

Customers, not shareholders, benefit as profits rise

Barry O'Dwyer, Group Chief Executive, commented:

"Royal London is a customer-owned mutual, so we don't have shareholders. This means that the 19% growth in our operating profit before tax is good news for our customers. The profits we make are reinvested in the business to improve our offerings and service for customers, returned to eligible customers via ProfitShare, and used to support our charitable and social impact activities.

"In 2023, we welcomed 930 new workplace pension schemes, allowing us to support a further 240,000 new pension savers. The breadth and depth of our investment range attracted over £4bn in net inflows, as we grew our membership base, and delivered strong active investment performance while expanding our fund range and international reach."

Kevin Parry OBE, Chairman, commented:

"2023 was another year of significant uncertainty, however our mutuality enables us to continue to focus on the long term and to put our members and customers firmly at the heart of our decision-making.

"We have again shared our success with eligible customers through ProfitShare. I am delighted that our ongoing performance and continued strength has enabled us to share £163m with over two million eligible customers."

Highlights

- ProfitShare³ of £163m (2022: £155m) to be shared in April 2024 with over two million eligible customers who have life and pensions policies with Royal London.
- The Governed Range, our flagship offering, attracted net inflows of £3.0bn (2022: £3.4bn), with Assets under Management (AUM) reaching £60bn (2022: £53bn).
- During 2023, we enhanced our Workplace digital transfer offering making it easier for customers to consolidate their pension pots with us and we also introduced a new state benefits calculator to our financial wellbeing health check enabling customers to identify their eligibility for benefits, entitlements and grants.
- Continued focus on improving Protection products to ensure we keep delivering better outcomes for customers. We paid 99.0% (2022: 99.4%) of protection claims, paying over £725m to approximately 76,000 customers, making a real difference to families across the UK and Ireland who have had to face the worst kinds of life shocks.
- Reached an agreement with Aegon UK to acquire its closed individual protection book of over 400,000 policies, and in January 2024 completed the acquisition of Responsible Group, which provides later life lending products.
- Named Company of the Year 2023 at the Financial Adviser Service Awards – where we retained our five-star service rating for the 15th year running for pensions, and the 10th year running for protection.
- Extended our annuity capabilities in advance of an intended participation in the bulk purchase annuities market, focused on providing a competitive solution to the trustees of defined benefit pension schemes.
- Expanded our international asset management footprint, securing our first Japanese mandate and registering a number of funds in Scandinavia while totally modernising our infrastructure.
- Investment performance of actively managed funds remains strong with 96% (2022: 80%) of actively managed funds outperforming their three-year benchmark⁴.
- Became Founding Partner of first ever British & Irish Lions Women's Programme and committed to investing in elite player and coach development, as well as women's and girls' grassroots rugby, across the UK and Ireland.
- Announced a new £1.2m partnership with Cancer Research UK focused on tackling cancer inequalities.

Financials

		Year ended 31 December 2023	Year ended 31 December 2022
UK GAAP	Operating profit before tax ⁵	£249m	£210m
	Transfer to/(from) the fund for future appropriations ⁶	£382m	£(162)m
	ProfitShare ³	£163m	£155m
New business	Life and pensions new business sales ⁷	£9,253m	£10,776m
Inflows	Gross inflows ⁸	£29,904m	£26,647m
	Net inflows ⁸	£4,203m	£3,718m
		31 December 2023	31 December 2022
Funds	Assets under Management ⁹	£162bn	£147bn
Capital¹⁰ (Solvency II)	Regulatory View solvency surplus	£2.9bn	£2.5bn
	Regulatory View capital cover ratio	206%	206%
	Investor View solvency surplus	£2.9bn	£2.5bn
	Investor View capital cover ratio	218%	213%

- Operating profit before tax⁵ increased by 19% to £249m (2022: £210m) driven by growth in new business contribution, active management of our cost base and the positive impact of higher risk-free rates.
- Transfer to the fund for future appropriations (FFA)⁶ of £382m (2022: transfer from FFA (£162m)) reflects the improvement in operating profit and higher investment returns than our long-term expectations.
- Life and pensions new business sales⁷ of £9,253m (2022: £10,776m) reduced in value as higher interest rates decreased the present value of new business premiums. Workplace Pensions new business sales grew 4% after adjusting for the increase in the discount rate whilst Individual Pensions sales fell as higher interest rates impacted defined benefit transfer volumes.
- Net inflows⁸ increased to £4,203m (2022: £3,718m) due to higher external net inflows on short duration cash products partially offset by lower internal net inflows as more customers accessed their pensions.
- Assets under Management⁹ increased to £162bn (31 December 2022: £147bn) due to net inflows and positive market movements, particularly in the second half of the year.
- Capital position remains robust with the Investor View cover ratio¹⁰ increasing to 218% (31 December 2022: 213%) and Regulatory View cover ratio¹⁰ stable at 206% (31 December 2022: 206%).

Investor Conference call

Royal London will hold an investor conference call to present its 2023 Financial Results on Friday, 8 March 2024 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 and in the top 25 mutuals globally. Working with advisers and customers, we provide long-term savings, protection and asset management products and services. Our Purpose, 'Protecting today, investing in tomorrow. Together we are mutually responsible', drives us and defines the impact we want to have.

Financial calendar:

- 8 March 2024 – Financial Results for 2023 and conference call
- 24 May 2024 – RL Finance Bonds No. 6. Plc subordinated debt interest payment date
- 11 June 2024 – Annual General Meeting
- 2 August 2024 – Interim Financial Results for 2024 and conference call
- 7 October 2024 – RL Finance Bonds No. 4 plc subordinated debt interest payment date
- 13 November 2024 – RL Finance Bonds No. 3 plc subordinated debt interest payment date
- 25 November 2024 – RL Finance Bonds No. 6 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 RLMIS 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; goodwill (charge)/credit 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 before tax represents the result of the Royal London Main Fund (RL Main Fund).
6. Transfer to/(from) the fund for future appropriations represents the statutory UK GAAP measure 'Transfer to/(deduction from) 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, other lines of business and the bulk annuity buy-in transacted with the Royal Liver UK pension scheme. 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 the start of the financial period for all new business except annuities where the rate used is the future yield (less an allowance for downgrade and default risk) on assets expected to back these annuitant liabilities over the lifetime of the contracts.
8. Gross and net inflows incorporate flows into Royal London Asset Management (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 'Investor View' equals the RL Main Fund capital position (excluding ring-fenced funds). The 'Regulatory View' solvency surplus and capital cover ratio exclude the closed funds' surplus as a restriction to Own Funds. All capital figures are stated on a Group Partial Internal Model basis and the 2023 figure is estimated and unaudited.
11. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.

Review of the Year

The articulation of our Purpose – ‘Protecting today, investing in tomorrow. Together we are mutually responsible’ – helps us to be clear with our customers about the difference we intend to make for them. To deliver our Purpose, we have a clear strategy.

Our strategy is to be an insight-led, modern mutual, growing sustainably by deepening customer relationships. As the UK’s largest mutual life insurance, pensions and investments provider, we use the information our customers share with us to help them build the financial resilience they need to retire into a sustainable world, and to protect themselves and their families along the way.

Being vigilant stewards of our capital helps to lay the foundation for sustainable growth. We invest to make sure our products and services continually meet the needs of our customers and advisers. At the same time, we aim to manage our costs carefully and share the benefits of our success with eligible customers via ProfitShare.

Through our research we know that the cost of living remains a cause of concern for a high proportion of our customers. We continue to offer dedicated guidance and resources to help them navigate the challenges, while promoting the importance of making financial advice accessible to all.

We are also committed to acting and investing responsibly, using our voice to influence positive change on behalf of our stakeholders. Through active engagement with companies in which we invest, we aim to ensure their net zero actions also support an inclusive economy by carefully considering societal issues. This includes companies responsible for the highest greenhouse gas emissions.

However, businesses alone cannot deliver the systemic transformation needed for a sustainable future. We need governments and policymakers to deliver on their commitments. As attention focuses on addressing other immediate crises, such as geopolitical tensions, energy security and restoring sustainable economic growth, progress has slowed. Despite the pledges at COP28, much remains to be done if global goals to limit warming are to be reached.

Enhancing our products and services

Helping customers build their financial resilience drives our commitment to supporting financial advisers. We are constantly updating our technology to enable advisers to scale the advice, support and guidance they provide, and in September 2023 we launched our ‘Adviser Value Proposition’ – focused on helping advisers grow their business while making it easier for their clients to work with them.

In April 2023 we finalised an agreement to acquire Aegon UK’s individual protection business, which will see us welcoming over 400,000 new customers to Royal London. It also strengthens our position in the UK protection market. Customers’ policies are expected to transfer in 2024, following the completion of a court-approved process.

Within our asset management business, our diverse offer founded on a commitment to responsible investing is attracting growing international interest, with Royal London Asset Management successfully winning its first mandate from a Japanese institutional client. We registered our Dublin-domiciled funds in Sweden, Norway, Denmark and Finland, each important milestones in expanding Royal London Asset Management’s presence internationally. We also registered several new funds including Sustainable Investment, Global Equity and Fixed Income strategies, reflecting our commitment to best-in-class investment solutions.

We believe that our continued success in Workplace Pensions reflects the importance that employers place on both supporting their employees’ financial wellbeing, and partnering with digital-first providers who have a strong sense of purpose. We continue to invest in technology that enhances our ability to engage customers, such as our mobile app, our online financial wellbeing service, our state benefits entitlement calculator – developed in partnership with our UK flagship charity partner Turn2us – and our new transfer hub to make pension consolidation easier. We also launched a new retirement and lifestyle planner, a digital tool designed to help advisers add value for their clients. Although we are making progress, not all of our technology projects have delivered at the pace we would have liked, but as we enter 2024 we are releasing new pensions technology that makes it even easier to interact digitally with Royal London.

In January 2024 we completed the acquisition of the remaining stake in Responsible Group. The Responsible Group is made up of Responsible Life, a market-leading later life mortgage broker, and Responsible Lending, a later life mortgage lender. The acquisition gives us a great opportunity to broaden the solutions available to our customers to support them in retirement. Later life lending is complex by nature and requires specialist advice, but we are keen to make it a more accessible option for those who would benefit from accessing the equity in their home to support their desired standard of living.

We also announced an agreement for the sale to Bspoke Group of the general insurance and healthcare elements of the Police Mutual and Forces Mutual businesses. With its expertise in the general insurance and healthcare markets, we believe that Bspoke Group is well placed to serve the customers of those businesses. The sale was completed in February 2024.

In Ireland, we continue to improve and adapt our Protection products and services. We maintained a strong performance in 2023, following the successful launch in 2022 of the revised Royal London Ireland brand and a new individual pension proposition.

Levelling the playing field

Through our sponsorships, we look to create opportunities and to accelerate positive change across society. As the first ever Principal Partner of the British & Irish Lions' Women's Lions Programme, we funded a feasibility study to ascertain whether a women's Lions rugby team could be formed. Following the successful outcome of the study, we became the Founding Partner of the team's first ever tour, in New Zealand, in 2027. We are proud that, through our investment to support player development, we are also championing women's rugby from the grassroots up, and so making a difference for this and future generations.

Awards

We continued to be recognised through key industry awards in the UK and Ireland. We were named Company of the Year 2023 at the Financial Adviser Service Awards – where we retained our five-star service rating for the 15th year running for pensions, and the 10th year running for protection. Royal London Asset Management was awarded a five-star investment provider rating for the 10th consecutive year. We also had successes at the Brokers Ireland Excellence Survey Awards, which included the award for Service Excellence for the sixth year in a row.

Looking ahead

A key focus will be on ensuring that colleagues collaborate effectively to deliver the best possible experience for our members and customers. This will involve making progress on building easy-to-use digital journeys for key products, expanding the range of solutions we offer and continuing to run our business as efficiently as possible so that we can generate value for our members.

Our robust capital position, and our status as a purpose-driven mutual, means we are well positioned in 2024 to navigate the external environment – while helping customers do the same. By delivering our strategy and achieving our Purpose, we are committed to helping our customers build their financial resilience to protect their standard of living, and that of their families.

UK

Market overview

Financial uncertainty and heightened geopolitical tensions continued during the year, influencing the markets in which we operate and the financial decisions made by our customers. Although many customers have seen pay increases that have compensated for increased inflation, pressures on disposable income levels remain and customers continue to adjust to a higher interest rate environment.

Over the year the Workplace contract-based Pension market continued to grow, benefitting from UK employment rates remaining relatively high and employees receiving pay increases. The Individual Pensions market also grew despite higher interest rates impacting defined benefit transfer volumes. However, the advised protection market contracted as increases in living costs put pressure on consumers' disposable income.

2023 also saw the introduction of the FCA's new Consumer Duty. The changes have been introduced with the aim of raising standards across the industry through an enhanced focus on customer outcomes. The Consumer Duty has been a big focus for the UK business operationally, while also supporting advisers to navigate the impact of the new requirements.

The pace of technological change and innovation continues to accelerate. As a result, we have continued to invest in systems to enable increased engagement with advisers and customers, alongside reducing barriers for them to access financial education, information and guidance.

Business performance

We benefitted from our ongoing focus on improving technology, enhancing a number of digital services to improve the experience and support for both customers and advisers, including through a new pension consolidation service, which delivered a significant increase in Workplace Pension transfers. The number of our digitally active customers^a increased to over 760,000 (2022: 506,000).

The higher interest rate environment impacted the volume of defined benefit transfer activity however, we saw increased levels of regular contributions from Individual Pensions customers.

Our focus on supporting customers to understand their savings, income and protection options, along with our high standard of customer service, continued to be recognised through a number of awards. Royal London's Trustpilot score of four out of five stars also reflects the level of service provided for customers.

Pensions

Our Workplace Pensions business grew over 2023, with new business sales increasing by 4%, after adjusting for the increase in the discount rate^b. This reflects a significant increase in pension consolidation volumes, along with more employers choosing Royal London as their pension provider. Over the year the business welcomed over 930 new Workplace Pension scheme employers with over 240,000 new scheme members. Our Pensions business continues to be supported by the relative performance from our flagship Governed Range, which attracted inflows of £3.0bn in 2023 with AUM of £60bn.

To support customers looking to consolidate their pension pots, our online pension transfer hub has been designed to help them assess whether to transfer their existing pension. In addition, enhancements to our transfer process, including automating how requests are made to other providers, have reduced turnaround times for customers, while allowing more customers to meet the criteria for fast-track applications. As a result, an increasing number of customer requests are now made digitally via our mobile app.

New business sales from Individual Pensions decreased by 17% to £4,346m, with higher interest rates impacting defined benefit transfer volumes though more customers chose to stay with Royal London as they moved into retirement. With the cost of living pressures, more customers have needed to access money from their pension, and therefore have withdrawn more from their Income Release products over the year to support their needs.

^a The number of digitally active customers represents the number of customers who have logged into our web portal plus the number of customers who have logged into our mobile app, at least once during the year.

^b Life and pensions new business sales (PVNBP) is reported using economic assumptions set at the start of the reporting period. The increase in the risk-free rate over 2022 therefore significantly impacts the comparability of new business metrics between 2022 and 2023. The higher discount rate used in the calculation of PVNBP reduces the present value of the same premium amount.

We continued to invest in the digital experience, with tools to support customers to understand better their financial position and resilience. The financial wellbeing health check was successfully launched at the end of 2022 and, at the end of 2023, had over 15,000 registered users. Our new state benefits entitlement calculator enabled customers to identify over £5.5m in annualised benefits through potential eligibility for benefits, entitlements and grants. For customers who do not use a financial adviser and who are about to access their pension to fund retirement, we have developed guidance to help them to select the right investment pathway for their needs. The new 'Later Life guidance hub' also supports customers to plan ahead for financial and care needs.

Protection

Our market share of advised individual protection business increased while we saw a year on year fall in the size of the overall advised market, which was impacted by falling mortgage volumes. We have continued to write a mix of business across the Protection range through advisers and distributors. 99% of protection claims were paid out during 2023, providing £676m to approximately 71,000 customers and their families.

In April 2023 we announced the acquisition of Aegon UK's closed individual protection business. This comprises over 400,000 customers across life insurance, critical illness and income protection with the policies expected to transfer to Royal London in the second half of 2024, subject to the completion of a court-approved Part VII transfer. Aegon UK has reinsured the portfolio to Royal London for the interim period.

Delivering good customer outcomes throughout our customers' life stages remains a priority. This includes increasing access to information that helps them understand the benefits they have, from the point of sale and throughout the life of their contract. Launched in 2022, the My Royal London portal already has over 205,000 Protection customers registered. As cost of living challenges persist, the information shared via the portal has helped customers to understand their options if they are considering cancelling their policies. Alongside this, the capability to set up policies under trust digitally was introduced, helping more customers ensure their claims will be paid more quickly and to the right beneficiaries. Finally, due to an ever increasing number of customers using our customer portal and a new targeted engagement plan to increase customer awareness, we've increased the number of customers who are benefitting from wellbeing and early care medical services – with over 6,500 registered users in 2023.

Driven by customer insight, our Critical Illness definitions were broadened during the year, providing clarity and easier and quicker payments at claim. In a drive to speed up underwriting decisions for customers, a range of improvements have been introduced to allow immediate decisions to be offered as often as possible. This ensures the decision remains fair to customers and improves the ability to offer terms against more applications.

Finally, support services for advisers have also been enhanced, particularly in relation to enabling their support teams to access our adviser dashboard, helping them work more efficiently.

Annuities and Later Life

Our Annuity proposition was launched in 2021, providing access to a Royal London annuity to longstanding customers invested in the Royal London (CIS) Sub-Fund with pension policies that have guaranteed annuity rates. Total new business volumes from annuities decreased by 15% to £162m, reflecting higher bond yields which reduced the average value of customers' pots at retirement. As well as providing an option for longstanding customers to remain with Royal London, we transferred £197m, net of re-insurance, of annuities in payment into our Matching Adjustment portfolio within the Royal London Main Fund.

We have continued to build our annuity capabilities and, in November, we transacted a bulk annuity buy-in policy with the trustees of the Royal Liver UK pension scheme. This covered all the benefits of the scheme for all deferred pensioners and current pensions, removing the investment and longevity risk for the members of the scheme. We also entered into a separate policy in January 2024 with the Trustees of the Royal London Group pension scheme which partially covers the benefits of the scheme. Through these transactions we have extended our annuity capabilities in advance of an intended participation in the bulk purchase annuities market, focussed on providing a competitive solution to the trustees of defined benefit pension schemes.

The acquisition of the remaining stake in the Responsible Group in January 2024 will enable us to deliver innovative later life solutions and scale the provision of later life lending in what we believe will be a growing market. The transaction strengthens our support for advisers and customers as they look for solutions in funding later life needs. The market offers customers additional choices at retirement, especially those who have property wealth but insufficient pension savings to support their desired standard of living.

Longstanding customers

Following the completion in 2022 of our programme consolidating a number of closed With-Profits funds and creating a better experience for longstanding customers, while increasing the value of their policies, the focus through 2023 has been on the next phase of the Consumer Duty and meeting requirements for closed books of business. As a result of the improvements we have delivered in recent years, we are progressing well with implementing actions to ensure we meet Consumer Duty requirements ahead of the July 2024 deadline. Through our work so far, we have reviewed all statements and event-driven communications to ensure they adhere to the FCA's Thematic Review guidelines. Our work will continue to focus on opportunities to support good customer outcomes through ongoing engagement and communications enhancements, combined with product reviews.

Looking ahead

Customers' disposable income levels are expected to remain under pressure as living costs, particularly mortgage repayment and rental costs, continue to increase. Our focus on enhancing our digital tools and experiences, alongside continuing to invest in underlying technologies, will help customers to navigate the short-term challenges while allowing them to easily access our range of products and services, supporting their ability to improve their financial resilience and to plan for the longer term. Our belief in the value of impartial financial advice remains but we recognise it is not affordable for all and so welcome the FCA's review of the advice/guidance boundary. Our continued investment in high-quality, technology-enabled solutions underpins how we will continue to deliver good customer outcomes through well-designed guidance as well as advice.

Asset Management

Market overview

Growth, both domestically and globally, was low during 2023 with the global economy facing uncertainty due to inflationary pressures, monetary tightening, and geopolitical events.

Over 2023, equity markets were dominated by interest rates and inflation. Following the emergency support provided during Covid-19 and the ongoing war in Ukraine, the global economy has continued to see inflation, leading major central banks such as the Federal Reserve, European Central Bank and Bank of England to raise rates several times.

Equity markets have been focused on the potential end of the rate rising cycle, as well as the possible impact of these rises on global growth and therefore the health of the corporate sector. Most major stock markets produced positive returns over the period in sterling terms, including the US, UK, Europe and Japan. The main exceptions were parts of Asia, where concerns over the health of the Chinese economy meant that both Hong Kong and Chinese indices were lower over the period. Technology stocks rose strongly, led by enthusiasm over artificial intelligence, while more defensive areas such as consumer staples and utilities generally lagged.

The backdrop of rising interest rates and inflation meant that global bond yields, including gilts, increased – and therefore bond prices fell – significantly over the period. Sterling investment-grade credit markets also struggled, but outperformed gilts, as the negative impact of higher gilt yields was mitigated by the higher credit spread – the average extra yield available from non-gilt bonds compared with government debt of equal maturity – available on corporate bonds.

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

Business performance

Operating profit was broadly flat at £31m (2022: £32m) as we continued to invest for the future growth of the business. The Group's Assets under Management grew over the year to £162.3bn (2022: £147.2bn) driven by both positive net flows and market movements. During the year we completed the implementation of the BlackRock Aladdin investment management technology platform, a transformational landmark for the business that will provide the bedrock for continuing to deliver a first-class experience for our customers.

We continued to invest for the long term, through selective strategic projects across the year. A key focus has been expanding our distribution footprint internationally through the recruitment of specialist sales resource and proposition developments, particularly in Global Equities and Global Credit strategies. We also broadened our property offering into new investment types, such as residential, and will continue to develop this asset class. A Head of Private Assets was also appointed during the year, as a first step in establishing a Private Assets strategy to drive further long-term growth.

Delivering above-benchmark investment performance is central to our ability to attract and retain clients for the long-term success of the business. Although conditions faced by investment teams in the year were challenging, our three-year performance track record remained strong across our fund range in 2023, with 96% of our actively-managed funds outperforming their benchmark over the three years to 31 December 2023 (2022: 80%).

Peer rankings remain positive for key open-ended investment companies (OEICs), with 87% (2022: 85%) of funds in the top two quartiles over the three-year period and our Global Equity funds generating particularly strong performance for clients.

Flows and funds

Despite challenging market conditions, Assets under Management increased by £15.1bn over 2023. This increase was due to positive overall net flows of £4.2bn and positive market movements of £10.9bn, resulting in Assets under Management increasing to £162.3bn (2022: £147.2bn).

External net inflows increased to £3.3bn (2022: £1.7bn) driven primarily by net inflows into our Global Equity strategies and included the win of a landmark institutional mandate from a Japanese client. Our cash funds benefitted from the high-interest environment, with net inflows of £1.4bn in the year (2022: £nil).

Our wholesale business had a strong year in a tough environment, being one of the few active asset managers with net positive sales. We also registered a select number of funds in Scandinavia, positioning ourselves for future growth outside our home market. The UK government's 2022 mini-budget created instability in the liability-driven investment (LDI) market which saw clients withdraw relatively more liquid assets from RLAM to meet collateral calls at other asset managers. Although this situation has now stabilised, the trend for pension schemes to hold more assets with their LDI managers to guard against future crises has continued and therefore this has resulted in some institutional clients moving assets away from us.

Internal net inflows decreased to £0.9bn (2022: £2.0bn), primarily following an increase in regular withdrawals on policies in drawdown, with more customers accessing their pensions and an overall increase in average drawdown value.

Responsible investment

Responsible investing (RI) 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. We have improved our tools for carrying out climate and ESG analysis, producing systematic client reports at lower cost, and managing related risks. In 2023 we established our RI client services team to respond to an increasing number of client queries. Our engagement themes help ensure we stay focused on topics important to clients and to society.

As part of our net zero commitment, we have identified and engaged with 36 companies that represent 52% of RLAM's financed emissions^c, with the aim of improving the alignment of our highest-emitting companies with a net zero pathway.

Our RI credentials continue to receive external recognition. RLMIS and RLAM retained signatory status to the UK Stewardship Code with both also receiving a 5 star rating across multiple strategies from the United Nations' Principles for Responsible Investment (PRI), a leading proponent for responsible investment globally.

However, we are also aware that the market continues to evolve at a rapid rate and failure to keep pace with the expectations of our current and future clients poses commercial risks to our business. We continue to conduct client surveys, as well as hold discussions with and collaborate with clients, on a number of key ESG topics. This year we conducted a series of roundtables with clients to understand their climate commitments and strategies for achieving net zero, enabling us to steer our own net zero strategy and help clients navigate the climate transition more effectively.

Looking ahead

The economic outlook remains uncertain. We invest in the business for the longer term and will build on the progress made in the last year by continuing to seek ways to improve our capabilities, both in the investment strategies we offer and the services we provide. We remain committed to our strategic priorities, particularly in supporting growth within the property and private asset businesses to strengthen our investment capabilities and in distributing internationally.

As the market evolves rapidly, we need to keep pace with the expectations of our clients and will continue to respond to client feedback. This highlights the need for investment teams to be increasingly competent in discussing ESG issues with clients, along with more product choice for clients that have net zero requirements.

^c Percentage of total RLAM corporate fixed income and listed equity scope 1, 2 and 3 portfolio emissions from companies subject to RLAM's net zero engagement programme.

Ireland

Market overview

The broker protection market in Ireland continued to grow in 2023 with brokers continuing to be the largest distribution channel in the Irish market.

During 2023 we saw a reduction in the mortgage market due to higher interest rates, which led to a reduction in mortgage protection products, though growth on other protection products more than offset this.

2023 saw the introduction of the Code of Practice for Underwriting Mortgage Insurance for Cancer Survivors, which promotes inclusivity and greater access to financial products for cancer survivors. Royal London Ireland played a leading part alongside the industry in developing this customer-centric solution.

Business performance

Our Ireland business had another successful year. The business delivered record new business sales of £230m, despite the reduction in the mortgage market, ensuring we retained our position as the clear market leader in the Irish broker Protection market. Our pension business, which was launched in September 2022, has grown steadily throughout 2023. We have continued to work on enhancing our pension offering too and our investment in growing this part of our Ireland business has meant that operating profit has remained at £5m (2022: £5m).

We continued a nationwide advertising campaign in Ireland throughout 2023. The campaign included advertising on television, online channels and on-demand streaming platforms, as well as paid social media promotion. The campaign conveyed our proud heritage in Ireland of providing valued products and encouraged viewers to contact their financial broker.

Protection

Sales of our Protection products grew again to £179m when the impact of the higher discount rate used to value our new business sales is removed. This continued strong performance reflects our focus on helping customers and their families to protect themselves and build their financial resilience.

We also continued to innovate our product proposition, including introducing customer-centric improvements to our Income Protection policies, without any increase in cost for customers. These included the addition of a unique new feature of immediate cover on an interim basis prior to the policy being fully underwritten, and over 150 occupation class improvements.

Throughout 2023, we maintained our focus on service excellence, including delivering digital enhancements. We introduced a new underwriting pre-sales calculator to help financial brokers and their customers, and targeted Private Medical Assessment reports to help speed up the application process.

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 by aiming to get things right for customers first time – which also helps to strengthen our strong relationships with financial brokers.

Our marketing activity in Ireland is focused on regular and consistent, multi-channel communications with financial brokers and external communications with customers. Our aim is to support brokers when it comes to our high-quality protection and pension propositions, in order to help our customers, who are advised by brokers, to have plans in place to build their financial resilience. Broker activity includes focused marketing campaigns, digital newsletters, collateral updates and educational events – on average in 2023, over 900 brokers registered to attend each of our webinars.

During 2023, we paid out over 98% of claims, £49m in total, to customers and their families across all Protection business. Over and above these financial payouts, we provided access to counselling and other services through our Helping Hand support service.

Pensions

Our position as market leader in the broker Protection market, and excellent reputation for customer service, provides a strong platform to build our Pensions offering. In September 2022, we launched our Pensions business with a Personal Retirement Bond and an Approved Retirement Fund. These products offer a range of unique product features including zero policy fees or fund switching charges, automatic portfolio rebalancing and ValueShare, Royal London Ireland's equivalent of ProfitShare. ValueShare aims to increase savings for Irish Pension policyholders by sharing in Royal London Ireland's success, on top of fund returns, in the years that the business does well. This feature is unique in the Irish market and demonstrates our mutual mindset.

In November 2023, we improved our competitive pricing position by offering four additional Annual Management Charge options. This provides brokers with a choice of 16 product variations, more flexibility and extends their ability to meet customers' needs.

Pensions new business sales were £51m for the year and, in April 2023, we announced our first ValueShare award, resulting in a boost to customers' policies with an uplift of 0.13% for all those eligible.

Looking ahead

We continue to strive to deliver the best possible outcomes for our customers through broader propositions and by championing the broker market. We will enhance customer choice, with further enhancements planned for our Pensions offering and a focus on continuing to develop our footprint in this market. We remain focused on delivering our market-leading Protection products and maintaining the high standards of service that brokers and customers have come to expect from Royal London Ireland.

Financial Review

Our results for the year demonstrate the progress we are making in delivering on our strategy as the investments in our business are generating sustainable returns for our members. Group operating profit before tax for the year ended 31 December 2023 increased 19% to £249m (2022: £210m).

New business contribution increased 13% to £184m driven by higher flows into our Workplace Pensions business and an improved contribution in our UK Protection business following our exit from the Over 50s market. These more than offset the impact from the reduction in defined benefit pension transfers following rises in interest rates. As a result, our new business margins have improved by a third across the year.

Our Asset Management business has continued to deliver net inflows supported by strong investment performance in our actively managed funds and the new capabilities we have built. This has allowed us to continue to invest in Royal London Asset Management while investment markets have been volatile. Assets under management have increased 10% to £162bn at the end of the year.

In our in-force books, we have managed the impact on our cost base of higher levels of inflation, with a small benefit from changes to our long-term expense assumptions arising during the year. We have also completed the final transfers into our Matching Adjustment portfolio of existing blocks of annuity business while building capability to enter the bulk annuity market through our first buy-in transaction with the Liver UK pension scheme.

ProfitShare for the year totalled £163m (2022: £155m), with underlying allocation rates maintained at prior year levels, demonstrating our consistent approach to sharing returns with eligible customers.

There was a transfer to the fund for future appropriations (FFA) of £382m (2022: transfer from FFA £162m) reflecting the improvement in operating profit and higher investment returns than our long-term expectations.

Our capital position remains robust with an estimated Solvency II Investor View capital cover ratio of 218% (31 December 2022: 213%) with our hedging programmes ensuring the stability of our capital position through periods of market volatility. The estimated Solvency II Regulatory View capital cover ratio has remained stable at 206% (31 December 2022: 206%).

In May 2023 we successfully issued a new £350m Restricted Tier 1 (RT1) contingent convertible debt instrument, demonstrating our active management of the Group's capital structure. During the year we also completed, as planned, the repurchase and cancellation of our £400m Fixed Rate Reset Callable Guaranteed Subordinated Tier 2 debt. These transactions have increased the Group's financial flexibility by establishing access to the RT1 capital markets and creating additional Tier 2 capital headroom.

Group operating profit before tax

The following table shows the Group operating profit before tax for the year ended 31 December 2023. Further detail on the Group's segmental reporting is included on page 24.

	2023 £m	2022 £m	Change £m
Long-term business			
New business contribution	184	163	21
Existing business contribution	236	181	55
Contribution from AUM and other businesses	84	101	(17)
Business development and other costs	(40)	(32)	(8)
Strategic development costs	(61)	(71)	10
Amortisation of intangibles	(6)	-	(6)
Result from operating segments	397	342	55
Corporate items	(63)	(57)	(6)
Financing costs	(85)	(75)	(10)
Group operating profit before tax	249	210	39

New business contribution

Overall new business contribution was up 13% at £184m (2022: £163m) reflecting the impact of improving margins in both Workplace Pensions and UK Protection in particular. The contribution from Individual Pensions reduced following lower defined benefit transfer activity due to higher interest rates.

Life and pensions new business is reported using economic assumptions set at the start of the reporting period. The increase in the risk-free rate over 2022 therefore significantly impacts the comparability of new business metrics between 2022 and 2023. The higher discount rate used in the calculation of the present value of new business premiums (PVNBP) reduces the present value of the same premium amount. This impact is most significant on longer-duration businesses which have regular cash flows, in particular Workplace Pensions and regular premium Protection business. Conversely, the higher risk-free rate improves Workplace Pensions new business contribution, primarily from the level of assumed fund growth over the life of the policies.

	New business contribution		PVNBP		New business margin	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 %	2022 %
Individual Pensions	65	83	4,346	5,219	1.5	1.6
Workplace Pensions	71	43	3,753	4,114	1.9	1.0
Protection	23	11	760	1,037	3.0	1.1
Annuities and other	14	9	164	203	8.5	4.5
UK	173	146	9,023	10,573	1.9	1.4
Ireland	11	17	230	203	4.8	8.5
Total	184	163	9,253	10,776	2.0	1.5

UK

Individual Pensions new business sales fell due to a reduction in defined benefit transfers of £704m resulting from the rise in interest rates. Partially offsetting this we saw increased volumes over the tax year-end period following changes announced by the government to lifetime allowances. Underlying margin was flat at 1.5% (2022: 1.6%).

Workplace Pensions benefitted significantly from the increase in risk-free rates, with a 65% increase in new business contribution to £71m. On a comparable basis, sales grew by 4% driven by a 72% increase in pension consolidation volumes, which combined with the discount rate change and careful management of our acquisition costs, resulted in a near doubling of new business margin to 1.9% (2022: 1.0%).

Protection new business sales decreased, impacted by the interest rate increases and a one-off transfer of a funeral investment plan of c.£100m in 2022, as well as the cost of living pressures impacting market demand. Despite the decrease in sales, new business contribution increased to £23m (2022: £11m), following the actions taken at the end of 2022 to exit the Over 50s life insurance market and to manage the cost base. These actions have resulted in a significant increase in new business margin to 3.0% (2022: 1.1%).

Annuities and other new business sales declined to £164m (2022: £203m), and despite an increase in underlying volumes, the impact of higher interest rates decreased average policy sizes. New business contribution increased to £14m (2022: £9m), due to a higher discount rate used in the liability valuation of annuities in the Matching Adjustment portfolio as credit spreads widened, resulting in margins improving to 8.5% (2022: 4.5%).

Ireland

New business sales grew to £230m (2022: £203m), primarily through increased Pension sales of £51m (2022: £5m) following the successful product launch in September 2022. This was partially offset by a decline in Protection sales, which was impacted by the increases in risk-free rates. On a comparable basis, Protection sales were up 10%. New business contribution decreased by £6m to £11m and new business margin decreased to 4.8% (2022: 8.5%) reflecting the relatively higher cost of the Pensions product as we continue to grow scale.

Existing business contribution

Existing business contribution increased to £236m (2022: £181m), summarised in the table below.

	2023 £m	2022 £m	Change £m
Expected return	194	108	86
Experience variances and assumption changes	28	(10)	38
Modelling and other changes	14	83	(69)
Total	236	181	55

Expected return increased to £194m (2022: £108m) primarily as a result of the increase in risk-free rates at the start of the year.

Experience variances were relatively benign in the period. The continued growth in the in-force book combined with careful management of maintenance costs in a higher inflationary environment has resulted in a £30m benefit from a change in long-term expense assumptions.

Modelling and other changes of £14m (2022: £83m) includes a £23m gain from further transfers of a number of existing annuity portfolios into the Matching Adjustment Portfolio (2022: £31m). The gain reflects the increase in the discount rate used to value these liabilities in order to reflect the illiquidity premium relating to the backing assets. 2022 also includes the benefit of the final contribution in connection with closed fund consolidations of £31m.

Contribution from AUM and other businesses

Contribution from AUM and other businesses decreased to £84m (2022: £101m), reflecting changes in the mix of assets under management and changes in the costs of running the business as we expand our capabilities in RLAM.

Business development and other costs

Business development costs increased to £40m (2022: £32m) as we continued to strengthen our propositions in the UK business, such as the development of the pension transfer hub and enhancements to our digital portals. The higher costs also include the impact of a number of new regulatory requirements which required changes to platforms and processes, including the implementation of the new Consumer Duty in the UK.

Strategic development costs

Strategic development costs of £61m (2022: £71m) represent the costs of ongoing investment we are continuing to make across our businesses. This includes £40m of costs in our UK business (2022: £52m) incorporating continuing investment in our Pensions proposition, with the launch of new digital functionality in early 2024, and £15m (2022: £13m) in Asset Management through additional investment to enhance RLAM's core infrastructure and systems as we implemented the BlackRock Aladdin platform. Overall strategic development costs reduced following the completion of our Legacy Simplification programme at the end of 2022.

Corporate items and financing costs

The net charge for Corporate items of £63m (2022: £57m) include the costs of Group-wide regulatory change, strengthening of IT security as well as costs arising from the acquisition or disposal of businesses. They also include costs in relation to the Group's defined benefit pension schemes, which in 2023 includes a small gain resulting from the valuation of the liability arising from the bulk annuity contract issued to the Royal Liver UK pension scheme being lower than the value of the premium transferred. Financing costs of £85m (2022: £75m) represent the interest payable on the Group's subordinated debt and have increased due to the higher interest costs of the RT1 debt issued during the year as compared to the Tier 2 debt that was repaid.

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

The transfer to the FFA was £382m (2022: transfer from FFA £162m) with the increase in operating profit before tax also bolstered by positive economic movements.

	2023 £m	2022 £m	Change £m
Group operating profit before tax	249	210	39
Economic movements	391	(446)	837
Goodwill (charge)/credit arising from mergers and acquisitions	(10)	2	(12)
ProfitShare	(163)	(155)	(8)
Profit/(loss) before tax and before transfer to/(from) the fund for future appropriations	467	(389)	856
Tax attributable to long-term business	(85)	227	(312)
Transfer to/(from) the fund for future appropriations	382	(162)	544

Economic movements

Economic movements represent short-term investment return variances from our longer-term expected return assumptions. During 2023, economic movements were a gain of £391m (2022: charge of £446m), as investment returns were above our longer-term expected return assumptions, contrasting with the prior year loss which reflected the significant market volatility across 2022 and 2023.

Goodwill (charge)/credit arising from mergers and acquisitions

Goodwill arising from mergers and acquisitions comprises amortisation of goodwill relating to investments in our subsidiaries purchased by the Group in prior years and changes in the value of our investments in associates not held as part of our investment portfolio.

ProfitShare

ProfitShare represents an allocation of part of the Group's profits by means of a discretionary enhancement to asset shares and unit fund values of eligible policies.

ProfitShare allocation rates for 2023 were maintained, with total ProfitShare for the year increasing to £163m (2022: £155m). The enhancements to qualifying policies from ProfitShare were 1.2% for existing With-Profits policies taken out prior to 2022 and 0.3% for With-Profits policies taken out subsequently (2022: 1.2% and 0.3% respectively). Unit-linked policies received an enhancement of 0.15% (2022: 0.15%).

Balance sheet

Royal London's balance sheet position is robust. Our total investment portfolio increased in value to £113.7bn (31 December 2022: £104.4bn), as a result of net purchases and increases in fair value primarily in equity and bond asset classes. At 31 December 2023, £1,347m of assets were ring-fenced (31 December 2022: £733m) to back annuitant liabilities net of reinsurance of £1,279m (31 December 2022: £691m). The ring-fenced portfolio of assets includes a mix of corporate bonds, gilts, cash, commercial real estate loans and private placement debt.

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, 77% (31 December 2022: 80%) of our non-linked debt securities and 69% (31 December 2022: 68%) of our non-linked corporate bonds had a credit rating of 'A' or better at 31 December 2023. There have been no significant defaults in our corporate bond portfolio.

Assets under Management

Assets under Management (AUM) increased to £162bn (31 December 2022: £147bn) driven by steady levels of net inflows, combined with positive market movements.

	Gross inflows		Net inflows	
	2023	2022	2023	2022
	£m	£m	£m	£m
External flows	20,187	17,104	3,308	1,709
Internal flows	9,717	9,543	895	2,009
Total	29,904	26,647	4,203	3,718

External net inflows of £3.3bn (2022: £1.7bn) were driven by net inflows of £2.7bn (2022: £2.6bn) into our Global Equity Strategies, including RLAM's first Japanese mandate, representing significant progress in RLAM's growth ambitions, and net inflows of £0.7bn (2022: £nil) on sterling credit and cash products as investors took advantage of increased interest rates. Partially offsetting this was a £0.8bn net outflow on Sustainable funds (2022: £0.1bn) despite strong relative performance during the year following the relatively lower investment returns sustainable funds experienced in 2022.

Internal net inflows decreased to £0.9bn (2022: £2.0bn) following an increase in regular withdrawals on policies in drawdown, with more customers accessing their pensions and an overall increase in average drawdown value.

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.

At 31 December 2023, the estimated Solvency II Group Investor View capital cover ratio was 218% (31 December 2022: 213%) and the estimated Solvency II Group Regulatory View capital cover ratio was 206% (31 December 2022: 206%). Estimated solvency surplus on both the Group Investor and Regulatory View was £2,880m (31 December 2022: £2,483m).

Key metrics	31 December 2023	31 December 2022
Regulatory View solvency surplus	£2,880m	£2,483m
Regulatory View capital cover ratio	206%	206%
Investor View solvency surplus	£2,880m	£2,483m
Investor View capital cover ratio	218%	213%

In May, we issued £350m 10.125 per cent Fixed Rate Reset Perpetual Restricted Tier 1 (RT1) Contingent Convertible Notes, the first time the Group has accessed the RT1 capital market. This issuance improved the Group's funding flexibility and created additional Tier 2 capital headroom. At the same time, we completed a tender offer of our £400m Tier 2 2043 Notes, with £302m having been successfully redeemed, with the remainder being redeemed in November. The reduction in the level of Tier 2 debt removed a regulatory capital restriction at the end of 2022. The net impact of the changes resulted in a 3 percentage point increase in both ratios.

The year-end ratios also reflect a number of other changes in the year, including the benefit of the reduction in the risk margin, following recalculation of the Transitional Measure on Technical Provisions (TMTP), arising from Solvency II reforms which increased both ratios by c.14%, the acquisition of the Aegon UK protection book, and changes to the level of equity hedging within our normal capital management frameworks. The increase in the Regulatory View ratio has been dampened by increases in the capital requirements of our closed fund.

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.

Sensitivity analysis of Group Solvency II capital position

Our capital position is sensitive to changes in economic and non-economic assumptions. The table below 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 2023 Single Group Solvency and Financial Condition Report (SFCR) will be published on our website by April 2024 and will meet disclosure requirements for both the Group and Company.

Scenario ^d	Investor View capital cover ratio (%)	Impact on solvency surplus (£bn)
Base scenario: 31 December 2023	218	2.9
25% decrease in equity investments	5	(0.1)
15% decrease in property prices	(2)	(0.1)
100bps rise in interest rates ^e	2	-
100bps fall in interest rates ^e	(6)	-
25bps increase in government bond yields ^f	(1)	-
200bps widening in credit spreads ^g	6	-
15% fall in GBP exchange rates ^h	(1)	0.1

Solvency II reform

The proposed reform to Solvency II ('Solvency UK') should allow capital to be used more effectively, while continuing to ensure that customers are protected and providing simplification to processes for insurers in key areas such as Internal Model change and reporting. The risk margin changes implemented at 31 December 2023 highlighted above are the most significant to the Group. The remaining areas of the reforms have been consulted on and we are awaiting the final proposed regulations to be published by the PRA with expected implementation over 2024. The broadening of the eligibility requirements for the Matching Adjustment ('MA') portfolio to allow the inclusion of assets with 'highly predictable' cash flows should help widen the potential range of investments used to back annuities. We do not expect any significant impact on our current MA portfolio or capital ratios from the MA changes given the size of our portfolio.

^d Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was formally recalculated at 31 December 2023. The sensitivities do not include any subsequent rebalancing of the asset portfolio.

^e 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.

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

^g 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 Royal Liver pension schemes at 25% of the asset spread stress. The Matching Adjustment rate and Volatility Adjustment have been reassessed in the stressed scenario.

^h 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 2023 Annual Report and Accounts (ARA) (royallondon.com/about-us/ourperformance/investor-relations/).

The risks and uncertainties continue to be monitored and managed through our risk management system, including those related to the economy and Royal London's key markets, which are impacted by cost of living pressures, and the political and regulatory 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 report. Potential factors include but are not limited to: geopolitical conditions; UK and Ireland economic and business conditions; future market-related risks such as high interest rates; sustained high 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 80 Fenchurch Street, London, EC3M 4BY. www.royallondon.com

Financial Statements

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Group	
	2023	2022
	£m	£m
Technical account – long-term business		
Gross premiums written	1,481	1,176
Outwards reinsurance premiums	(458)	320
Earned premiums, net of reinsurance	1,023	1,496
Investment income	6,227	1,455
Unrealised gains on investments	2,443	-
Other income	626	640
Total income	10,319	3,591
Claims paid		
Gross claims paid	(3,095)	(2,863)
Reinsurers' share	606	540
Change in provisions for claims		
Gross amount	23	(62)
Reinsurers' share	(30)	29
Claims incurred, net of reinsurance	(2,496)	(2,356)
Change in long-term business provision, net of reinsurance		
Gross amount	22	9,469
Reinsurers' share	36	(1,346)
	58	8,123
Change in technical provision for linked liabilities, net of reinsurance	(6,383)	5,758
Change in technical provisions, net of reinsurance	(6,325)	13,881
Change in non-participating value of in-force business	302	141
Net operating expenses	(737)	(581)
Investment expenses and charges	(346)	(301)
Unrealised losses on investments	-	(14,475)
Other charges	(250)	(289)
Total operating expenses	(1,333)	(15,646)
Profit/(loss) before tax and before transfer to/(deduction from) the fund for future appropriations	467	(389)
Tax attributable to long-term business	(85)	227
Transfer to/(deduction from) the fund for future appropriations	382	(162)
Balance on technical account – long-term business	-	-
Other comprehensive income, net of tax:		
Remeasurement of defined benefit pension schemes	(22)	(106)
Foreign exchange rate movements on translation of Group entities	(5)	10
Transfer to/(deduction from) the fund for future appropriations	(27)	(96)
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.

Balance sheets

as at 31 December 2023

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
ASSETS				
Intangible assets				
Goodwill	19	21	19	21
Negative goodwill	(32)	(37)	(5)	(6)
	(13)	(16)	14	15
Other intangible assets	143	123	114	113
	130	107	128	128
Non-participating value of in-force business	2,776	2,474	2,775	2,476
Investments				
Land and buildings	109	122	109	122
Investments in Group undertakings	-	-	14,502	14,068
Other financial investments	33,348	33,462	19,492	19,945
	33,457	33,584	34,103	34,135
Assets held to cover linked liabilities	80,228	70,857	80,169	70,851
Reinsurers' share of technical provisions				
Long-term business provision	3,267	3,234	3,219	3,191
Claims outstanding	121	153	103	138
Technical provisions for linked liabilities	(47)	(51)	(47)	(51)
	3,341	3,336	3,275	3,278
Debtors				
Debtors arising out of direct insurance operations	50	50	47	48
Debtors arising out of reinsurance operations	92	62	73	46
Other debtors	2,341	2,231	2,128	2,099
	2,483	2,343	2,248	2,193
Other assets				
Deferred taxation	-	27	-	14
Tangible fixed assets	27	19	-	-
Cash at bank and in hand	490	677	273	430
	517	723	273	444
Prepayments and accrued income				
Deferred acquisition costs on investment contracts	67	87	65	87
Other prepayments and accrued income	45	37	-	-
	112	124	65	87
Pension scheme asset	177	207	177	207
Total assets	123,221	113,755	123,213	113,799

Balance sheets continued

	Group		Company	
	2023 £m	2023 £m	2023 £m	2022 £m
LIABILITIES				
Subordinated liabilities	1,283	1,335	1,283	1,335
Fund for future appropriations	4,106	3,751	4,432	3,992
Technical provisions				
Long-term business provision	31,253	31,344	31,346	31,441
Claims outstanding	360	384	321	353
	31,613	31,728	31,667	31,794
Technical provisions for linked liabilities	79,935	70,622	79,877	70,617
Provisions for other risks				
Deferred taxation	46	-	49	-
Other provisions	177	187	173	181
	223	187	222	181
Creditors				
Creditors arising out of direct insurance operations	264	271	248	258
Creditors arising out of reinsurance operations	1,778	1,781	1,757	1,764
Amounts owed to credit institutions	48	52	47	52
Other creditors including taxation and social security	3,776	3,938	3,659	3,778
	5,866	6,042	5,711	5,852
Accruals and deferred income	195	90	21	28
Total liabilities	123,221	113,755	123,213	113,799

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements of the Group have been prepared in accordance with the recognition and measurement requirements of 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 2023 ARA. The full UK GAAP accounting policies can be found in the Group's 2023 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 2023 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 2023 ARA. The Group's 2022 ARA has been filed with the Registrar of Companies, and the 2023 ARA will be filed in due course. The results on a UK GAAP basis for the full year 2023 and 2022 have been audited by PricewaterhouseCoopers LLP (PwC). PwC has reported on the ARA in 2023 and 2022. 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. Stress testing has been performed on the capital position for severe adverse economic and demographic impacts arising over the short to medium term, and on the liquidity position for severe adverse economic impacts over the short term. The most adverse scenarios contain severe but plausible assumptions including adverse economic and insurance risk impacts, prolonged effects from cost of living pressures and subdued financial markets, significant third party failure and the effects of climate change on economic and insurance risks. There are a range of management actions, both in the RL Main fund and the closed RL (CIS) With-Profits Fund, available to the directors in stress scenarios which could be considered if there were a deterioration in the capital and/or liquidity position of the Group, to restore the position back within risk appetite.

Sufficient liquidity is available to settle liabilities as they fall due and the capital and liquidity positions remain sufficient to cover capital requirements and liquidity requirements respectively in all scenarios tested.

Having considered these matters and after making appropriate enquiries, the directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements. The directors have also concluded that there are no material uncertainties over the Group's ability to adopt the going concern basis of accounting.

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 (RLAM) 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 before tax

A key measure used by the Company's Board of Directors to monitor performance is operating profit before tax, 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 - 2023				
	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business				
New business contribution	173	-	11	184
Existing business contribution	235	-	1	236
Contribution from AUM and other businesses	29	55	-	84
Business development and other costs	(31)	(8)	(1)	(40)
Strategic development costs	(40)	(15)	(6)	(61)
Amortisation of intangibles	(5)	(1)	-	(6)
Result from operating segments	361	31	5	397
Corporate items				(63)
Financing costs				(85)
Group operating profit before tax				249

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 items				(57)
Financing costs				(75)
Group operating profit before tax				210

From 1 January 2024, the results of RLUM Limited, a unit trust manager within the group, will be reported within the Asset Management segment. Up to and including the year ended 31 December 2023, the results of this subsidiary were reported within the UK segment. The update reflects changes in the operational management of this subsidiary in 2024. Had this change taken place in 2023, the result of the UK segment would have been lower, and the result of the Asset Management segment would have been higher, by £31m.