

17 March 2022

## Full-Year Trading Update

### Substantial capital and robust performance position us well for significant growth opportunities

Rothestay, the UK's largest pensions insurance specialist, today provides an update on its trading and financial performance for 2021.

- **New business:** Rothestay wrote £3.0bn of new pension bulk annuity business during 2021 (2020: £7.0bn), assisting ten schemes to de-risk their pension liabilities. New business included buy-in transactions with Dow Services UK Pension Plan, Outokumpu Stainless, Reach, Signet Group and William Hill. Rothestay now secures the pensions of over 830,000 people. The Group's disciplined approach to underwriting meant it was patient in the more subdued market conditions experienced throughout the year, ensuring returns from new business were appropriate. Significant opportunities are already being seen in the market in the first quarter of 2022, with Rothestay currently exclusive on over £1bn of new business.
- **Solvency:** The Group's solvency remains very strong with a Solvency Capital Requirement (SCR) coverage ratio of 226% (2020: 201%). During 2021, Rothestay also successfully raised c.£740m of new capital through the issuance of Restricted Tier 1 bonds. The Group's substantial surplus capital of £4.6bn means that Rothestay is well positioned for significant future growth opportunities.
- **Financial performance:** The robust performance of the Group has led to pre-tax IFRS profits of £913m (2020: £1,469m), the second highest profits recorded in Rothestay's history.
- **Assets under management:** The Group's assets under management grew to £62.5bn (2020: £62.0bn). The asset portfolio has an average credit rating of 'AA'.
- **Market consistent embedded value (MCEV):** MCEV gains generated from new business and other operating profits were significant enough to offset the negative impact of the increase in the future corporation tax rate to 25%. This resulted in small year-on-year MCEV growth to £7.1bn (2020: £7.0bn).
- **Credit Ratings:** Rothestay's ratings have been reaffirmed by both Fitch Ratings and Moody's Investors Service. Rothestay Life Plc is rated A+ (Strong) for the Fitch Insurer Financial Strength Rating, and A3 for the Moody's Insurance Financial Strength Rating. The rating outlook remains stable from Fitch and has been upgraded from stable to positive by Moody's.

# Rothesay

- **Net Zero by 2050:** In its 'Pathway to Net Zero' plan, the Group committed to transitioning its investment portfolio to net zero greenhouse gas emissions by 2050 and to a 20% reduction in Carbon Intensity by 2025. In addition, Rothesay's own operations are now carbon neutral, a year ahead of its 2023 target.
- **Excellence in customer service:** Despite the challenges presented by COVID-19 throughout the year, the Group continued to deliver industry-leading customer service as recognised by the Pensions Administration Standards Association (PASA), the independent body dedicated to improving standards in UK pension administration. Rothesay was re-accredited with PASA's Gold standard in January 2022.
- **Clarity for our sector:** The Group welcomed the High Court of England and Wales' decision to approve the transfer of a portfolio of annuities from The Prudential Assurance Company Ltd to Rothesay. The Court's decision provided important clarity for our whole sector and we were delighted to welcome our new policyholders to Rothesay at the end of the year.
- **Innovation in the market:** The Group partnered with Kensington Mortgages to launch a number of new long-term, fixed rate mortgages with terms of up to 40 years, providing the certainty and long-term security that many borrowers are looking for.
- **The Ukraine crisis:** The conflict and distressing events in Ukraine are deeply concerning for us all.
  - To support its vital Ukrainian relief work, the Group has made a donation of £500,000 to the International Committee of the Red Cross. It has also increased its match giving and charity day allowance for all employees.
  - The Group has no direct exposure to the region. It continues to carry out regular stress testing and live monitoring of its financial and solvency position to allow it to respond dynamically as wider market conditions change.

**Addy Loudiadis, Chief Executive Officer of Rothesay, said:** "Rothesay's substantial capital and robust performance over the course of 2021 means we are very well positioned for the significant growth opportunities ahead, which we are already encouraged to see materialising. We continue to be disciplined in our approach to underwriting, preferring to be patient even in a relatively subdued market to ensure returns from new business are appropriate.

Rothesay's industry-leading risk management systems and innovative mindset enabled us to negotiate market conditions well, particularly rising long-term interest rates, and also create new ways to invest cautiously, such as with our launch of long-term, fixed rate mortgage products. We are strongly placed to benefit from the significant new business opportunities we are now seeing and look forward to continuing to innovate in the year ahead, while remaining relentlessly focused on policyholder security and excellence in customer service."

The Group's solvency metrics as at 31 December 2021 are summarised in the table below:

	<b>Group</b>	<b>Rothesay Life Plc</b>
	£m	£m
Own funds available to meet SCR	8,269	8,361
SCR	3,657	3,657

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Surplus above SCR	4,612	4,704
SCR coverage	226%	229%

**ENDS**

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## **Notes to Editors**

### **About Rothesay**

Rothesay is the UK's largest pensions insurance specialist, purpose-built to protect pension schemes and their members' pensions. With over £60 billion of assets under management, we secure the pensions of more than 830,000 people and pay out, on average, approximately £240 million in pension payments each month.

Rothesay is dedicated to providing excellence in customer service alongside prudent underwriting, a conservative investment strategy and the careful management of risk. We are trusted by some of the UK's best known companies to provide pension solutions, including the schemes of Allied Domecq, Asda, British Airways, Cadbury's, the Civil Aviation Authority, National Grid, the Post Office, Prudential and telent.

Rothesay has two substantial institutional shareholders, GIC and Massachusetts Mutual Life Insurance Company ("MassMutual"), who provide the company with long-term support for its growth and development. In September 2020, our shareholders increased their investment in Rothesay through a transaction which valued the business at £5.75bn.

Rothesay refers to Rothesay Limited and its subsidiaries and is the trading name for Rothesay Life Plc, an insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number: 466067. Rothesay Life Plc is registered in England and Wales with company registration number: 06127279 and registered address: Rothesay Life Plc, The Post Building, 100 Museum Street, London WC1A 1PB. Further information is available at [www.rothesay.com](http://www.rothesay.com)