

Interim Results Announcement 2024

2 August 2024

Focus on long-term strategy delivers increase in profits

Barry O'Dwyer, Group Chief Executive Officer, commented:

"Customer satisfaction with Royal London continues to rise, particularly over the last year. The support that we provide customers through high value, quality products and services to help them build their financial resilience has never been more important. The strength of our relationships with financial advisers and businesses offering workplace pension schemes has underpinned a 13% increase in Group operating profit for the first half of 2024. When we perform well our customers benefit and, in April, we shared over £163 million with over two million eligible customers through our ProfitShare scheme.

"With an estimated £3 trillion invested in UK pensions, it is understandable pensions are viewed as being able to play a powerful role in supporting UK economic growth. However, it is important to remember the primary role of pensions is to fund customers' retirement. The new Government has an opportunity to build on the success of automatic enrolment by creating a long-term plan that would have a positive impact on retirement outcomes while also generating investment to help finance growth."

Highlights

- Continued growth in Workplace Pensions, welcoming 510 (H1 2023: 479) new workplace pension scheme employers and over 113,000 (H1 2023: 120,000) new workplace pension customers.
- The Governed Range, our flagship offering, attracted net inflows of £1.5bn (H1 2023: £1.7bn), with assets under management (AUM) reaching £66bn (31 December 2023: £60bn).
- 52% increase in number of completed Workplace Pensions transfers (versus H1 2023) following the launch of our online transfer hub, making it easier for customers to consolidate their pension with Royal London.
- Continued to enhance our digital functionality to support customers with making good financial choices, with 320,000 customers now registered to use the My Royal London portal, up by nearly 200,000 in 12 months.
- Customer Satisfaction (CVS) index³ score up 12.3 percentage points since pre-COVID with a year-on-year increase of 4.7 percentage points, an average of 44% of customers rate Royal London 9 or 10 out of 10 across each of seven key measures.
- Successfully completed the Part VII transfer of Aegon UK's closed individual protection book on 1 July 2024, increasing the total number of advised UK protection customers we now look after to over 1.4 million.
- Paid 98.9% (H1 2023: 99.1%) of protection claims in the first half of year, paying £355m (H1 2023: £343m) to approximately 36,000 customers, making a difference to families across the UK and Ireland facing the worst kinds of life shocks.
- Continued to diversify our investment portfolio, including in UK life sciences through real estate infrastructure and our first investment into agriculture and natural capital following the acquisition of 21,000 acres of prime farmland.
- Investment performance of actively managed funds over three years remains strong with 94% of funds outperforming their three-year benchmark (H1 2023: 95%)⁴.
- Continued to build our bulk annuity capabilities following the completion of the two initial buy-in transactions with Royal London pension schemes and remain on track to enter the market in the second half of the year.

Financials

		Six months ended 30 June 2024	Six months ended 30 June 2023
UK GAAP	Operating profit before tax ⁵	£144m	£127m
	Transfer to the fund for future appropriations ⁶	£312m	£161m
New business	Life and pensions new business sales ⁷	£5,048m	£4,865m
Inflows	Gross inflows ⁸	£16,317m	£14,977m
	Net inflows ⁸	£77m	£3,214m
		30 June 2024	31 December 2023
Funds	Assets under management ⁹	£169bn	£162bn
Capital¹⁰ (Solvency II)	Regulatory View solvency surplus	£2.9bn	£2.9bn
	Regulatory View capital cover ratio	201%	206%
	Investor View solvency surplus	£2.9bn	£2.9bn
	Investor View capital cover ratio	211%	218%

- Operating profit before tax⁵ increased by 13% to £144m (H1 2023: £127m) supported by a growing book of in force business and higher Workplace Pensions new business contribution.
- Transfer to the fund for future appropriations (FFA)⁶ of £312m (H1 2023: £161m) reflects the improvement in operating profit and investment returns being above our longer-term expected return assumptions.
- Life and pensions new business sales⁷ were up 4% to £5,048m (H1 2023: £4,865m) with the growth in Workplace Pensions offsetting the continued decline in defined benefit transfer business.
- Gross inflows⁸ rose to £16.3bn (H1 2023: £15.0bn). Net inflows⁸ were impacted by £1.7bn of external net outflows from Global Equity strategies following the departure of a number of members of the Global Equities team. Overall net inflows fell to £0.1bn (H1 2023: £3.2bn).
- Assets under management⁹ increased to £169bn (31 December 2023: £162bn).
- Capital position remains robust with our hedging programmes continuing to ensure the stability of our capital position. The Investor View and Regulatory View¹⁰ ratios were 211% (31 December 2023: 218%) and 201% (31 December 2023: 206%).

Investor Conference call

Royal London will hold an investor conference call to present its 2024 Interim Financial Results on Friday, 2 August 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 30 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:

- 2 August 2024 – 2024 Interim Financial Results and Investor 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. The Royal London Customer Value Statement (CVS) model tracks seven key pillars of importance across nearly 3,000 Royal London customers twice a year; these are Communication, Membership, Resolution, Be Personal, Pay out, Investment and Reputation. The results are reported by each factor and through an overarching CVS Index which is weighted and represents the percentage of customers rating the company 9 or 10 out of 10 overall.
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 before transfer to 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 the fund for future appropriations represents the statutory UK GAAP measure '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, other lines of business and bulk annuity buy-ins transacted with the Group's defined benefit pension schemes. 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.
11. Figures presented throughout are rounded. The capital cover ratios, new business margins and period on period percentage changes are calculated based on exact figures.

Business Review

Our commitment to delivering good customer outcomes is deeply embedded in our Purpose. Royal London's strategy is to be an insight-led, modern mutual growing sustainably by deepening customer relationships, and this focus continues to be recognised through the awards we received in the first half of 2024 and our customer satisfaction results. We track customer satisfaction through our Customer Value Statement (CVS) score across seven aspects that are important to customers (Communication, Membership, Resolution, Be Personal, Pay out, Investment and Reputation). Since February 2020, when the measure was introduced, we have seen a 12.3 percentage point rise in customers who scored Royal London as 9 or 10 out of 10 across the seven measures to 44%, with a 4.7 percentage point rise since June 2023.

Our mutual status ensures we can take a long-term view for the benefit of our customers and wider society without the shareholder pressures that many of our competitors face. Mutuals provide an alternative for consumers, where profits can be shared with customers, as opposed to shareholders. We therefore welcome the new Government's commitment to double the size of the mutual sector. In the UK, mutuals represent less than 10% of the insurance market, compared to up to 60% in many other developed economies. The UK would benefit from creating an environment where mutuals can grow and compete on a level playing field with their shareholder-owned counterparts.

Over the last few years, we have continued to adapt to meet the obligations of the FCA's Consumer Duty, which aims to raise standards across financial services and ensure customers' needs are put first. After meeting the requirements for open books of business in July 2023, we successfully met the requirements for closed books of business ahead of the 31 July 2024 deadline.

Pension assets are considered a key ingredient in resolving the UK's economic growth challenge and, as a result, are a political priority. The new Government has announced a review of the pensions landscape. Pensions are first and foremost there to provide people with an income in retirement and we encourage policymakers to focus on building on the successes of automatic enrolment and providing long-term stability.

In May we published our UK financial resilience report, looking at how cost of living challenges have affected retirement savings and plans. While overall the survey indicated the financial position of some consumers has improved recently, it also identified people's retirement plans have been significantly affected.

This comes at a time when the advice gap continues to widen. We remain strong advocates for the importance of financial advice and guidance to help people ensure that they are preparing for life shocks and saving enough for life after work. Only a small percentage of people pay for advice but, for those who do, it's normally a positive experience. We are supportive of the ongoing FCA Advice Guidance Boundary Review which aims to make it easier for people to access advice and guidance when needed.

Our focus on protecting customers' standard of living is evidenced through our work supporting and encouraging the move to a more sustainable world. We are champions of a just transition – the transition to a low-carbon economy in a way that considers the social implications alongside the environment impact.

As we manage climate-related risks and opportunities in our business, building the trust and confidence of our customers and our wider stakeholders remain a priority. In April, we published Royal London Asset Management's Stewardship Report, while in May we published our Group-wide Task Force on Climate-related Financial Disclosures Report, demonstrating the actions we are taking. We will publish our first Climate Transition Plan in 2025, setting out how we will engage with all stakeholders to encourage the change needed.

Our trading performance

UK

We continued to develop our digital functionality and the support we offer to help customers make good financial choices. Over 320,000 customers are now registered on the My Royal London portal, up by nearly 200,000 in 12 months.

Enhancements to our mobile app and digital portals have been focused on building capabilities that support customers to become more financially resilient. This included adding the option to update beneficiaries on the app, the introduction of Retirement planning and Pension options tools as well as offering a more personalised financial wellbeing service. A popular component of this service is the State Benefits calculator, which has been used over 6,000 times and has identified over £10m in potentially unclaimed benefits since March 2023. We recently launched our Pension Contribution guidance service, helping customers work out how much they should contribute into their pension.

We delivered enhanced digital solutions to support financial advisers, including new digital trust functionality with the ability to allow customers to nominate cohabitants as beneficiaries, the first provider to offer this.

Overall pensions new business sales were up 3% at £4.4bn (H1 2023: £4.3bn). Workplace Pensions new business sales grew by 11%, as we welcomed 510 (H1 2023: 479) new workplace pension scheme employers and over 113,000 (H1 2023: 120,000) new members into new and existing schemes in a resilient employment market against a relatively buoyant market in H1 2023 which was still benefiting from higher job vacancies and people changing jobs following the Covid pandemic.

Higher transfers have been a major driver to our overall growth in Workplace sales, as we have continued to see increased usage of our online transfer hub launched in 2023, making it easier for customers to consolidate their pensions with Royal London. As a result, the number of overall customers completing a transfer is up 52% from the same period last year, to over 23,000 customers.

Individual Pensions sales reduced by 3%. Whilst single premium volumes increased by 7% on H1 2023 following an improved tax year end, the ongoing decline in the defined benefit market led to lower levels of new transfers business.

Our flagship investment solution, the Governed Range, attracted net inflows of £1.5bn (H1 2023: £1.7bn), with AUM increasing to £66bn (31 December 2023: £60bn), boosted by strong investment returns in the first half of the year. The Governed Range is our range of multi asset funds which supports our pensions proposition and is where the majority of our Workplace Pensions customers are invested.

Protection new business sales increased 8% to £399m (H1 2023: £368m) following an increased focus on high-net-worth customers as we successfully built our capability and credibility in this part of the market. Following the completion of the court-approved transfer in July 2024, we strengthened our position in the UK protection market by finalising the acquisition of Aegon UK's individual protection business, welcoming nearly 400,000 new customers and their financial advisers to Royal London. As a result of the Consumer Duty, we continue to see increasing interest from advisers who traditionally have not focussed on protection, with many now seeking to write business themselves or refer to a protection specialist.

We continued to build our bulk annuity proposition in advance of our planned market entry later this year, focusing on leveraging our capabilities to deliver an attractive solution for trustees and their members. As previously announced, we transacted a full scheme buy-in policy with the Trustee of the Royal Liver UK Pension Scheme in November 2023 followed by a bulk annuity buy-in policy in January 2024 to insure a subset of members in the Royal London Group Pension Scheme. We successfully transacted a £30m full scheme buy-in contract in July, our first to an external pension scheme, which has validated our capabilities ahead of our planned market entry.

We were recognised during the first half of 2024 through key industry awards and accreditations. We retained our Defaqto five-star rating for Pension Portfolio product (Personal Pension and Drawdown) and, in Defaqto's Pension Service Review 2024, we were named most recommended and preferred pensions provider by advisers, as well as third most recommended provider for protection. At the LifeSearch Awards 2024, we won in the categories for 'Getting People Protected' and 'Exceptional Claims Support'.

Asset Management

Royal London Asset Management, which manages funds for our customers and external clients, continues to deliver strong performance despite the challenging macroeconomic backdrop. Market expectations for interest rate cuts have been lower as inflation remained higher than expected resulting in negative returns for government bonds and flat returns in areas such as sterling credit. On the upside reasonable GDP growth, coupled with strong corporate earnings, has supported global and UK equity market gains in the first half of the year.

Our three-year performance track record remains strong, with 94% of actively managed funds outperforming their benchmark over the three years to 30 June 2024 (H1 2023: 95%) whilst assets under management have increased to £169.5bn (31 December 2023: £162.3bn). We continued to make good progress in our ambition to expand in private markets and in diversifying the range of assets we offer, with further private asset classes expected to launch in the second half of the year. We are supporting UK life sciences companies by providing the real estate infrastructure in key locations across the golden triangle of Cambridge, Oxford and London, and successfully completed the acquisition of 21,000 acres of prime UK farmland in March as part of a £260m joint venture with South Yorkshire Pension Authority. The farm acquisition marked the first investment by Royal London Asset Management into agriculture and natural capital.

Net inflows over the first half of the year were £0.1bn (H1 2023: £3.2bn), including £0.7bn of external net outflows (H1 2023: £2.8bn of net inflows). There were net external outflows in Global Equities of £1.7bn following the departure of a number of members of the Global Equities team. External net inflows across other strategies improved to £1.0bn (H1 2023: £0.5bn) reflecting the benefits of our diversified capabilities. Royal London Asset Management's strategy for growing its investment capabilities whilst focusing on delivering good outcomes for clients and providing outstanding customer service is unchanged, and there is no change to the investment approach which underpins its equity capabilities.

Royal London Asset Management continued to win a variety of awards in recognition of its performance success. Key achievements included Equities Manager of the Year (Pensions Age Awards), Responsible Investor of the Year – Asset Manager and Equity Manager of the Year (Insurance Asset Risk Awards) and a range of awards at the LSEG Lipper Fund Awards for our Royal London Sustainable portfolio. At the Morningstar Awards for Investing Excellence UK, we won two accolades: Best GBP Allocation for our Royal London Sustainable Diversified Trust fund, and Best GBP Bond for our Royal London Corporate Bond fund. We were also awarded Best Asset Manager UK and Best Equity Fund UK at the Global Business Magazine Awards.

Ireland

Royal London Ireland has continued to deliver strong performance into 2024, with new business sales across the business increasing by 17% to £129m (H1 2023: £110m) reflecting our position as a leader in the Irish broker Protection market and the growth in our Pensions offering.

We maintained our market share in the Irish broker Protection market, with service excellence and enhancing customer choice continuing to be at the forefront of our 2024 ambitions, with further customer focused product and service initiatives planned across the second half of the year.

The Pension business has grown steadily since launching in September 2022 and we continue to focus on growing market share and further expanding our Pension proposition. In April, ValueShare, Royal London Ireland's equivalent to ProfitShare, was awarded for the second year in a row, which resulted in the value of eligible customers' policies receiving an uplift of 0.13%. The announcement was supported by a nationwide marketing campaign across digital and print media targeting Financial Brokers and consumers.

Looking ahead

Royal London is a strong advocate of mutuality and of the value the sector contributes to the economy – and importantly, in ensuring there continues to be a strong mutual choice for customers. Our robust capital base ensures we are well positioned to invest in products and services for the benefit of customers, financial advisers and employers, and to support customers saving and investing for the future, while also helping them to navigate short-term challenges. We will continue to run our business as efficiently as possible, building increasingly efficient and easy-to-use digital journeys and expanding the range of solutions we offer, generating long-term value for our customers and wider society.

Financial Review

Group operating profit before tax for the six months ended 30 June 2024 increased to £144m (H1 2023: £127m) supported by a growing book of in force business and increased new business contribution, with Workplace Pensions contribution in particular benefitting from improved transfer volumes.

The transfer to the fund for future appropriations (FFA) improved to £312m (H1 2023: £161m) due to the increase in operating profit and investment returns being above our longer-term expected return assumptions.

Overall the contribution from AUM and other businesses increased by £4m to £49m, driven in part by one-off fees received for new mandates and increases in average AUM due to market growth. Whilst gross inflows increased by £1.3bn, overall net inflows fell to £0.1bn as they were impacted by £1.7bn of net external outflows on our Global Equities strategies. Assets under management increased by 4% from 31 December 2023 to £169bn at 30 June 2024.

Our capital position remains robust with the Solvency II Investor View capital cover ratio remaining stable over the period. The Investor View capital cover ratio was 211% at 30 June 2024 (31 December 2023: 218%) and the Solvency II Regulatory View capital cover ratio decreased to 201% (31 December 2023: 206%). Our hedging programme continues to operate as intended.

Group operating profit before tax

The following table shows the Group operating profit for the six months ended 30 June 2024. Further detail on the Group's segmental reporting is included in note 2 of the Interim Financial Statements.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Change £m
Long-term business			
New business contribution	103	99	4
Existing business contribution	141	98	43
Contribution from AUM and other businesses	49	45	4
Business development costs	(22)	(18)	(4)
Strategic development costs	(39)	(29)	(10)
Amortisation of intangibles	(8)	-	(8)
Result from operating segments	224	195	29
Corporate items	(37)	(29)	(8)
Financing costs	(43)	(39)	(4)
Group operating profit before tax	144	127	17

New business contribution

New business sales increased to £5,048m (H1 2023: £4,865m). Workplace Pensions sales increased by 11% as we won an increased number of new schemes when compared to H1 2023. Despite an improved tax year end period, Individual Pensions sales decreased by 3% compared to H1 2023 and were impacted by a reduction in volumes of defined benefit transfers and a decrease in the income release advised business.

New business contribution increased to £103m (H1 2023: £99m) with new business margin maintained at 2.0%.

	New business contribution		PVNBP		New business margin	
	Six months ended 30 June 2024	Six months ended 30 June 2023	Six months ended 30 June 2024	Six months ended 30 June 2023	Six months ended 30 June 2024	Six months ended 30 June 2023
	£m	£m	£m	£m	%	%
Individual Pensions	38	40	2,322	2,402	1.6	1.7
Workplace Pensions	42	38	2,112	1,906	2.0	2.0
Protection	11	11	399	368	2.9	2.9
Annuities and other	6	5	86	79	6.9	6.8
UK	97	94	4,919	4,755	2.0	2.0
Ireland	6	5	129	110	4.3	4.8
Total	103	99	5,048	4,865	2.0	2.0

UK

Individual Pensions had an improved tax year end compared to 2023, with single premium volumes up 7%. However, this performance was offset by a reduction in defined benefit transfers as transfer values and volumes continued to be impacted by higher interest rates, combined with a decrease in volumes in the income release advised business. As a result, new business margin decreased slightly when compared to H1 2023.

Workplace Pensions saw growth in new business contribution of 14% driven by an increase in transfer volumes, partly due to enhancements on our mobile app, resulting in new business sales of £2,112m (H1 2023: £1,906m). In addition, the number of new schemes won during the period increased by 6% when compared to H1 2023. Overall, new business margin was stable at 2.0%.

Protection new business sales of £399m (H1 2023: £368m) increased by 8%, primarily driven by higher sales of whole of life and funeral plan policies. Overall new business contribution and margin were unchanged at £11m and 2.9% respectively.

Annuities and other business volumes increased year on year, with new business sales rising to £86m (H1 2023: £79m). New business contribution increased to £6m (H1 2023: £5m) as a result, with new business margin rising to 6.9% (H1 2023: 6.8%). These metrics exclude the bulk annuity buy-in policy transacted with the trustees of the Royal London Group Pension Scheme (RLGPS), which has not been treated as new business.

Ireland

New business sales increased to £129m (H1 2023: £110m), primarily due to Pensions sales, which grew by 80% to £39m (H1 2023: £22m), as the proposition continues to build since its launch in the second half of 2022. Protection sales increased to £90m (H1 2023: £89m) as the business successfully retained its share of the Irish broker Protection market. New business margin reduced to 4.3% (H1 2023: 4.8%) as the Pensions business continues to grow.

Existing business contribution

Existing business contribution increased to £141m (H1 2023: £98m), the components of which are shown in the table below.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Change £m
Expected return	127	96	31
Experience variances and assumption changes	11	6	5
Modelling and other changes	3	(4)	7
Total	141	98	43

Expected return increased to £127m (H1 2023: £96m) following growth in the investment portfolio, updates to economic assumptions and planned reductions in the level of equity hedging in 2023 as we continued to manage the level of risk in our balance sheet.

Experience variances and assumption changes continued to be relatively benign at £11m (H1 2023: £6m). The impact of modelling and other changes in the period was a gain of £3m (H1 2023: charge of £(4)m).

Contribution from AUM and other businesses

Contribution from AUM and other businesses increased to £49m (H1 2023: £45m) driven by one-off fees received for new mandates and increases in average AUM due to market growth.

Business development costs

Business development costs were £22m (H1 2023: £18m) as we continue to invest in improving the customer experience in the UK through new online capabilities as well as developing our propositions.

Strategic development costs

Strategic development costs of £39m (H1 2023: £29m) represent the ongoing investment we are making across our businesses. It comprises £29m of continued investment in our UK business including the development of our Bulk Purchase Annuities capabilities, £6m in our Asset Management business building on our implementation of the BlackRock Aladdin investment management technology platform and £4m in Ireland for the ongoing development of the pension proposition launched in 2022.

Amortisation of intangibles

Amortisation of intangibles relates to the amortisation of capitalised software assets, following these assets becoming available for use in H2 2023.

Corporate items and financing costs

The net charge for Corporate items of £37m (H1 2023: £29m) includes costs arising from the acquisition or disposal of businesses, operational resilience, investment in our data capabilities, non product-related regulatory change costs and defined benefit pension scheme items. Financing costs represent the interest payable on the Group's subordinated debt, which increased to £43m (H1 2023: £39m) due to the higher interest costs of the RT1 debt issued in 2023 as compared to the Tier 2 debt that was repaid.

Reconciliation of operating profit before tax to transfer to the FFA

The transfer to the FFA was £312m (H1 2023: £161m) reflecting increased operating profit and higher positive economic movements compared to the prior period.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Change £m
Group operating profit before tax	144	127	17
Economic movements	241	57	184
Goodwill credit arising from mergers and acquisitions	1	1	-
Profit before tax and before transfer to the fund for future appropriations	386	185	201
Tax attributable to long-term business	(74)	(24)	(50)
Transfer to the fund for future appropriations	312	161	151

Economic movements

Economic movements represent short-term investment return variances from our longer-term expected return assumptions. During H1 2024 this was a gain of £241m (H1 2023: gain of £57m), as investment portfolio returns were above our longer-term expected return assumptions.

Goodwill credit arising from mergers and acquisitions

Goodwill credit arising from mergers and acquisitions comprises amortisation of goodwill relating to investments in subsidiaries. In January 2024, the acquisition of the remaining stake in Responsible Group was completed. The Responsible Group is made up of Responsible Life, a later life mortgage broker, and Responsible Lending, a later life mortgage lender. The consideration payable for the transaction was an initial £12m, plus up to an additional £11m based on subsequent business performance. This resulted in the recognition of goodwill of £18m which is now being amortised.

Balance sheet

Royal London's balance sheet position is robust. Our total investment portfolio increased in value to £120.9bn (31 December 2023: £113.7bn) following increases in the value of UK and overseas equities and collectives driven by positive investor sentiment, partially offset by higher yields reducing government and corporate bond values.

At 30 June 2024, £1,659m of assets were ring-fenced (31 December 2023: £1,347m) to back annuitant liabilities, net of reinsurance, of £1,602m (31 December 2023: £1,279m). 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 2023: 77%) of our non-linked debt securities and 67% (31 December 2023: 69%) of our non-linked corporate bonds had a credit rating of 'A' or better at 30 June 2024. There have been no significant defaults in our corporate bond portfolio.

Assets under management

Assets under management increased to £169bn (31 December 2023: £162bn) boosted by market gains.

	Gross inflows		Net inflows/(outflows)	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
External flows	10,703	10,203	(687)	2,771
Internal flows	5,614	4,774	764	443
Total	16,317	14,977	77	3,214

External net outflows were £0.7bn (H1 2023: £2.8bn inflow). This was impacted by £1.7bn of net outflows from Global Equity strategies, as compared to £2.3bn of net inflows in H1 2023. Our continued strong investment performance and continuing investment in RLAM's capabilities supported the improvement in net inflows for other strategies to £1.0bn (H1 2023: £0.5bn).

Internal net inflows increased to £0.8bn (H1 2023: £0.4bn) supported by the bulk annuity buy-in policy transacted with the trustees of the RLGPS in January and an increase in inflows from Workplace pensions.

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	30 June 2024	31 December 2023
Regulatory View solvency surplus	£2,934m	£2,880m
Regulatory View capital cover ratio	201%	206%
Investor View solvency surplus	£2,934m	£2,880m
Investor View capital cover ratio	211%	218%

The reduction in both regulatory and investor view cover ratios mainly reflect changes to the level of equity hedging as we seek to manage the capital position within our capital management framework.

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 demonstrates that our capital position continues to be robust under a number of severe but plausible market scenarios.

Solvency II reform

Following the changes to the Solvency II risk margin at 31 December 2023, further changes are being implemented to reform Solvency II ('Solvency UK') reporting over 2024, of which some of the details were confirmed in the PRA's recent Policy Statement PS10/24. The changes from the reform 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.

At 30 June 2024, we have implemented changes linked to the MA portfolio to allow for more granular assessments of credit ratings and the removal of the cap applied on sub-investment grade assets. Neither of these changes are material given our current MA portfolio and the assets which we hold. The remaining areas of the reforms will be implemented at 31 December 2024. We do not expect any significant impact on the Group given the nature of the changes proposed and size of our MA portfolio.

Statement of directors' responsibilities

The Interim Results Announcement, including the Interim Financial Statements, is the responsibility of, and has been approved by the directors.

In preparing the Interim Financial Statements, the directors:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) has been followed, subject to any material departures disclosed and explained in the Interim Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Interim Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

They are responsible for such internal controls as they determine are necessary to enable the preparation of Interim Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

Principal risks and uncertainties

The Board reviewed the principal risks and uncertainties facing the Group in March 2024 when the 2023 Annual Report and Accounts (ARA) was published. This review took account of the ongoing economic conditions and the evolving geopolitical and regulatory environment. The Board considers that they have not changed significantly from those set out in the 'Principal risks and uncertainties' section of the Strategic Report within the 2023 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 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 announcement. 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 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

Interim Financial Statements

Consolidated statement of comprehensive income (unaudited)

for the period ended 30 June 2024

	Group		
	Six months ended 30 June 2024 (unaudited) £m	Six months ended 30 June 2023 (unaudited) £m	Year ended 31 December 2023 £m
Technical account – long-term business			
Gross premiums written	980	602	1,481
Outwards reinsurance premiums	(98)	(126)	(458)
Earned premiums, net of reinsurance	882	476	1,023
Investment income	2,500	4,629	6,227
Unrealised gains on investments	3,615	-	2,443
Other income	372	296	626
Total income	7,369	5,401	10,319
Claims paid			
Gross claims paid	(1,595)	(1,488)	(3,095)
Reinsurers' share	292	303	606
Change in provision for claims			
Gross amount	3	(17)	23
Reinsurers' share	4	7	(30)
Claims incurred, net of reinsurance	(1,296)	(1,195)	(2,496)
Change in long-term business provision, net of reinsurance			
Gross amount	208	930	22
Reinsurers' share	(234)	(186)	36
	(26)	744	58
Change in technical provision for linked liabilities, net of reinsurance	(5,404)	(1,997)	(6,383)
Change in technical provisions, net of reinsurance	(5,430)	(1,253)	(6,325)
Change in non-participating value of in-force business	391	261	302
Net operating expenses	(320)	(426)	(737)
Investment expenses and charges	(194)	(157)	(346)
Unrealised losses on investments	-	(2,342)	-
Other charges	(134)	(104)	(250)
Total operating expenses	(648)	(3,029)	(1,333)
Profit before tax and before transfer to the fund for future appropriations	386	185	467
Tax attributable to long-term business	(74)	(24)	(85)
Transfer to the fund for future appropriations	312	161	382
Balance on technical account – long-term business	-	-	-
Other comprehensive income, net of tax:			
Remeasurement of defined benefit pension schemes	(3)	18	(22)
Foreign exchange rate movements on translation of Group entities	(4)	(6)	(5)
(Deduction from)/transfer to the fund for future appropriations	(7)	12	(27)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	-	-

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

Consolidated balance sheet (unaudited)

as at 30 June 2024

	Group		
	30 June 2024 (unaudited) £m	30 June 2023 (unaudited) £m	31 December 2023 £m
ASSETS			
Intangible assets			
Goodwill	36	21	19
Negative goodwill	(29)	(35)	(32)
	7	(14)	(13)
Other intangible assets	138	136	143
	145	122	130
Non-participating value of in-force business	3,167	2,736	2,776
Investments			
Land and buildings	109	115	109
Other financial investments	33,730	32,702	33,348
	33,839	32,817	33,457
Assets held to cover linked liabilities	87,088	74,516	80,228
Reinsurers' share of technical provisions			
Long-term business provision	3,034	3,047	3,267
Claims outstanding	124	160	121
Technical provisions for linked liabilities	(47)	(49)	(47)
	3,111	3,158	3,341
Debtors			
Debtors arising out of direct insurance operations	51	56	50
Debtors arising out of reinsurance operations	80	89	92
Other debtors	3,369	2,670	2,341
	3,500	2,815	2,483
Other assets			
Deferred taxation	-	13	-
Tangible fixed assets	27	27	27
Cash at bank and in hand	458	639	490
	485	679	517
Prepayments and accrued income			
Deferred acquisition costs on investment contracts	53	77	67
Other prepayments and accrued income	74	55	45
	127	132	112
Pension scheme asset	169	222	177
Total assets	131,631	117,197	123,221

Consolidated balance sheet (unaudited) continued

	30 June 2024 (unaudited) £m	30 June 2023 (unaudited) £m	31 December 2023 £m
LIABILITIES			
Subordinated liabilities	1,284	1,382	1,283
Fund for future appropriations	4,411	3,924	4,106
Technical provisions			
Long-term business provision	31,007	30,383	31,253
Claims outstanding	357	400	360
	31,364	30,783	31,613
Technical provisions for linked liabilities	86,912	74,341	79,935
Provisions for other risks			
Deferred taxation	89	-	46
Other provisions	172	172	177
	261	172	223
Creditors			
Creditors arising out of direct insurance operations	319	271	264
Creditors arising out of reinsurance operations	1,644	1,675	1,778
Amounts owed to credit institutions	73	83	48
Other creditors including taxation and social security	5,212	4,509	3,776
	7,248	6,538	5,866
Accruals and deferred income	151	57	195
Total liabilities	131,631	117,197	123,221

Notes to the Interim Financial Statements

1. Basis of preparation

The Interim 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 Interim 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 reporting rules applicable for the Group do not require compliance with the requirements of FRS 104 'Interim Financial Reporting' and these Interim Financial Statements have not been prepared in compliance with the disclosure requirements of that standard. The Interim Results Announcement for the period ended 30 June 2024 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative results for the full year 2023 have been taken from the Group's 2023 ARA unless stated otherwise. The Group's 2023 ARA has been reported on by the Group's auditor and filed with the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor 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 Interim Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the inclusion of certain assets and liabilities at fair value as permitted or required by FRS 102.

The 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 Interim Financial Statements. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the Interim 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 includes Royal London Asset Management Limited (RLAM), which provides investment management services to the Group and to external clients, including pension funds, local authorities, universities, and charities, as well as individuals. It also comprises subsidiary companies owned or operationally managed by RLAM, including the fund management companies RLUM Limited and Royal London Unit Trust Managers Limited.

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 – Six months ended 30 June 2024 (unaudited)				
	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business				
New business contribution	97	-	6	103
Existing business contribution	138	-	3	141
Contribution from AUM and other businesses	(3)	52	-	49
Business development costs	(15)	(7)	-	(22)
Strategic development costs	(29)	(6)	(4)	(39)
Amortisation of intangibles	(5)	(3)	-	(8)
Result from operating segments	183	36	5	224
Corporate items				(37)
Financing costs				(43)
Group operating profit before tax				144

Group – Six months ended 30 June 2023 (unaudited)				
	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business				
New business contribution	93	-	6	99
Existing business contribution	97	-	1	98
Contribution from AUM and other businesses	(2)	47	-	45
Business development costs	(13)	(4)	(1)	(18)
Strategic development costs	(20)	(6)	(3)	(29)
Result from operating segments	155	37	3	195
Corporate items				(29)
Financing costs				(39)
Group operating profit before tax				127

Group – Year ended 31 December 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	(2)	86	-	84
Business development costs	(31)	(8)	(1)	(40)
Strategic development costs	(40)	(15)	(6)	(61)
Amortisation of intangibles	(5)	(1)	-	(6)
Result from operating segments	330	62	5	397
Corporate items				(63)
Financing costs				(85)
Group operating profit before tax				249

From 1 January 2024, the results of RLUM Limited, have been reported within the Asset Management segment to reflect changes in the operational management of this subsidiary. Previously the results of this subsidiary were reported within the UK segment. To ensure consistency, the segmental reporting for the six months ended 30 June 2023 and the year ended 31 December 2023 have been represented to reflect this change. This has resulted in an increase in the result of the Asset Management segment, and equivalent decrease in the result of the UK segment, of £22m for the six months ended 30 June 2023 and £31m for the year ended 31 December 2023 respectively.