ROYAL LONDON

Results Announcement 2021 4 March 2022

Royal London continues to share profits with customers as assets under management hit record levels

Barry O'Dwyer, Group Chief Executive, commented:

"In 1861, Royal London was established by working people to help families to protect themselves from the shame of suffering a pauper's funeral. Although our business has grown and developed over the years, our purpose as a mutual has never been more relevant. We help families in the UK and Ireland to protect what they have today and invest in a better tomorrow. We are responsible stewards of our customers' money. As a mutual, our customers get to share in our success.

"2021 was a good year for Royal London. Sales and profits are both up on last year. We have maintained very strong flows into our asset management business, helping assets to hit record levels. Our Governed Range remains a hugely popular choice amongst independent financial advisers and this range alone accounts for over £50bn of our customers' investments. The action we have taken to reduce the carbon intensity of the equity investments in this range shows that a well-run portfolio can generate excellent returns in a responsible way."

Kevin Parry OBE, Chairman, commented:

"We are committed to our mutual status and are strong advocates of the role mutuals play in financial services. This year we will share £169m with 1.8 million eligible customers. Since we introduced ProfitShare in 2007, Royal London has returned more than £1.2bn, which is only possible because we are a mutual.

"In the last 10 days, the conflict in Ukraine has significantly increased the human and socio-economic risks in Europe and the World. We are closely monitoring all developments and have made an emergency charitable donation of £250,000 to the British Red Cross Ukraine Crisis Appeal that is providing humanitarian relief in Ukraine."

Highlights

- ProfitShare[3] allocation rates maintained, with total ProfitShare increasing by 15.8% to £169m (2020: £146m) in line with the growth in the aggregate value of eligible policies.
- Governed Range surpassed the £50bn AUM milestone for the first time.
- Consistent fund performance, with 99% of actively managed funds outperforming their three-year benchmark (2020: 95%)[4].
- Transitioned £23bn of indexed equities in our Governed Range to improve their carbon intensity, helping to reduce the equity components' carbon intensity by 16% by the end of 2021[5].
- 3.2 million long-standing policies now migrated onto new technology, improving the quality and ease of customers' servicing experience.
- Provided certainty of estate distribution for policyholders in four closed with-profits funds, consolidating them into the Royal London Main Fund while uplifting their policy value.
- Annuity proposition launched for long-standing customers with pension policies that have guaranteed annuity rates enabling them to take their retirement benefits with Royal London.
- Acquired Wealth Wizards, a market leading fintech business, to address the growing need for high quality, technology-enabled solutions in the provision of financial advice.

Financials

		Year ended 31 December 2021	Year ended 31 December 2020
UK GAAP	Operating profit before tax[6]	**£133m**	£41m
	Profit before tax[7]	**£192m**	£131m
	ProfitShare	**£169m**	£146m
New business	Life and pensions new business sales[8]	**£9,588m**	£8,544m
Inflows	Gross inflows[9]	**£26,432m**	£26,407m
	Net inflows[9]	**£5,287m**	£3,870m
		31 December 2021	31 December 2020
Funds	Assets under management[10]	**£164bn**	£148bn
Capital[13] (Solvency II)	Regulatory View solvency surplus[11]	**£2.8bn**	£2.3bn
	Regulatory View capital cover ratio[11, 12]	**173%**	147%
	Investor View solvency surplus[11]	**£2.8bn**	£2.3bn
	Investor View capital cover ratio[11, 12]	**216%**	190%

- Operating profit before tax[6] of £133m returned to higher levels following the impacts of Covid-19 in 2020 (2020: £41m) and reflects increased contributions from all of our businesses. Profit before tax[7] increased to £192m (2020: £131m).
- Life and pensions new business sales[8] were up 12% at £9,588m (2020: £8,544m), due to continued strong adviser support for our Protection range in the UK and Ireland and growth in demand for UK Pensions, particularly in Workplace Pensions.
- Net inflows[9] increased to £5,287m (2020: £3,870m) driven by ongoing demand for our sustainable fund range and Institutional net new business.
- Assets under management[10] increased to a record high of £164bn (31 December 2020: £148bn), due to positive market movements and increased net flows.
- Capital position remains robust with key capital metrics improving and the Investor View capital cover ratio increasing to 216% (2020: 190%) following the recovery in economic conditions and management actions taken including additional equity hedging.

Investor Conference call

Royal London will hold an investor conference call to present its 2021 Financial Results on Friday, 4 March 2022 at 09:00. Interested parties can register at: https://cossprereg.btci.com/prereg/key.process?key=P4TPV3J8X. A copy of the presentation to investors is available on the Group's website at https://www.royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/.

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About Royal London

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

Financial calendar:

- 4 March 2022 – Financial Results for 2021
- 7 June 2022 – Annual General Meeting
- 5 August 2022 – Interim Financial Results
- 7 October 2022 – RL Finance Bonds No 4 plc subordinated debt interest payment date
- 14 November 2022 – RL Finance Bonds No 3 plc subordinated debt interest payment date
- 30 November 2022 – RL Finance Bonds No 2 plc subordinated debt interest payment date

Editor's notes

1. The information in this announcement relates to The Royal London Mutual Insurance Society Limited ('RLMIS' or 'the Company'), and its subsidiary undertakings, together referred to as 'Royal London' or 'the Group'.
2. The Group assesses its financial performance based on a number of measures, some of which are not defined or specified in accordance with relevant financial reporting frameworks such as UK GAAP or Solvency II. These measures are known as alternative performance measures (APMs). APMs are disclosed to provide further information on the performance of the Group and should be viewed as complementary to, rather than a substitute for, the measures determined according to UK GAAP and Solvency II requirements. Accordingly, these APMs may not be comparable with similarly titled measures and disclosures by other companies.
3. ProfitShare is a discretionary enhancement to eligible customers with unit-linked or with-profits policies. The allocation is considered annually and depends on a number of factors including financial performance, capital position, the risks and volatility of financial markets and the Group's outlook.
4. Investment performance has been calculated using a weighted average of active assets under management. 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. 16% reduction is Weighted Average Carbon Intensity (scope 1 & 2) for the equity funds. The total amount of all equity funds managed by Royal London Asset Management (RLAM) on behalf of RLMIS that have been "tilted" to achieve a reduced carbon intensity is £23bn, as at 31 December 2021. This includes equity investments underlying the Governed Range and other RLMIS funds. The main equity fund used in the Governed Range, RLP Global Managed, constituted 47% of all Governed Range assets, as at 31 December 2021.
6. Operating profit before tax represents profit (transfer to fund for future appropriations before other comprehensive income) excluding: short-term investment return variances and economic assumption changes; amortisation and impairment of goodwill and other intangibles arising from mergers and acquisitions; ProfitShare; tax; and one-off items of an unusual nature that are not related to the underlying trading of the Group. Profits arising within the closed funds are held within the respective closed fund surplus; therefore operating profit represents the result of the Royal London Main Fund (RL Main Fund).
7. Profit before tax represents the statutory 'Profit before tax and before transfer to the fund for future appropriations' in the consolidated statement of comprehensive income.
8. Life and pensions new business sales represent life and pensions business only and excludes Asset Management and other lines of business. Sales are presented as the Present Value of New Business Premiums (PVNBP), which is the total of new single premium sales received in the period plus the discounted value, at the point of sale, of the regular premiums the Group expects to receive over the term of the new contracts sold in the period. The rate used to discount the cash flows in the reported results has been derived from the opening swap curve at 31 December 2020.
9. Gross and net inflows incorporate flows into RLAM from external clients (external flows) and those generated from RLMIS (internal flows). External client net inflows represent external inflows less external outflows, including cash mandates. Internal net inflows from RLMIS represent the combined premiums and deposits received (net of reinsurance) less claims and redemptions paid (net of reinsurance). Given its nature, non-linked Protection business is not included.
10. Assets under management (AUM) represent the total of assets actively managed by the Group, including funds managed on behalf of third parties.
11. The 'Regulatory View' solvency surplus and capital cover ratio restricts each closed funds' surplus to the value of the Solvency Capital Requirement (SCR) of that fund. The 'Investor View' equals the RL Main Fund capital position (excluding ring-fenced funds, which are run on a standalone basis).
12. All capital figures are stated on a Group Partial Internal Model basis.
13. Figures presented throughout are rounded. The capital cover ratios and new business margins are calculated based on exact figures.

Review of the Year

2021 was a year of challenge and opportunity, in which we supported our customers as society began to emerge from the Covid-19 pandemic.

There are several key factors influencing the retirement savings and protection market and, over the long term, society is facing a challenging predicament. We are facing climate change that is damaging the world into which we will retire. The population is ageing. Many people will be unable to support themselves adequately in later life. Our collective response to these immense challenges will shape the future of the world. To effect change, governments, industry and broader society need to work together.

Responsibility for funding later life has fallen to individuals, away from government and employers. Yet many people do not realise how to respond to this challenge or where to get help. We aim to help our customers to build financial resilience and to support a fair transition to a sustainable world, protecting standards of living now and in the future.

The COP26 UN Climate Change conference in Glasgow was a major milestone in putting action to limit climate change centre stage. Royal London was there, making the case for our customers. We are guardians of substantial funds that can play a significant part in influencing how we move fairly to a sustainable world.

Ensuring our customers are aware of the power of their pension is the focus of our recent marketing activity. The 'Invested Generation' campaign, which highlighted Royal London's responsible investment approach, launched in the final quarter of 2021 and has continued into 2022.

Our trading performance

Our strategy, built around being an insight-led modern mutual which is focused on growing sustainably by deepening customer relationships, continues to serve us well.

Our operating profit before tax for the year ended 31 December 2021 was £133m (2020: £41m). Trading in some areas of the Group has been affected by the ongoing impact of Covid-19, but there were also positive indicators of economic recovery. RLAM, which manages the funds for our customers and external clients, has performed well. Assets under management increased to £164bn (2020: £148bn), passing the £150bn milestone for the first time.

Our Pension new business sales were £7,966m (2020: £7,190m). Individual Pension volumes were below pre-pandemic levels, but recovering. We have seen a steady improvement in Workplace Pensions sales, as employers stepped up their recruitment and were more willing to consider switching their workplace pension provider. New business sales of our Protection business have performed strongly in the UK and Ireland, increasing by 5% to £1,251m (2020: £1,192m) in the UK and by 35% to £185m (2020: £137m) in Ireland.

Our capital base has remained robust throughout the year with an Investor View capital cover ratio of 216% at 31 December 2021 (2020: 190%).

Improving our customer offer

We have continued to enhance our propositions to meet customer needs. Over 2021, we introduced new products across all three business units. We launched our Global Sustainable Credit Fund and introduced a new product for existing customers who benefit from a guaranteed annuity rate to take their annuity with Royal London. We also launched Investment Pathways – a range of solutions aimed at non-advised customers who are moving their pension into income drawdown. In addition, we progressed the consolidation of four with-profits funds, already closed to new business, into the Royal London Main Fund, with an uplift in policy value for all eligible policyholders.

In 2021, we received over 100,000 calls in relation to bereavements across protection and pension products, paying out £25m in Covid-19-related claims. During the year we paid out protection claims totalling £596m in the UK, helping approximately 80,000 customers.

Our initiatives to help build financial resilience included the launch of 'How to Die Well: a practical guide to Death, Dying and Loss', which was part of our 'Lost for Words' campaign. This book features practical, emotional and financial guidance for people dealing with bereavement.

Investing for the future

We are investing in programmes to simplify and modernise our infrastructure and have progressed our Legacy Simplification programme. By focusing on fund consolidation and system migration, we have created a more efficient and de-risked operating model, improving the quality and ease of customers' servicing experience.

As well as building our UK business organically, we are open to opportunities that broaden our solutions. We have taken a 30% stake in Responsible Group, the later-life lending and product specialist. This investment builds our profile in a significant growth market.

We recognise the need to continue to build on our digital capabilities, as through data-driven insights we can better understand and anticipate customer needs and behaviour. Together with increasing digital capabilities, this insight helps us support advisers more efficiently. To this end, we acquired Wealth Wizards, a digital platform for financial advisers with market-leading technology to help improve efficiency in the provision of advice.

Looking ahead

Enabled by our robust capital position and long-term approach to decision making, we will continue to work in partnership with financial advisers across the UK and Ireland to deliver better outcomes to customers.

We will be broadening our offering for Irish brokers and their customers by launching into the Individual Pensions market during 2022.

Within our asset management business we are focused on expanding our reach into Europe. We will also continue to support customers seeking to achieve good financial returns while investing responsibly to help tackle some of the world's biggest challenges, such as climate change.

Royal London plays an important role in how society moves fairly towards a sustainable world. Our customers are not simply investing for the future – they are invested in it.

UK

Operating profit increased to £227m (2020: £126m) as new business sales recovered following the reduction in 2020 and the successful delivery of key initiatives.

New business sales increased to £9,403m (2020: £8,407m), largely due to Workplace Pensions volumes where the market saw some recovery towards pre-pandemic levels. The new business performance also reflects continued investment in the business, putting customers at the heart of our proposition developments.

We have delivered key milestones in our strategic change programmes following the long-term investments we have made over the last few years. This included the launch of our annuity proposition, delivering both in year benefits as well as a new future revenue stream, and a one-off benefit arising from the consolidation of four closed funds into the Royal London Main Fund as part of the ongoing Legacy Simplification programme.

Pensions

Pensions new business sales increased to £7,966m (2020: £7,190m) primarily driven by Workplace Pensions, which grew by 30% to £3,200m (2020: £2,457m). This increase reflects a general recovery of the UK economy post-Covid, in which we saw active recruitment driving growth in new entrants to existing schemes. We also experienced more employers reviewing their existing pension provider driving growth in secondary market mandates on top of higher levels of new company scheme set ups. Whilst transfer activity was comparable to 2020, regular contributions from existing scheme members were up 37%. We made a number of exciting Workplace propositional changes in 2021, making it easier to consolidate pensions with us, both digitally (as a new feature through our pensions app) and offline. Continuing to be easy to do business with is a key focus for us. Digitalisation of a number of key servicing processes took place resulting in growth in digital customer engagement in 2021.

Individual Pensions new business sales have increased to £4,766m (2020: £4,733m), albeit trading levels remained below pre-pandemic levels across the year. Growth was curtailed by the slower recovery in the smaller/mid-sized adviser market, where we mainly participate. We continued to focus and build upon our key strengths in our investment proposition and value for money, by removing our charge for entering income drawdown. This is all while ensuring that we continue to deliver a quality customer experience. We have focused on engagement with customers, to ensure they have the support needed to achieve good financial outcomes. We also launched our financial wellbeing hub, which provides support on a range of topics.

We re-positioned asset allocations in the Governed Range in the first half of 2021 following underperformance of UK equities in 2020, rebalancing asset allocations to re-weight equity exposures from UK assets towards overseas and emerging markets. Our core propositions in the Governed Range have all outperformed their benchmarks in 2021, with assets of £51bn surpassing the £50bn milestone for the first time. Our belief in the value of diversification has aided our returns over the last year and this puts us in a strong position as we enter a future with increased inflationary risks.

Service standards have remained strong throughout the year, and we have won awards for 5* Pension service for the 13th year in a row.

Our pension mobile app reached over 156,000 registrations (2020: 77,000), more than doubling users in the last 12 months with some of the highest user scores of any pension app in the UK. We have continued enhancing content and functionality in our app, including the ability to add and view a nominated beneficiary (with over 12,000 completed applications), along with ability to transfer pensions to us (with over 4,000 requests made since the app launched in 2020). This is in addition to over 75,000 downloads of our new Wellbeing guides and articles which are available through the app. As a result, we have seen over 75% of externally registered users logging in at least once in the last three months.

Protection

Sales of our Protection products grew 5% to £1,251m (2020: £1,192m), reflecting continued momentum in helping customers put cover in place for themselves and their families. The pandemic has focused customers' appreciation for cover, and we continue to support advisers in helping their clients convert intent into action. We were delighted to be able to remove underwriting restrictions that were necessary during the earlier phase of the Covid-19 pandemic and completed a successful retender of our mortality reinsurance arrangements in the second half of the year.

We continued to provide advisers with support to help them respond to this increased demand, and ran a campaign to help educate consumers on the different types of protection and dispel some myths surrounding them. In the first quarter we launched our 'Value of Menu' tool, making it easier for advisers to demonstrate the benefits of their advice in improving customer coverage using our Menu proposition. This helped increase momentum in Income Protection business, a cover that most customers need but too few put in place. We followed this up with well-attended adviser webinars and an 'Income Protection for tenants and their families' campaign to highlight the risks that renters (not just mortgage holders) face if they become too ill to work, and how the right cover can help.

We introduced a new approach called 'Underwrite Later' for Business Protection. This enables cover to be put in place immediately while the remainder of the underwriting process completes, thereby removing one of the key barriers to completion. The innovation also led to specific awards ‑ an I Mark for innovation from Protection Review and Outstanding Business Protection award at the Cover Excellence Awards 2021. There were several other developments designed to enhance how we support customers. For example, we improved our mental health questions (in line with Association of British Insurers standards) to be more empathetic to customer situations and delivered a new underwriting approach and web journey for direct applications.

We paid out £596m in claims for approximately 80,000 customers and their families across all Protection business. Over and above these financial pay-outs, we provided access to counselling and other services through our Helping Hand proposition and delivered a campaign to help customers and families to be prepared for death - emotionally, practically and financially.

New business volumes have been proactively managed in the year against a challenging low interest rate environment. We have performed a review of which segments we will participate in going forward to ensure we provide value for customers alongside writing profitable business.

Annuities

We successfully launched our new annuity proposition to provide a Royal London annuity to long-standing customers invested in the Royal London (CIS) Sub-Fund with pension policies that have guaranteed annuity rates. New business sales were £162m, contributing £3m in new business contribution. Retaining these customers as they move into retirement also retains the associated value allowing us to invest and further grow the business. We see the annuity market as an area in which value can be generated whilst providing the security of a stable income through a customer's retirement and we will be exploring further opportunities in this area.

Value Enhancement

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

We successfully completed a consultation process with the with-profits policyholders in four of our with-profits funds that are closed to new business, to merge these funds into the Royal London Main Fund, our largest with-profits fund. We implemented the changes for the Refuge Assurance Industrial Branch Fund on 30 June 2021 and the three remaining funds (United Friendly Industrial Branch Fund, United Friendly Ordinary Branch Fund and the Scottish Life Fund) on 31 December 2021. The changes were implemented following resounding approval from eligible policyholders as well as High Court approval. These changes sped up the distribution of surplus to those with-profits policyholders through immediate uplifts to policy values.

Through our Legacy Simplification programme, we are also migrating legacy books of business from older mainframe systems onto a single more modern IT system to reduce risk and improve services to customers. Two system migrations were completed in 2021, moving over 171,000 policies. This work builds on the migrations completed in 2020 and brings the total number of migrated policies to 3.2 million. We expect to migrate more than one million additional policies in 2022 and 2023 to simplify our IT estate further.

Asset Management

We delivered good financial performance despite a difficult market backdrop with operating profit of £71m, in line with the prior year (£71m). Increased revenue, which was driven by strong net inflows and market growth, was offset by cost increases as we continued to invest in the business to strengthen our operating model and ensure we are well positioned for future growth.

Delivering investment performance above the relevant benchmark for our clients is key to our success. The percentage of our clients' assets under management outperforming its stated comparative over a three-year period was 99% (2020: 95%). This increase reflects consistent outperformance by our investment teams across our fund range.

Alongside continued strong investment performance, we also saw flows into a wide range of strategies, reflecting both consistency of performance and the client focus that we have put into the development of our product range in recent years. This, alongside market gains over 2021, led to record assets under management of £164bn (2020: £148bn).

The success of the business in recent years has been evident, but in a very competitive market we continue to look for ways to improve our capabilities to service our clients. We have invested in our teams and are currently reviewing our technology operating model.

Flows and funds

External net inflows increased to £4,372m in 2021 (2020: £1,665m) driven by a lower level of institutional outflow compared with 2020 and continued high demand for sustainable funds. Our sustainable range has enjoyed huge success over the past two years – reflecting very good performance and growing interest in this type of investing.

Despite the trend away from UK focused investment styles, we believe that we are competitive in this area, with a notable highlight winning a sterling credit mandate for over £2bn from Brunel Pension Partnership – one of eight pooled Local Government Pension Scheme funds.

We are looking to take our services to a wider audience and have started the process to expand into Europe in 2022. We completed an extensive search process to find a distribution partner based in Luxembourg that will help ease the regulatory burden from taking our services further into the EU.

As our product range grows and we look to offer that range in more places, we need to make it easier for existing and prospective clients to gain insights into our strategies. Following the re-launch of our website in late 2020, we have posted more articles and blog posts than ever before, backed by multiple online webinars, culminating in our annual investment conference. Our online format allowed us to host over 20 sessions featuring live Q&As, with clients able to view on demand as well, meaning that we had over 800 attendees across the five days.

Responsible investment

Responsible investment is no longer just about having specialist ranges of focused funds, although there is still a market for that. Asset managers are expected to have ESG factors embedded across all processes.

The market for sustainable funds is growing rapidly and many competitors have looked to launch similar products. We are a clear leader in this area and have a track record measured over decades rather than months. We added further to our range in 2021, with the launch of a Global Sustainable Credit fund, complementing the Global Sustainable Equity fund launched in 2020.

We also took our tracker fund range and integrated carbon 'tilts' aimed at building cost-effective, broad market portfolios, which are also a key building block in the Governed Portfolio range that supports Royal London's pension proposition. Our level of engagement on responsible investment has increased throughout: with the companies in whom we invest, with external bodies and regulators, with the adviser community and with customers.

Ireland

Our Irish business had a very successful year, recording our highest ever new business sales and achieving market leader status in the Irish broker protection market. New business sales increased to £185m (2020: £137m) on a PVNBP basis, reflecting a significant outperformance against the market.

Our growth was driven by strong demand across all our products, in particular for mortgage protection and term assurance. We undertook a successful reinsurance tender at mid-year, which further boosted our margins and demonstrated reinsurance confidence in the quality of our underwriting.

We also made significant traction in the income protection market during 2021. We believe income protection is paramount in good financial planning and, alongside reviewing and planning further product enhancements, we implemented a successful price discount which generated significant business volumes whilst ensuring margins remained within targeted range.

The strong new business performance has led to an increase in operating profit to £16m (2020: £12m). This was against the backdrop of an increased level of strategic investments, made to develop the business in Ireland further.

Protection

Throughout 2021, we have continued to improve processes incrementally whilst recruiting talented colleagues to ensure we retained our strong service provision at higher levels of market share. Our culture of empowering our people and a customer-first approach means we deliver a 'one and done' service which bolsters our strong relationship with Financial Brokers.

We were delighted to win three awards in the prestigious Brokers Ireland Excellence Awards for 2021. This is testament to our team in Ireland and the proactive and positive culture created that has service and customer outcomes at its heart. These awards followed our third consecutive award for our Mortgage Protection product in the National Consumer Awards. It also recognises the continued work to innovate and improve our product proposition to ensure our customers continue to get great value and strong products. This included improvements to our Specified Serious Illness offering, expanding the illnesses we cover.

We continued to focus on raising consumer awareness of financial resilience issues, including stay-at-home parents and first-time home buyers, through regular PR activity and while promoting the value of advice. Leveraging the Royal London sponsorship activity and launching the Changemakers programme in Ireland also helped to promote our brand and Purpose. All of this activity provided financial brokers with consistent support to help them in their protection conversations, aimed at ensuring customers have robust plans in place to optimise their financial future. We also made incremental improvements to our digital provision for brokers, including a new multi-application feature and improved business management functionality. We supported this activity with regular virtual meetings with brokers and our consultants, and with technical and sales focused webinars, the last one for 2021 being on 'the value of advice'. On average, more than a thousand brokers registered to attend each event, with 93% of attendees giving a very good or excellent rating and 100% confirming future attendance.

Pensions

In 2022, we will be broadening our solutions for customers and providing additional valuable choice and competitive options in the Individual Pensions market. We plan on replicating our successful formula of market leading service, compelling products and very strong broker support, which Royal London is now known for in protection, as we enter a new area of the Irish broker market.

We have developed a compelling offering, built with direct input from financial brokers and strengthened with the recruitment of specialised capabilities. The result is a holistic and customer centric offering, designed to be transparent, easy to understand and competitively priced. We will implement a phased delivery to market in 2022.

Our success in 2021 provides an excellent foundation to launch this new proposition and we are confident of a positive reception and continued growth of our business in Ireland.

Financial Review

Group operating profit before tax of £133m (2020: £41m) for the year ended 31 December 2021 is returning to higher levels following the impacts of Covid-19 in 2020. Statutory profit before tax for the year increased to £192m (2020: £131m). Despite the pandemic, we have continued to invest in our business for the benefit of our customers as our position as a mutual allows us to take a longer-term view of the investments we make.

Our Protection new business contribution grew strongly in both the UK and Ireland, whilst Pensions reduced slightly on 2020, as a recovery in Workplace Pensions was more than offset by a reduction in Individual Pensions which is recovering more slowly after the pandemic. The growth in contribution from AUM and other businesses has been driven by higher assets under management of £164bn at 31 December 2021 (31 December 2020: £148bn), driven by market movements and a continued strong demand for sustainable funds.

The Group's result in 2021 has benefited from two significant items totalling £58m. Following the successful launch of our annuity proposition, we have invested in higher yielding long-term assets allowing us to recognise a gain of £32m from the change to the rate used to discount the liabilities. There has also been a £26m contribution from the closed funds to the Royal London Main Fund (Main Fund), representing compensation for providing capital support for transferred business following the successful consolidation of four with-profits funds into the Main Fund.

ProfitShare allocation rates were maintained, with total ProfitShare for 2021 increasing to £169m (2020: £146m) in line with the growth in the aggregate value of eligible policies.

Our capital position remains robust, with our key capital metrics improving. This has allowed us to continue our investments in our UK Pensions business, and develop new propositions and systems in our Irish and asset management businesses. At 31 December 2021, the Solvency II Investor View capital cover ratio was 216% (31 December 2020: 190%) and the Solvency II Regulatory View capital cover ratio was 173% (31 December 2020: 147%). Both capital ratios have increased following the recovery in economic conditions in 2021, in particular due to strong equity and property returns as well as rises in yields, supplemented by additional equity hedges taken out during the year.

Group operating profit before tax

The following table shows the Group operating profit for the year ended 31 December 2021. Further detail on the Group's segmental reporting is included on pages 21-22.

	2021 £m	2020[a] £m	Change £m
Long-term business			
New business contribution	**164**	149	15
Existing business contribution	**125**	99	26
Contribution from AUM and other businesses	**124**	95	29
Business development and other costs	**(37)**	(42)	5
Strategic development costs	**(62)**	(92)	30
Result from operating segments	**314**	209	105
Corporate costs	**(106)**	(93)	(13)
Financing costs	**(75)**	(75)	-
Group operating profit before tax	**133**	41	92

[a] Following the introduction of the new Group operating structure, we have updated the presentation of Group operating profit. The prior period comparatives have been restated accordingly, with no change to total Group operating profit.

New business contribution

New business contribution increased to £164m (2020: £149m), driven by sales of intermediated protection products in the UK and Ireland which have seen strong demand from a heightened customer awareness of the value of protection through the pandemic as well as proposition enhancements we have made in 2021.

New business sales across all product lines increased, with the Present Value of New Business Premiums, increasing 12% to £9,588m (2020: £8,544m). Whilst new business sales have increased, margins across our business are flat at 1.7% (2020: 1.7%) as we have incurred higher ongoing costs to maintain our service levels throughout the pandemic.

	New business contribution		PVNBP		New business margin	
	2021	2020	**2021**	2020	**2021**	2020
	£m	£m	**£m**	£m	**%**	%
Individual pensions	**78**	85	**4,766**	4,733	**1.6**	1.8
Workplace pensions	**30**	27	**3,200**	2,457	**0.9**	1.1
Protection	**39**	27	**1,251**	1,192	**3.1**	2.3
Other	**-**	(2)	**186**	25	**(0.1)**	(8.8)
UK	**147**	137	**9,403**	8,407	**1.6**	1.6
Ireland (Protection)	**17**	12	**185**	137	**9.2**	8.8
	164	149	**9,588**	8,544	**1.7**	1.7

UK

Individual Pensions new business sales increased to £4,766m (2020: £4,733m). Whilst sales are below pre-pandemic levels, we have seen a steady recovery during the year as our customers have had more confidence in saving for their retirement. New business margin reduced slightly from 1.8% to 1.6% as costs have increased due to inflation and higher ongoing costs to meet regulatory requirements.

Workplace Pensions new business sales grew by 30% to £3,200m (2020: £2,457m) as higher levels of recruitment activity increased new entrants into existing schemes, more companies changed scheme provider and there were increased levels of new company scheme set ups. Despite the increase in new business sales, new business margin fell from 1.1% to 0.9%, reflecting a change in business mix, with a higher proportion of lower margin new schemes written in the year.

Sales of our Protection products grew 5% to £1,251m (2020: £1,192m) due to the continued emphasis customers are placing on ensuring they have an appropriate level of cover in place as well as enhancements to our propositions. New business margin increased from 2.3% to 3.1% following the increase in sales volumes.

Other business includes our annuity product that was launched in early 2021 as well as other saving products.

Ireland

New business sales in Ireland increased to £185m (2020: £137m) driven by continued strong demand across all products, in particular term assurance and mortgage protection products. New business margin has increased from 8.8% to 9.2% due to improved reinsurance rates on our term assurance products, alongside changes in product mix.

Existing business contribution
Existing business contribution increased to £125m (2020: £99m), the components of which are shown in the table below.

	2021 £m	2020 £m	Change £m
Expected return	**117**	117	-
Experience variances and assumption changes	**(56)**	4	(60)
Modelling and other changes	**64**	(22)	86
	125	99	26

Experience variances and assumption changes were a charge of £(56)m (2020: £4m credit).

The positive persistency experience of 2020 has not been repeated as a higher number of pension policies have transferred out or converted to paid up status as the economy re-opened up following Covid-19 restrictions. The reduction in positive persistency has been partially offset by higher than expected regular premiums into Workplace Pensions. Given rising levels of inflation and the potential impact that this may have on our customers' ability to save for their retirement, we have retained the specific allowance first recognised in 2020 of £30m for potential adverse impacts on our Pensions business caused by the impact of Covid-19.

We have recognised a charge of £76m to reflect higher ongoing costs of running our pensions business, driven by higher inflation in third party IT contract costs, the cost of maintaining service levels during Covid-19 and increased regulatory costs.

As part of our ongoing activities to ensure our actuarial models remain as reliable as possible and take account of the most recent experience data, we continue to make minor modelling changes. In 2021, the benefit of these changes was £6m (2020: charge of £22m). 2021 also benefited from two significant other items:

- In February we introduced a new product which allows us to offer existing pensions customers with policies in the Royal London (CIS) Fund who benefit from a Guaranteed Annuity Rate an option to take their annuity with Royal London. A ring-fenced portfolio of assets has been established to back this annuity business as well as our annuities in payment. As a result of creating this portfolio, the discount rate used to value these annuitant liabilities has been increased to reflect the illiquidity premium relating to the backing assets, resulting in a £32m benefit.
- Following the consolidation into the Main Fund of four with-profits funds that are closed to new business, the closed funds paid a contribution of £26m to compensate the Main Fund for providing capital support for the transferred business.

Contribution from AUM and other businesses
Contribution from AUM and other businesses increased to £124m (2020: £95m), driven by increased revenue from higher assets under management, following positive market movements and continued net inflows into our sustainable fund range.

The comparative period included a trading loss of £7m in relation to the Ascentric business which was disposed of in September 2020.

Business development and other costs
Business development and other costs of £37m (2020: £42m) include costs of investment in our products and propositions, as well as implementing product-related regulatory change. The reduction in spend in 2021 reflects the completion of a number of projects and regulatory driven activities.

Strategic development costs
Strategic development costs of £62m (2020: £92m) represent the investment we have continued to make throughout the pandemic in our pensions business. This investment has helped to drive digital transformation and improve customer experience as well as enhancements to our legacy systems. It also includes costs relating to the consolidation of four with-profits funds into the Main Fund, the launch of our annuity offering, which became available to customers in early 2021 and spend on developing and launching our new Pensions proposition to the Irish intermediated market in 2022.

Corporate and Financing costs
Corporate costs of £106m (2020: £93m) have increased reflecting higher restructuring costs as we have reorganised parts of our business and continuing investment to strengthen our information technology security and resilience. Financing costs of £75m (2020: £75m) are unchanged as they represent the interest payable on the Group's subordinated debt, which has not changed during the year.

Reconciliation of operating profit before tax to statutory profit before tax

Statutory profit before tax increased to £192m (2020: £131m), driven by the increase in operating profit before tax. ProfitShare allocated to eligible customers has grown in line with the growth in the aggregate value of policies. 2020 also included a one-off profit on the sale of the Ascentric business.

	2021 £m	2020 £m	Change £m
Group operating profit before tax	**133**	41	92
Economic movements	**225**	210	15
Amortisation of goodwill arising from mergers and acquisitions	**3**	12	(9)
Profit on sale of subsidiaries	**-**	14	(14)
ProfitShare	**(169)**	(146)	(23)
Statutory profit before tax	**192**	131	61

Economic movements
Economic movements were £225m (2020: £210m), reflecting higher than expected investment returns particularly on UK, overseas and private equity and property assets and increases in yields reducing the cost of providing guarantees.

Amortisation of goodwill arising from mergers and acquisitions
Amortisation of goodwill arising from mergers and acquisitions of £3m (2020: £12m) includes the amortisation charge of positive goodwill of £3m (2020: nil) following the acquisition of Police Mutual in 2020 and the fully amortised goodwill charge relating to the acquisition of Wealth Wizards in April of £2m. This is offset by an amortisation credit of negative goodwill of £8m (2020: £12m) relating to historic acquisitions.

ProfitShare
ProfitShare allocation rates were maintained, with total ProfitShare increasing to £169m (2020: £146m) in line with the growth in the aggregate value of eligible policies. The enhancements to qualifying policies from ProfitShare were 1.2% for with-profits policies and 0.15% for unit linked policies (2020: 1.2% and 0.15% respectively). Maintaining the level of allocations demonstrates Royal London's resilience in difficult times and our commitment to delivering value to eligible customers.

Assets under management

Assets under management increased to a record high of £164bn (31 December 2020: £148bn), driven predominantly by positive market movements and net inflows.

	Gross inflows		Net inflows	
	2021 **£m**	2020 £m	**2021** **£m**	2020 £m
External flows	**17,910**	18,318	**4,372**	1,665
Internal flows	**8,522**	8,089	**915**	2,205
Total	**26,432**	26,407	**5,287**	3,870

External net inflows increased to £4,372m (2020: £1,665m) driven by a lower level of institutional outflow compared with 2020 and continued high demand into our sustainable funds.

Internal net inflows decreased to £915m in 2021 (2020: £2,205m) due to relatively higher outflows in our Individual Pensions business.

Strength of our capital base

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

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

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

	Group	
Key metrics	**31 December 2021**	31 December 2020
Regulatory View solvency surplus	**£2,817m**	£2,258m
Regulatory View capital cover ratio	**173%**	147%
Investor View solvency surplus	**£2,817m**	£2,258m
Investor View capital cover ratio	**216%**	190%

At 31 December 2021, the estimated Solvency II Group Investor View capital cover ratio was 216% (31 December 2020: 190%) and the Solvency II Group Regulatory View capital cover ratio was 173% (31 December 2020: 147%). Estimated solvency surplus on both the Group Investor and Regulatory View was £2,817m (31 December 2020: £2,258m).

The Investor View and Regulatory View capital ratios have increased, primarily due to favourable economic movements in 2021 driven by positive equity and property returns as well as rises in yields, supplemented by management actions including additional equity hedges being taken out during the year, de-risking of certain credit assets and the effect of fund consolidations.

We continue to monitor our capital position given current market volatility as a result of the war in Ukraine. Scenario testing performed as part of our regular capital management activities (including the ORSA) demonstrates that our capital position remains robust under a number of plausible but extreme market scenarios.

Our capital position is sensitive to changes in economic and non-economic assumptions. The table below sets out various sensitivities of the Investor View capital cover ratio and the Investor View 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.

Scenario[b]	Capital cover ratio (%)	Impact on solvency surplus (£bn)
Base scenario: 31 December 2021	**216**	**2.8**
25% decrease in equity investments	(8)	(0.3)
15% decrease in property prices	(4)	(0.1)
100bps rise in interest rates[c]	(1)	(0.1)
100bps fall in interest rates[c]	(6)	0.0
25bps increase in government bond yields[d]	(2)	0.0
200bps widening in credit spreads[e]	10	0.2
15% fall in GBP exchange rates[f]	1	0.1

Balance sheet

Our balance sheet position remains robust. Our total investment portfolio, including investment property, increased to £118.1bn (31 December 2020: £107.9bn), primarily driven by positive returns on equity securities held by our OEIC investment funds. At 31 December 2021, £452m of assets are ring-fenced and are backing annuitant liabilities of £427m. The ring-fenced portfolio of assets includes a mix of corporate bonds and commercial real estate loans.

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

A significant portion of our investment portfolio is in high-quality assets with a credit rating of 'A' or above. In our non-linked portfolio, 85% (31 December 2020: 91%) of our non-linked debt securities and 71% (31 December 2020: 81%) of our non-linked corporate bonds had a credit rating of A or better at 31 December 2021. There have been no significant defaults in our corporate bond portfolio.

As at 24 February 2022, we held approximately £90m in securities issued by Russian or Ukrainian companies, of which approximately 74% is held in unit-linked portfolios. This represents less than 0.1% of our investment portfolio.

Corporate transactions

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

On 1 July 2021 the Group purchased 30% stakes in Responsible Life Limited and Responsible Lending Limited. The consideration paid (including transaction costs) was £20m and the investment is accounted for as an associate.

[b] Sensitivities include movements in the Transitional Measure on Technical Provisions (TMTP), which was formally recalculated at YE21.

The economic sensitivities presented reflect 1-in-20-year events. For equity and interest rate sensitivities, these stresses are consistent with the PRA's SS7/17: Solvency II: Data collection of market risk sensitivities, which is available at bankofengland.
co.uk/pra/Documents/publications/ss/2017/ss717.pdf

[c] 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.

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

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

[f] 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 in Royal London's 2021 Annual Report and Accounts (ARA) (royallondon.com/about-us/corporate-information/corporate-governance/investor-relations/). These risks and uncertainties continue to be monitored and managed through our risk management system.

Forward-looking statements

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, some of which will be beyond Royal London's control. Royal London believes factors could cause actual financial condition, performance or other indicated results to differ materially from those indicated in forward-looking statements in the announcement. Potential factors include but are not limited to: the ongoing effects of the Covid-19 pandemic; the war in Ukraine; UK and Ireland economic and business conditions; future market-related risks such as fluctuations in interest rates; the continuance of a sustained low-interest rate environment and the performance of financial markets generally; the policies and actions of governmental and regulatory authorities (for example new government initiatives); the 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 report has been prepared for the members of Royal London and no one else. None of Royal London, its advisers or its employees accept or assume responsibility to any other person and any such responsibility or liability is expressly disclaimed to the extent not prohibited by law.

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

Financial Statements

Consolidated statement of comprehensive income

For the year ended 31 December 2021

Technical account – long-term business	2021 £m	2020 £m
Gross premiums written	1,156	1,018
Outwards reinsurance premiums	(82)	(541)
Earned premiums, net of reinsurance	1,074	477
Investment income	4,196	5,447
Unrealised gains on investments	4,875	-
Other income	659	548
Total income	10,804	6,472
Claims paid		
• Gross claims paid	(2,806)	(2,657)
• Reinsurers' share	531	505
Change in provision for claims		
• Gross amount	(64)	77
• Reinsurers' share	21	(6)
Claims incurred, net of reinsurance	(2,318)	(2,081)
Change in long-term business provision, net of reinsurance		
• Gross amount	1,327	(1,522)
• Reinsurers' share	(599)	243
	728	(1,279)
Change in technical provision for linked liabilities, net of reinsurance	(7.953)	(1,426)
Change in technical provisions, net of reinsurance	(7,225)	(2,705)
Change in non-participating value of in-force business	104	140
Net operating expenses	(623)	(619)
Investment expenses and charges	(275)	(222)
Unrealised losses on investments	-	(597)
Other charges	(275)	(257)
Total operating expenses	(1,173)	(1,695)
Profit before tax and before transfer to the fund for future appropriations	192	131
Tax attributable to long-term business	(113)	(51)
Transfer to the fund for future appropriations	79	80
Balance on technical account – long-term business	-	-
Other comprehensive income, net of tax:		
Remeasurement of defined benefit pension schemes	267	(71)
Foreign exchange rate movements on translation of Group entities	(10)	(36)
Transfer to/(deduction from) the fund for future appropriations	257	(107)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	-	-

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to include a Company statement of comprehensive income. As a mutual company, all earnings are retained for the benefit of participating policyholders and are carried forward within the fund for future appropriations. Accordingly, the total comprehensive income for the period is always £nil after the transfer to or deduction from the fund for future appropriations.

Balance sheets

As at 31 December 2021

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
ASSETS				
Intangible assets				
Goodwill	**25**	28	**25**	28
Negative goodwill	**(44)**	(52)	**(8)**	(9)
	(19)	(24)	**17**	19
Other intangible assets	**96**	70	**95**	69
	77	46	**112**	88
Non-participating value of in-force business	**2,333**	2,229	**2,333**	2,229
Investments				
Land and buildings	**149**	168	**149**	168
Investment in Group undertakings	**-**	-	**17,684**	16,322
Other financial investments	**45,293**	47,502	**28,160**	31,735
	45,442	47,670	**45,993**	48,225
Assets held to cover linked liabilities	**72,697**	60,229	**72,697**	60,229
Reinsurers' share of technical provisions				
Long-term business provision	**4,579**	5,181	**4,529**	5,138
Claims outstanding	**125**	93	**111**	87
Technical provisions for linked liabilities	**(53)**	(50)	**(53)**	(50)
	4,651	5,224	**4,587**	5,175
Debtors				
Debtors arising out of direct insurance operations	**46**	192	**45**	48
Debtors arising out of reinsurance operations	**56**	41	**48**	33
Other debtors	**499**	493	**381**	433
	601	726	**474**	514
Other assets				
Tangible assets	**18**	25	**-**	-
Cash at bank and in hand	**622**	851	**392**	633
	640	876	**392**	633
Prepayments and accrued income				
Deferred acquisition costs on investment contracts	**113**	163	**113**	163
Other prepayments and accrued income	**36**	35	**-**	-
	149	198	**113**	163
Pension scheme asset	**357**	128	**357**	128
Total assets	**126,947**	117,326	**127,058**	117,384

Balance Sheets (continued)

	Group		Company	
	2021 **£m**	2020 £m	**2021** **£m**	2020 £m
LIABILITIES				
Subordinated liabilities	**1,333**	1,332	**1,333**	1,332
Fund for future appropriations	**4,009**	3,673	**4,329**	3,993
Technical provisions				
Long-term business provision	**40,802**	42,181	**40,863**	42,245
Claims outstanding	**321**	259	**291**	234
	41,123	42,440	**41,154**	42,479
Technical provisions for linked liabilities	**72,499**	60,059	**72,499**	60,059
Provisions for other risks				
Deferred taxation	**228**	140	**241**	144
Other provisions	**250**	282	**241**	273
	478	422	**482**	417
Creditors				
Creditors arising out of direct insurance operations	**264**	237	**252**	216
Creditors arising out of reinsurance operations	**2,535**	2,871	**2,526**	2,869
Amounts owed to credit institutions	**42**	72	**42**	72
Other creditors including taxation and social security	**4,562**	6,055	**4,400**	5,828
	7,403	9,235	**7,220**	8,985
Pension scheme liability	**-**	44	**-**	44
Accruals and deferred income	**102**	121	**41**	75
Total liabilities	**126,947**	117,326	**127,058**	117,384

Notes to the Financial Statements

1. Basis of preparation

The Financial Statements of the Group and the Company ('the financial statements') have been prepared in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'.

The full UK GAAP accounting policies can be found in the Group's 2021 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 2021 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 2021 ARA. The Group's 2020 ARA has been filed with the Registrar of Companies, and the 2021 ARA will be filed in due course. The results on a UK GAAP basis for full year 2021 and 2020 have been audited by PricewaterhouseCoopers LLP (PwC). PwC has reported on the ARA in 2021 and 2020. 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 results 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, including but not limited to global pandemics, and stress testing has been performed on the capital position for severe adverse economic and demographic impacts arising over the short to medium term. There are a range of actions available to the Directors in stress scenarios which could also be considered if there were a deterioration in the capital position of the Group. The capital position remains sufficient to cover capital requirements in these scenarios. Ongoing monitoring is in place over the liquidity coverage ratios and matching of asset and liability maturity profiles, and cash flow forecasts are also stressed under severe but plausible scenarios to ensure adequate levels of liquid assets are available to fund claims and other expenses. Having considered these matters, the Directors have concluded that no material uncertainty exists over the going concern assumption.

2. Segmental information

Operating segments

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

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

The activities of each operating segment are described below:

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

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

Ireland
The Ireland business was previously shown within the 'Other' segment and comprises the Group's Irish subsidiary, Royal London Insurance DAC (RLI DAC). It provides intermediated protection products 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 considers this measure provides a more meaningful indication of the underlying trading of the Group than statutory profit.

The presentation of certain items to arrive at the Group's operating profit has been updated in 2021 to allocate both income and expenses, where relevant, into the operating segments. These changes to presentation have been made to better reflect how the business is managed and to provide improved granularity of the costs the business incurs. Costs are now presented under the following three headings:

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

Prior year comparatives have been restated so they are presented on a consistent basis to 2021, although the overall operating profit before tax is unchanged.

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

	Group - 2021				Group – 2020			
	UK £m	Asset Management £m	Ireland £m	Total £m	UK £m	Asset Management £m	Ireland £m	Total £m
Long-term business								
New business contribution	147	-	17	**164**	137	-	12	149
Existing business contribution	118	-	7	**125**	96	-	3	99
Contribution from AUM and other businesses	29	95	-	**124**	8	87	-	95
Business development and other costs	(20)	(17)	-	**(37)**	(26)	(16)	-	(42)
Strategic development costs	(47)	(7)	(8)	**(62)**	(89)	-	(3)	(92)
Result from operating segments	227	71	16	**314**	126	71	12	209
Corporate costs				**(106)**				(93)
Financing costs				**(75)**				(75)
Group operating profit before tax				**133**				41