

5 April 2024

Full-Year Trading Update

Significant capital resources and execution capabilities deliver strong performance in a record pension risk transfer market

Rothesay, the UK's largest pensions insurance specialist, today provides an update on its trading and financial performance for 2023.

- **New business:** Rothesay completed de-risking transactions with twelve pension schemes during 2023, resulting in new business premiums of £12.7bn (2022: £3.3bn), one of its strongest years of growth to date. Material improvements in pension scheme funding levels continue to create very significant new opportunities going forward with an unprecedented pension risk transfer market pipeline.
- **Scottish Widows' annuity business acquisition:** In March 2024, Rothesay announced that it had agreed to acquire Scottish Widows' c. £6bn bulk annuity portfolio from Lloyds Banking Group, its sixth acquisition of in-force annuities. The transaction covers 42,000 underlying policyholders.
- **Assets & liabilities:** Assets under management have increased to £61.0bn (2022: £47.0bn) at 31st December 2023. Rothesay now secures the pensions of over 934,000 people.
- **Solvency:** The Group's solvency position continues to be very strong, with a Solvency Capital Requirement (SCR) coverage ratio of 273% at 31st December 2023 (2022: 255%). Surplus capital of £5.4bn (2022: £4.9bn) means that Rothesay is well-placed to capitalise on the significant future growth opportunities resulting from the buoyancy in the bulk annuity and pension risk transfer market. Following regulatory approval, Rothesay implemented its Full Internal Model (FIM) in relation to its SCR on 30th June 2023. Rothesay also successfully issued a new £500m Tier 2 bond in May to further strengthen the Group's capital position in preparation for the execution of its significant new business pipeline.
- **Focus on full scheme de-risking:** A direct impact of the rapid improvement in scheme funding levels is the increased number and size of schemes seeking full scheme de-risking solutions. Rothesay has continued to expand its capabilities in response to changes in the market and has grown its team to address these needs. For example, the Group has established an Illiquid Asset Transition team, working out of London and New York, to simplify the transition of schemes' illiquid asset holdings by providing full underwriting and risk management solutions.

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- **Financial performance:** The Group generated adjusted operating profits of £1,358m (restated 2022: £579m) and pre-tax IFRS profits of £906m (restated 2022: loss of £1,054m).
- **Dividend:** Rothesay declared an interim dividend of £351m which was paid in October 2023.
- **Market consistent embedded value (MCEV):** Substantial MCEV gains of £1.4bn were generated from new business and other operating profits. Rothesay's MCEV at 31st December 2023 was £7.5bn (2022: £6.4bn) following payment of the interim dividend.
- **Risk management:** Rothesay's long-term investment in market-leading risk management systems, combined with its comprehensive liquidity risk management framework, meant that the Group's solvency and liquidity position remained very strong despite the significant turbulence in the financial markets in 2023. Rothesay saw its industry-leading approach to risk management recognised in the European Pensions Awards 2023, where the Group was named Risk Management Firm of the Year.
- **Credit ratings:** Rothesay Life Plc is rated A+ (Strong) for the Fitch Insurer Financial Strength Rating, and A2 for the Moody's Insurance Financial Strength Rating. The rating outlook is stable from both.
- **Board appointments:** The Group was pleased to appoint Graham Butcher as its Chief Financial Officer. The Group was also pleased to appoint three new independent Non-Executive Directors: Lisa Arnold, Sophie O'Connor (as Chair of the Audit Committee) and Katherine Garner; replacing retiring Directors Stan Beckers, Bill Robertson and Charles Pickup.
- **Customer service excellence & industry recognition:** Rothesay successfully implemented the Financial Conduct Authority's Consumer Duty regulation, which sets new standards of consumer protection across financial services. The Group maintained high customer service standards during the year, with over 94% (2022: 95%) of customers rating the quality of service received as good or excellent. We were proud to win the Impact on Customer Experience Award from the Pensions Management Institute and Insurance Company of the Year at the Insurance Asset Management Awards.
- **Investing in our people:** The Group recruited new talent throughout the year, with employee numbers increasing to 460 (2022: 396). It continues to have market-leading levels of employee engagement, with our employee survey showing a further increase in the employee engagement score to 78% (2022: 72%) with an outstanding survey response rate of 94% (2022: 94%).
- **Net-zero by 2050:** Rothesay is 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 2023, Rothesay made a further commitment to reduce the Carbon Intensity of its corporate bond sub-portfolio by 50% by 2030. The Group's own operations continue to be CarbonNeutral®. It is also a signatory to the Financial Reporting Council's UK Stewardship Code and has an MSCI ESG rating of AA.

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- **LTA partnership:** Rothesay is the exclusive pensions partner to the LTA, the national governing body of tennis for Great Britain, supporting the future of British tennis and helping to open up tennis to more people of any age, ability and background. Rothesay is the title sponsor of the Rothesay Summer Series: the Rothesay Open Nottingham, Rothesay Classic Birmingham and Rothesay International Eastbourne.
- **The Rothesay Foundation:** As part of its commitment to helping older people in need, in 2023 the Rothesay Foundation funded a free and confidential benefits check service for Summer Cheer participants, provided by our charity partner Age UK. Since inception, almost 2,400 benefit checks have been delivered with £12m of annual benefits identified.

Tom Pearce, Chief Executive Officer of Rothesay, said: “Rothesay performed very well in 2023, with the business delivering excellent financial results and one of the strongest years of growth in its history. Our substantial capital resources combined with our proven execution capabilities, meant we were able to complete some of the largest and most complex transactions in the market while maintaining our careful approach to risk management and pricing discipline.

I am delighted that we now secure the future for nearing a million UK pension policyholders, providing best-in-class and innovative solutions for our clients. Our long-standing approach of continuous investment across our business - from our purpose-built risk management systems to our culture of operational excellence – means we are very well-placed to continue to capitalise on the strong momentum in our market, protecting the future for our policyholders and delivering value for our two long-term shareholders.”

The Group’s solvency metrics as at 31st December 2023 are summarised in the table below:

	Group	Rothesay Life Plc
	£m	£m
Own funds eligible to meet SCR	8,466	8,558
SCR	3,101	3,101
Surplus above SCR	5,365	5,457
SCR coverage	273%	276%

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Media Contacts

Rothesay: Anthony Marlowe, Head of Communications & Public Affairs

+44 (0)7912 550184 or anthony.marlowe@rothesay.com

Temple Bar Advisory: Alex Child-Villiers +44 (0)7795 425580 or Sam Livingstone +44(0) 7769 655437 or rothesay@templebaradvisory.com

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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 934,000 people and pay out, on average, approximately £200 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 the pension schemes of some of the UK's best known companies to provide pension solutions, including British Airways, Cadbury's, the Civil Aviation Authority, the Co-operative Group, National Grid, Morrisons 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.

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