programme of work, which has previously seen the Refuge Assurance Industrial Branch Fund, United Friendly Industrial Branch Fund, United Friendly Ordinary Branch Fund, and the Scottish Life Fund merged into the Royal London Main Fund. We have now reduced the number of funds in our UK business structure from eight in 2020 to just two at the end of 2022.

In addition to the immediate benefits for these long-standing customers, our Legacy Simplification programme has reduced the complexity in our systems and processes, helping us to deliver better customer outcomes. By completing the three-year migration of 4.3 million long-standing policies from older mainframe systems onto new technology, we have improved the quality of customers' servicing experience.

Asset Management

Market overview

High inflation at the end of 2021, driven by the Covid-19 pandemic and supply chain constraints, increased further in 2022 and was exacerbated by the war in Ukraine. The conflict triggered the sharpest increase in bond yields since 1994, a strong sell-off across most equity market sectors and an energy crisis that has driven double-digit inflation rates in the second half of the year. Alongside this, there has been an increased level of instability as a result of the changing composition of the UK Government and its fiscal policy. The surge in inflation meant that central banks have been forced to intervene, raising interest rates whilst signalling that further rises are likely. The hike in rates globally has made for a more challenging economic environment for returns across all asset classes.

Growth, both domestically and globally, has slowed during the year and there is a threat of a recession in the UK in 2023. As a result, fiscal policy changes are now at the forefront as governments intervene to limit the impacts of an economic downturn and central banks flex monetary policy to wrestle with high and persistent inflation.

Within the investment management sector, the trends we identified in recent years have continued to affect investor behaviour and preferences. For example, when looking at product type, the move into globally focused strategies has continued, with clients moving away from more narrow UK equity and fixed income strategies. Responsible investment and the interest in sustainable investing continues to gather momentum – partly driven by regulatory change but more notably, due to underlying client interest, as investors increasingly want to know and understand the impact of their holdings on issues such as climate change.

Business performance

Operating profit reduced to £32m (2021: £71m), driven by lower performance fees as a result of the challenging investment environment and increased investment in core infrastructure as we embark on the implementation of the BlackRock Aladdin enterprise solution. In response to the market backdrop, costs have been closely managed and we have taken a controlled approach to hiring throughout the year.

In spite of challenging market conditions, we are continuing to invest in our strategic priority to build RLAM's systems, product and people capabilities for the longer term. We continue to focus on growth in Global Equities and Global Credit capabilities, whilst investment in our Property capability remains a key focus with several senior individuals joining in the year to support our investment plans.

Delivering investment performance above the relevant benchmark for our clients is key to our success. Even though conditions faced by investment teams in the year have been difficult, our three-year performance track record remains strong across our fund range in 2022 with 80% of our actively managed funds outperforming their benchmark over the three years to 31 December 2022 (2021: 99%).

Peer rankings remain positive for key open-ended investment companies (OEICs) for the three years to 31 December 2022. Over the three-year period, 85% (2021: 89%) of funds were in the top two quartiles, with two Sustainable funds remaining in the top decile of their respective peer groups, despite a difficult 2022.

Flows and funds

Falls in asset values led to a decline of £20.3bn in assets under management. The decrease was partially offset by positive overall net flows of £3.7bn, resulting in assets under management falling to £147.2bn (2021: £163.8bn).

Despite the challenging macroeconomic and geopolitical environment in 2022, net flows remained positive. Internal flows increased to £2.0bn (2021: £0.9bn) due to higher gross inflows from our pensions business. External net inflows fell to £1.7bn (2021: £4.4bn) driven primarily by net inflows of £2.6bn into our Global Equity strategies, partially offset by net outflows of £0.9bn across our other offerings.

Our Sustainable fund range ended the year in a marginal net outflow position of £0.1bn (2021: £2.1bn net inflow). Although market appetite for responsible investment remains strong, investment returns across sustainable funds have been at lower levels in comparison to previous years, mainly due to the strong performance of oil and gas companies as the war in Ukraine inflated energy prices and technology valuations reduced due to the higher interest rate environment.

Cash funds have seen increased volatility in flows in the year. This was primarily due to events around September's mini-budget, when sharply rising gilt yields had a knock-on effect that meant institutional clients with leveraged liability driven investment portfolios managed by other institutions withdrew £2.1bn as they managed their liquidity requirements. This impact was offset by wholesale clients buying our short-term fixed income funds, as the yields available on cash funds rose sharply from the record lows seen in recent years and climbed back to levels seen before the Global Financial Crisis.

Our commitment to take our services to a wider audience has included expansion into Europe in 2022. We now have an established distribution partner based in Luxembourg allowing us to offer our services in the EU and have registered a number of key strategies in areas such as Global Credit, Global Equities and Global Sustainable for sale in several countries.

As we grow our product range and extend our distribution reach, we continue to focus on making it easier for existing and prospective clients to gain insights into our strategies. We have continued to publish a number of articles and blog posts, backed by multiple online webinars and podcasts, including short-notice events when markets were particularly volatile in the autumn.

Responsible investment

Responsible investing is a core capability and our investment teams are supported by specialists in climate change, corporate governance and other environmental, social and governance (ESG) topics. In 2022 we built an ESG analytics tool which allows teams to view key carbon and sustainability metrics to support deeper insights and analysis. We also worked with consultants to assist in developing our climate transition action plan, which will help us achieve our net zero carbon ambitions. As part of our net zero commitment, we have identified and engaged with 40 companies that represent 51% of our overall financed emissions, with our goal being to better align our highest emitting companies with a net zero pathway.

We continue to launch new funds, adding another fund to our Sustainable multi-asset range and launching Global Equity Transitions, a fund that invests in companies to support the transition to more sustainable activities over time. We have also responded to greater regulatory demands, implementing technology and reporting tools to meet new regulatory requirements and provided feedback to regulators on the adoption of a new sustainable fund labelling regime in the UK.

Ireland

Market overview

The broker protection market in Ireland continued to grow in 2022. Within this market, we were the first provider in Ireland to remove the broad questions related to Covid-19 from applications, allowing larger amounts of cover and more older age customers to get the cover they needed.

Brokers continue to be the largest distribution channel in the Irish market. Our view is that impartial financial advice is key to customers achieving the best outcomes. We are firm believers in the value of advice and that brokers help customers optimise their financial resilience and to deliver good outcomes.

Business performance

Our Irish business had another successful year, recording its highest ever level of new business sales and maintaining its market leader status in the Irish broker protection market. New business sales increased to £203m (2021: £185m), however overall operating profit reduced to £5m (2021: £16m) driven by a loss on existing business arising from fund consolidation activity. As part of our next stage of development, we launched our new pension proposition in September.

We were proud to achieve the Investors in Diversity: Silver Accreditation from the Irish Centre for Diversity, Ireland's premier Diversity and Inclusion accreditation mark. Supported by Ibec, the programme both recognises existing efforts and supports the journey of continuous improvement by providing a structured framework to transform workplace practices and culture.

For the first time we launched a nationwide advertising campaign in Ireland. The campaign included television and video on demand adverts, as well as online video and paid social media. Through these adverts we conveyed our rich and long heritage in Ireland providing valued products and encouraged viewers to contact their financial broker. The campaign reached over 90% of our target audience and accounted for a 6% increase in our brand awareness amongst Irish consumers.

Protection

Sales of our Protection products increased to £198m (2021: £185m), as we continued to help customers and their families protect themselves and build their financial resilience.

Throughout 2022, we have continued our focus on service excellence. This included digital enhancements to help financial brokers and their customers.

We also continued to innovate and improve our product proposition. This included improvements to our Income Protection product and to our Specified Serious Illness offering, expanding the illnesses we cover. We were the first provider to introduce a Specified Serious Illness partial payment covering adults being treated for a specified severe mental illness.

We continued to provide financial brokers with support to help them in their protection conversations, aimed at ensuring customers have plans in place to build their financial resilience. We did this through regular meetings with brokers and our consultants, regular ezine and collateral updates and technical and sales focused webinars, with an average of more than 900 brokers registering to attend each event.

Our culture of empowering our people and a customer-first approach is key to our service delivery, and means our colleagues provide a 'one and done' service which strengthens our strong relationships with financial brokers.

We paid out over £41m in claims to over 5,000 customers and their families across all Protection business. Over and above these financial pay-outs, we provided access to counselling and other services through our Helping Hand support service.

Pensions

Our position as market leader^b in broker protection products provides a strong distribution platform to build from to broaden our offer to include pensions. In September 2022, we launched a Personal Retirement Bond and an Approved Retirement Fund. Underpinned by strong customer service, these products offer a range of unique product features including zero policy fees or fund switching charges, automatic portfolio rebalancing and ValueShare, the Royal London Ireland equivalent of ProfitShare. This feature is unique in the Irish market and demonstrates our mutual mindset.

Following several years of consultation with financial brokers and significant capital investment, we have created a compelling pension proposition that aims to deliver value for money and competitive pricing for customers, combined with access to funds provided by our in-house asset manager RLAM and a further range of funds from BlackRock.

^b Royal London analysis of market data as at Q3 2022

Financial Review

The financial markets have experienced significant turmoil during 2022, adjusting to interest rate increases in the face of inflationary pressures alongside ongoing supply chain constraints and geopolitical events such as the war in Ukraine. Despite these challenging conditions, Group operating profit before tax for the year ended 31 December 2022 increased to £210m (2021: £133m) following higher contributions from our pensions and annuities products and our continuing focus on cost control throughout the year.

There was a transfer from the fund for future appropriations (FFA) of £162m (2021: transfer to FFA £79m), which reflects the adverse market movements over the year, in particular the fall in equity and bond markets, which outweighed the benefits from increased yields.

Overall we delivered a 12% increase in new business premiums driven primarily by our Individual and Workplace Pensions propositions. The falls in investment markets over the course of 2022 have impacted assets under management in RLAM which were 10% lower at £147bn. Whilst this has affected revenue, we have continued to invest in investment capabilities and systems which will support longer-term growth.

Given the current inflationary environment we have taken action to manage our cost base over the course of 2022 which protects the value of our in-force business and positions us well as we start 2023. This has included focused optimisation of spend, rationalisation of suppliers and a consolidation of our office space in Edinburgh. All of these actions have allowed us to mitigate the impact of inflation over 2022.

The Group's result in 2022 benefited from two significant items. Following the successful launch of our annuity proposition last year, we completed further transfers into our ring-fenced annuity portfolio. As part of this we have invested in higher yielding long-term assets allowing us to recognise a gain of £31m (2021: £32m) from the change to the rate used to discount the liabilities. There has also been a £31m (2021: £26m) contribution from closed funds to the Royal London Main Fund (Main Fund), representing compensation for providing capital support for the transferred business following the consolidation of two with-profits funds into the Main Fund.

ProfitShare for the year totalled £155m (2021: £169m), with underlying allocation rates maintained at prior year levels, demonstrating our consistent approach to sharing returns with eligible customers.

Our capital position remains robust with the estimated Solvency II Investor View capital cover ratio stable at 213% (31 December 2021: 216%) despite the movements in yields and asset values, with our hedging programmes operating as intended. The estimated Solvency II Regulatory View capital cover ratio has increased to 206% (31 December 2021: 173%), driven by the increases in yields during the year reducing the closed fund capital requirements, in particular in relation to guaranteed annuity options.

Group operating profit before tax

The following table shows the Group operating profit for the year ended 31 December 2022. Further detail on the Group's segmental reporting is included on pages 20-21.

	2022 £m	2021 £m	Change £m
Long-term business			
New business contribution	163	164	(1)
Existing business contribution	181	125	56
Contribution from AUM and other businesses	101	124	(23)
Business development and other costs	(32)	(37)	5
Strategic development costs	(71)	(62)	(9)
Result from operating segments	342	314	28
Corporate costs	(57)	(106)	49
Financing costs	(75)	(75)	-
Group operating profit before tax	210	133	77

New business contribution

Total sales (i.e. Present Value of New Business Premiums) increased 12% to £10,776m (2021: £9,588m), reflecting strong sales growth in both Individual and Workplace Pensions, partially offset by a reduction in Protection new business sales following the higher sales we experienced over 2020 and 2021.

Overall, new business contribution was broadly flat at £163m (2021: £164m) as the strong growth in pensions sales alongside growth in annuity product contributions were offset by the reduction in Protection new business contribution.

	New business contribution		PVNB		New business margin	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	%	%
Individual Pensions	83	78	5,219	4,766	1.6	1.6
Workplace Pensions	43	30	4,114	3,200	1.0	0.9
Protection	11	39	1,037	1,251	1.1	3.1
Annuities and other	9	-	203	186	4.5	(0.1)
UK	146	147	10,573	9,403	1.4	1.6
Ireland	17	17	203	185	8.5	9.2
Total	163	164	10,776	9,588	1.5	1.7

UK

Individual Pensions new business sales increased to £5,219m (2021: £4,766m) with growth in the first half of 2022 following an increased number of face-to-face adviser appointments post-pandemic. Sales levels were supported by the benefits of the relative performance and diversification of our flagship Governed Range. New business margin was flat at 1.6%.

Workplace Pensions new business sales grew by 29% to £4,114m (2021: £3,200m) with an increased number of new entrants into existing schemes reflecting a strong UK employment market across the year, and an increased number of new scheme wins. Growth was supported by improvements to our customer proposition, including digitalisation of the pension consolidation request process via our mobile app and the introduction of our interactive Royal London Financial Wellbeing service giving customers tailored guidance to help them make informed decisions across their life stages. New business margin increased from 0.9% to 1.0% reflecting the increased sales.

Protection sales fell to £1,037m (2021: £1,251m) reflecting the increasing competition in a broadly stable market, with new business margin decreased from 3.1% to 1.1% as a result of the lower volumes against a largely flat cost base.

Annuities and other business sales increased to £203m (2021: £186m) with the current period reflecting a full year of annuity trading.

Ireland

New business sales grew to £203m (2021: £185m) reflecting both an increase in our protection sales to £198m (2021: £185m) and £5m of pension sales, following the launch of our new pension product in September 2022. Enhanced application and underwriting processes helped to support the continued growth in our protection business. The reduction in new business margin to 8.5% (2021: 9.2%) reflects a change in business mix.

Existing business contribution

Existing business contribution increased to £181m (2021: £125m), the components of which are shown in the table below.

	2022	2021	Change
	£m	£m	£m
Expected return	108	117	(9)
Experience variances and assumption changes	(10)	(56)	46
Modelling and other changes	83	64	19
Total	181	125	56

Expected return reduced to £108m (2021: £117m) reflecting changes in the Group's asset mix.

Experience variances and assumption changes were a charge of £10m (2021: charge of £56m). Experience variances were small over the period, reflecting experience in line with long-term assumptions through 2022 overall. There have been minor updates to long-term expense, persistency, mortality and longevity assumptions reflecting recent experience as well as latest views on long-term future experience following the pandemic.

As part of our ongoing activities to ensure our actuarial models remain as reliable as possible and take account of the most recent experience data, we continue to make minor modelling changes. In 2022, the benefit of these changes amounted to £21m (2021: £6m). 2022 also benefited from the following one-off activities:

- During the year we transferred £112m of Scottish Life deferred annuities and £233m of Royal London (CIS) annuities in payment into our ring-fenced annuity portfolio. This led to a benefit of £31m due to an increase in the discount rate used to value these liabilities in order to reflect the illiquidity premium relating to the backing assets.
- Following the consolidation into the Royal London Main Fund of two further with-profits funds that are closed to new business, the closed funds paid a contribution of £31m to compensate the Main Fund for providing capital support for the transferred business. This is in addition to the £26m contribution in 2021 resulting from the consolidation of four funds last year.

Contribution from AUM and other businesses

Contribution from AUM and other businesses decreased to £101m (2021: £124m) as revenues were impacted by falls in the value of the underlying assets under management.

Business development and other costs

UK business development costs of £20m are consistent with 2021. Key proposition enhancements in year included the development of the Adviser Dashboard as well as the Workplace Pensions financial wellbeing proposition through our subsidiary Wealth Wizards. Asset Management business development costs reduced to £11m (2021: £17m) as we focused on the implementation of larger scale investment, recognised in strategic development costs.

Strategic development costs

Strategic development costs of £71m (2021: £62m) represent the ongoing investment we are continuing to make across our businesses. It comprises £52m of costs in our UK business including continuing investment in our pensions business and the costs of the two further fund migrations under our Legacy Simplification programme, £13m in Asset Management to enhance RLAM's capabilities through additional investment in core infrastructure and systems and £6m in Ireland relating to the successful launch of our pension proposition.

Corporate and financing costs

Corporate costs of £57m (2021: £106m) include the costs of Group-wide regulatory change development, strengthening of IT security, and restructuring. The reduction reflects the completion of work on a number of areas of investment in information technology, security and resilience during 2021. Financing costs of £75m (2021: £75m) represent the interest payable on the Group's subordinated debt, which has not changed during the year.

Reconciliation of operating profit before tax to transfer (from)/to the FFA

The transfer from the FFA was £162m (2021: transfer to FFA £79m) as the increase in operating profit was offset by adverse economic movements experienced during the year.

	2022 £m	2021 £m	Change £m
Group operating profit before tax	210	133	77
Economic movements	(446)	225	(671)
Amortisation of goodwill arising from mergers and acquisitions	2	3	(1)
ProfitShare	(155)	(169)	14
(Loss)/profit before tax and before transfer (from)/to the fund for future appropriations	(389)	192	(581)
Tax attributable to long-term business	227	(113)	340
Transfer (from)/to the fund for future appropriations	(162)	79	(241)

Economic movements

Economic movements were a charge of £446m (2021: credit of £225m), as investment portfolio returns were below our longer-term expected return assumptions, following significant falls in both bond and equity markets during the year. The change in economic movements from 2021 to 2022 reflects the significant market volatility seen over this period.

Amortisation of goodwill arising from mergers and acquisitions

Amortisation of goodwill arising from mergers and acquisitions was a net credit of £2m (2021: £3m) comprising the amortisation charge of positive goodwill of £5m relating to Police Mutual and our investment in the Responsible Group offset by an amortisation credit of negative goodwill of £7m relating to historic acquisitions.

ProfitShare

ProfitShare allocation rates were maintained, with total ProfitShare for the year decreasing to £155m (2021: £169m) in line with the fall in the aggregate value of eligible policies due to market movements. The enhancements to qualifying policies from ProfitShare were 1.2% for existing with-profits policies and 0.15% for unit-linked policies (2021: 1.2% and 0.15% respectively). New with-profits policies taken out since the start of 2022 received 0.3%.

Assets under management

Assets under management decreased to £147bn (31 December 2021: £164bn) driven by negative market movements across equity and bond asset classes in response to the global economic slowdown, rising inflationary pressures and the geopolitical impacts of the war in Ukraine.

	Gross inflows		Net inflows	
	2022 £m	2021 £m	2022 £m	2021 £m
External flows	17,104	17,910	1,709	4,372
Internal flows	9,543	8,522	2,009	915
Total	26,647	26,432	3,718	5,287

External net inflows were £1.7bn (2021: £4.4bn), driven in particular by net inflows of £2.6bn into our Global Equity strategies, offset by £0.9bn outflows across our other product offerings. Sustainable funds had a marginal net outflow of £0.1bn (2021: £2.1bn net inflow). Events around the September mini-budget meant certain institutional clients withdrew £2.1bn, in particular external pension funds following liability driven investment strategies managed by other institutions needing to meet margin calls brought about by the sharp fall in gilt values. However, this impact was more than offset by wholesale clients buying our fixed income funds as yields available on these funds rose.

Internal net inflows increased to £2.0bn (2021: £0.9bn) due to higher gross inflows from our pensions business.

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	31 December 2022	31 December 2021
Regulatory View solvency surplus	£2,483m	£2,817m
Regulatory View capital cover ratio	206%	173%
Investor View solvency surplus	£2,483m	£2,817m
Investor View capital cover ratio	213%	216%

At 31 December 2022, the estimated Solvency II Group Investor View capital cover ratio was 213% (31 December 2021: 216%) and the estimated Solvency II Group Regulatory View capital cover ratio was 206% (31 December 2021: 173%). Estimated solvency surplus on both the Group Investor and Regulatory View was £2,483m (31 December 2021: £2,817m).

The Investor View ratio has remained stable over 2022, with our hedging strategy providing protection against market volatility through the year. Economic variances have been positive in cover ratio terms (primarily from rebalancing to less capital intensive assets) and have been broadly offset by the impacts of management actions (including the consolidation of two closed funds into the Main Fund) and the allocation of ProfitShare to eligible customers.

The Regulatory View ratio has increased during the year as a result of higher yields which result in a lower capital requirement in the closed funds, particularly in relation to guaranteed annuity options.

We continue to monitor closely our capital position given market volatility and wider global economic pressures. Scenario testing performed as part of our regular capital management activities has been expanded to consider further scenarios and demonstrates that our capital position continues to be robust under a number of severe but plausible market scenarios.

Our capital position is sensitive to changes in economic and non-economic assumptions. The 'Solvency II Investor View sensitivities' table sets out a sensitivity analysis of the estimated capital cover ratio and solvency surplus based on possible different scenarios. The results of the sensitivity analysis show that the Group capital position is not materially impacted even in the event of significant external market volatility.

The 2022 Single Group Solvency and Financial Condition Report (SFCR) will be published on our website in April 2023 and will meet disclosure requirements for both the Group and Company.

Scenario ^c	Investor View capital cover ratio (%)	Impact on solvency surplus (£bn)
Base scenario: 31 December 2022	213	2.5
25% decrease in equity investments	4	(0.2)
15% decrease in property prices	(3)	(0.1)
100bps rise in interest rates ^d	-	(0.1)
100bps fall in interest rates ^d	1	0.2
25bps increase in government bond yields ^e	(2)	-
200bps widening in credit spreads ^f	3	(0.1)
15% fall in GBP exchange rates ^g	1	0.1

Solvency II reform

The proposed reform to Solvency II ('Solvency UK') should allow capital to be used more effectively, whilst continuing to ensure that customers are protected. Exact details of the Solvency UK regime, including the timing of any such changes, are subject to PRA consultation in 2023. Overall, we expect an increase in the capital cover ratio from the proposed reduction in risk margin, although some of the benefit will be offset by a reduction in the Solvency II transitional measures (TMTP).

The broadening of the eligibility requirements for the Matching Adjustment portfolio to allow the inclusion of assets with 'highly predictable' cash flows should help widen the potential range of investments used to back annuities.

Balance sheet

Royal London continues to maintain a robust balance sheet position. Our total investment portfolio reduced in value to £104.4bn (31 December 2021: £118.1bn), as a result of fair value movements across our equity, bond and property portfolios as well as a reduction in the value of our derivatives following increases in interest rates. At 31 December 2022, £733m of assets were ring-fenced (31 December 2021: £452m) to back annuitant liabilities of £691m (31 December 2021: £427m). The ring-fenced portfolio of assets includes a mix of corporate bonds, gilts, cash and commercial real estate loans.

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 debt securities portfolio is in high-quality assets with a credit rating of 'A' or above. In our non-linked portfolio, 80% (31 December 2021: 85%) of our non-linked debt securities and 68% (31 December 2021: 71%) of our non-linked corporate bonds had a credit rating of 'A' or better at 31 December 2022. There have been no significant defaults in our corporate bond portfolio.

^c Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was formally recalculated as at 31 December 2022. The sensitivities do not include any subsequent rebalancing of the asset portfolio.

^d Interest rate sensitivities assume that government and other bond yields and risk-free rates all move by the same amount. Interest rates are allowed to be negative.

^e The government bond yield sensitivity assumes risk-free rates and other yields remain constant. The Volatility Adjustment has been reassessed in the stressed scenario.

^f The widening in credit spreads stress assumes a widening in all ratings and an associated increase in the discount rate for the Royal London Group Pension Scheme and Liver pension schemes at 25% of the asset spread stress. The Volatility Adjustment has been reassessed in the stressed scenario.

^g The fall in GBP exchange rates stress assumes an increase to the value of assets held in currencies other than GBP by 15% in GBP terms.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out in the 'Principal risks and uncertainties' section of the Strategic Report within Royal London's 2022 Annual Report and Accounts (ARA) (royallondon.com/about-us/our-performance/investor-relations/).

The risks and uncertainties continue to be monitored and managed through our risk management system, including those related to geopolitics and the UK political and economic environment.

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 forward-looking 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 war in Ukraine; UK and Ireland economic and business conditions; future market-related risks such as rising interest rates; increasing levels of inflation and the performance of financial markets generally; the policies and actions of governmental and regulatory authorities (for example new government initiatives); 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, estimates and projections 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 announcement has been prepared for the members of Royal London and no one else. None of Royal London, its advisers 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. www.royallondon.com

Financial Statements

Consolidated Statement of comprehensive income

for the year ended 31 December 2022

	Group	
	2022	2021
	£m	£m
Technical account – long-term business		
Gross premiums written	1,176	1,156
Outwards reinsurance premiums	320	(82)
Earned premiums, net of reinsurance	1,496	1,074
Investment income	1,455	4,196
Unrealised gains on investments	-	4,875
Other income	640	659
Total income	3,591	10,804
Claims paid		
Gross claims paid	(2,863)	(2,806)
Reinsurers' share	540	531
Change in provisions for claims		
Gross amount	(62)	(64)
Reinsurers' share	29	21
Claims incurred, net of reinsurance	(2,356)	(2,318)
Change in long-term business provision, net of reinsurance		
Gross amount	9,469	1,327
Reinsurers' share	(1,346)	(599)
	8,123	728
Change in technical provision for linked liabilities, net of reinsurance	5,758	(7,953)
Change in technical provisions, net of reinsurance	13,881	(7,225)
Change in non-participating value of in-force business	141	104
Net operating expenses	(581)	(623)
Investment expenses and charges	(301)	(275)
Unrealised losses on investments	(14,475)	-
Other charges	(289)	(275)
Total operating expenses	(15,646)	(1,173)
(Loss)/profit before tax and before (deduction from)/transfer to the fund for future appropriations	(389)	192
Tax attributable to long-term business	227	(113)
(Deduction from)/transfer to the fund for future appropriations	(162)	79
Balance on technical account – long-term business	-	-
Other comprehensive income, net of tax:		
Remeasurement of defined benefit pension schemes	(106)	267
Foreign exchange rate movements on translation of Group entities	10	(10)
(Deduction from)/transfer to the fund for future appropriations	(96)	257
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	-	-

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to include a Company statement of comprehensive income. 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 year is always £nil after the transfer to or deduction from the fund for future appropriations.

Balance sheets

as at 31 December 2022

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
ASSETS				
Intangible assets				
Goodwill	21	25	21	25
Negative goodwill	(37)	(44)	(6)	(8)
	(16)	(19)	15	17
Other intangible assets	123	96	113	95
	107	77	128	112
Non-participating value of in-force business	2,474	2,333	2,476	2,333
Investments				
Land and buildings	122	149	122	149
Investments in Group undertakings	-	-	14,068	17,684
Other financial investments	33,462	45,293	19,945	28,160
	33,584	45,442	34,135	45,993
Assets held to cover linked liabilities	70,857	72,697	70,851	72,697
Reinsurers' share of technical provisions				
Long-term business provision	3,234	4,579	3,191	4,529
Claims outstanding	153	125	138	111
Technical provisions for linked liabilities	(51)	(53)	(51)	(53)
	3,336	4,651	3,278	4,587
Debtors				
Debtors arising out of direct insurance operations	50	46	48	45
Debtors arising out of reinsurance operations	62	56	46	48
Other debtors	2,231	499	2,099	381
	2,343	601	2,193	474
Other assets				
Deferred taxation	27	-	14	-
Tangible fixed assets	19	18	-	-
Cash at bank and in hand	677	622	430	392
	723	640	444	392
Prepayments and accrued income				
Deferred acquisition costs on investment contracts	87	113	87	113
Other prepayments and accrued income	37	36	-	-
	124	149	87	113
Pension scheme asset	207	357	207	357
Total assets	113,755	126,947	113,799	127,058

Balance sheets continued

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
LIABILITIES				
Subordinated liabilities	1,335	1,333	1,335	1,333
Fund for future appropriations	3,751	4,009	3,992	4,329
Technical provisions				
Long-term business provision	31,344	40,802	31,441	40,863
Claims outstanding	384	321	353	291
	31,728	41,123	31,794	41,154
Technical provisions for linked liabilities	70,622	72,499	70,617	72,499
Provisions for other risks				
Deferred taxation	-	228	-	241
Other provisions	187	250	181	241
	187	478	181	482
Creditors				
Creditors arising out of direct insurance operations	271	264	258	252
Creditors arising out of reinsurance operations	1,781	2,535	1,764	2,526
Amounts owed to credit institutions	52	42	52	42
Other creditors including taxation and social security	3,938	4,562	3,778	4,400
	6,042	7,403	5,852	7,220
Accruals and deferred income	90	102	28	41
Total liabilities	113,755	126,947	113,799	127,058

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements of the Group and the Company ('the Financial Statements') have been prepared 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 Financial Statements are the same as those applied in the Group's 2022 ARA. The full UK GAAP accounting policies can be found in the Group's 2022 ARA on the Royal London website at (royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/).

The Results Announcement for the year ended 31 December 2022 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information in this Results Announcement has been derived from the Group financial statements within the Group's 2022 ARA. The Group's 2021 ARA has been filed with the Registrar of Companies, and the 2022 ARA will be filed in due course. The results on a UK GAAP basis for the full year 2022 and 2021 have been audited by PricewaterhouseCoopers LLP (PwC). PwC has reported on the ARA in 2022 and 2021. Both their reports were (i) unqualified, (ii) did not include a reference to any matters to which they drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The 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 Group regularly performs sensitivities and stress testing on a range of severe but plausible scenarios 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 liquidity coverage ratios, with additional forward-looking scenario and stress testing performed based on severe but plausible scenarios to ensure liquidity adequacy. 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 activities of each operating segment are described below:

UK

The UK business provides pensions and other retirement products to individuals and to employer pension schemes and protection products to individuals in the UK.

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.

Ireland

The Ireland business comprises the Group's Irish subsidiary, Royal London Insurance DAC (RLI DAC). It provides intermediated protection products and unit-linked pensions to individuals in the Republic of Ireland.

Operating profit

A key measure used by the Company's Board of Directors to monitor performance is operating profit, which is classed as an Alternative Performance Measure. The Company's Board of Directors consider that this facilitates comparison of the Group's performance over reporting periods as it provides a measure of the underlying trading of the Group.

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

Group - 2022				
	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business				
New business contribution	146	-	17	163
Existing business contribution	186	-	(5)	181
Contribution from AUM and other businesses	45	56	-	101
Business development and other costs	(20)	(11)	(1)	(32)
Strategic development costs	(52)	(13)	(6)	(71)
Result from operating segments	305	32	5	342
Corporate costs				(57)
Financing costs				(75)
Group operating profit before tax				210

Group - 2021				
	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business				
New business contribution	147	-	17	164
Existing business contribution	118	-	7	125
Contribution from AUM and other businesses	29	95	-	124
Business development and other costs	(20)	(17)	-	(37)
Strategic development costs	(47)	(7)	(8)	(62)
Result from operating segments	227	71	16	314
Corporate costs				(106)
Financing costs				(75)
Group operating profit before tax				133