

19th September 2023

Half-Year Trading Update

Capitalising on record new business opportunity with disciplined approach delivering strong financial performance

Rothestay, a leading UK pensions insurance specialist, today provides an update on its trading and financial performance for the first half of 2023.

- **New business:** Rothestay completed de-risking transactions with five pension schemes in the first six months of 2023, resulting in new business premiums of £1.9bn (HY 2022: £1.0bn). The Group is currently in execution on over £9bn of additional new business which continues to reflect its disciplined approach to underwriting.
- **Market outlook:** A buoyant bulk annuity market driven by material improvements in pension scheme funding levels has created considerable opportunities during 2023 which Rothestay has started to capitalise on. Second half projections are particularly strong, with a further convertible new business pipeline of over £50bn for the second half of the year and beyond, in addition to the deals the company is currently executing.
- **Illiquid asset team:** A direct impact of scheme funding levels improving so quickly is the increased number of schemes coming to market with a greater exposure to illiquid assets. To assist these schemes with their illiquid asset position, Rothestay has established an Illiquid Asset Transition team working out of London and New York.
- **Solvency:** Following regulatory approval, Rothestay implemented its Full Internal Model (FIM) in relation to its Solvency Capital Requirement (SCR) on 30th June 2023. Rothestay also successfully issued a new £500m Tier 2 bond in May to further strengthen the Group's capital position in preparation for its significant new business pipeline. The Group's solvency position continues to be very strong with a SCR coverage ratio of 309% at 30th June 2023 (YE 2022: 255%). Rothestay's substantial surplus capital of £5.5bn (YE 2022: £4.9bn) means that the Group has sufficient capital capacity to execute on its very strong new business pipeline.
- **Financial performance:** Rothestay adopted IFRS 17, the new international insurance contract accounting standard, on 1st January 2023. Although, as expected, this has had a significant impact on IFRS equity due to the delayed recognition of earnings under IFRS 17, the new accounting standard will not impact the underlying economics of the Group. Rothestay's pricing, long-term profitability and business strategy are therefore unaffected. The Group generated first half unaudited operating profits of £403m on an IFRS 17 basis (HY 2022 restated: £159m, FY 2022 restated: £579m). The Group generated first half unaudited pre-tax IFRS profits of £260m (HY 2022 restated loss of: £801m, FY 2022 restated loss of: £1,054m).

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- **Dividend:** Rothesay declared an interim dividend of £351m.
- **Assets & liabilities:** Assets under management as at 30th June 2023 are £48.1bn (YE 2022: £47.0bn restated for IFRS 17). Rothesay now secures the pensions of over 842,000 people.
- **Market consistent embedded value (MCEV):** Substantial MCEV gains were generated from new business and other operating profits. Rothesay's MCEV as at 30th June 2023 is £7.0bn (YE 2022: £6.4bn)
- **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 throughout the ongoing turbulence in the financial markets in the first half of 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 is pleased to appoint Graham Butcher as its Chief Financial Officer from 1st October this year following Andrew Stoker's decision to step down from the role. The Group is also pleased to have made two appointments of independent Non-Executive Directors: Lisa Arnold (joined 10th July 2023) and Sophie O'Connor (will join 1st October 2023 and will Chair the Audit Committee). The two new appointments replace retiring Directors Stan Beckers and Bill Robertson.
- **Consumer Duty:** Rothesay has successfully prepared for the Financial Conduct Authority's Consumer Duty regulation, which sets new standards of consumer protection across financial services. The Board will formally review and agree an assessment of the Group's compliance with the Consumer Duty annually.
- **Net zero by 2050:** The Group 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. Rothesay's own operations continue to be carbon neutral and the cumulative reduction in the Group's portfolio Carbon Intensity since 2020 stands at 13% as of 31st December 2022. This is based upon measurements covering 93% of the Group's investment portfolio. Rothesay is a signatory to the Financial Reporting Council's UK Stewardship Code and has an MSCI ESG rating of A.
- **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:** Following the success of the 'Summer Cheer' campaign in 2022, where the Rothesay Foundation gave £2 million worth of Iceland Foods vouchers to pensioners living in need, the Foundation has partnered with Age UK to fund free,

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confidential benefits checks for Summer Cheer campaign participants. On average, an Age UK benefits check identifies an extra £2,000 that each person could be entitled to every year.

Tom Pearce, Chief Executive Officer of Rothesay, said: "Rothesay's substantial capital resources combined with our proven capability to execute large and complex transactions carefully, means we are able to effectively capitalise on the exciting new business opportunities we are seeing and transact on our record new business pipeline.

As we navigate a bulk annuity market which has never been more buoyant, we will maintain our disciplined approach to underwriting, our focus on operational excellence, and our continued investment in our purpose-built risk management systems. It is this approach which allows us to deliver excellent financial performance despite ongoing economic turbulence, protecting the future for our policyholders and delivering value for our two long-term and supportive shareholders."

The Group's solvency metrics as at 30th June 2023 are summarised in the table below:

	Group	Rothesay Life Plc
	£m	£m
Own funds eligible to meet SCR	8,138	8,234
SCR	2,631	2,631
Surplus above SCR	5,507	5,603
SCR coverage	309%	313%

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Notes to Editors

About Rothesay

Rothesay is a leading UK pensions insurance specialist, purpose-built to protect pension schemes and their members' pensions. With over £48 billion of assets under management, we secure the pensions of more than 840,000 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

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solutions, including Asda, British Airways, Cadbury, the Civil Aviation Authority, the Co-operative Bank, National Grid, Morrisons, the Post Office 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