

20th September 2022

Half-Year Trading Update

Strong capital position means we are well-placed in a buoyant new business market

Rothesay, the UK's largest pensions insurance specialist, today provides an update on its trading and financial performance for the first half of 2022.

- **New business:** Rothesay completed de-risking transactions with four pension schemes in the first six months of 2022, resulting in new business premiums of £1.0bn (HY 2021: £1.6bn). Rothesay now secures the pensions of over 810,000 people. A buoyant bulk annuity market is creating significant opportunities in the second half of the year, with Rothesay currently exclusive on £3.0bn of new business. The Group continues its disciplined approach to underwriting to ensure returns from new business are appropriate.
- **Solvency:** Rising interest rates have further contributed to the Group's solvency position, which remains very strong with a Solvency Capital Requirement (SCR) coverage ratio of 248% at 30 June 2022 (YE2021: 226%). Surplus capital of £4.9bn (YE2021: £4.6bn) means that we are well-placed for the significant future growth opportunities which are being seen as a result of the positive conditions in the bulk annuity market.
- **Financial performance:** The Group generated first half unaudited operating profits of £647m (HY 2021: £322m) and first half unaudited pre-tax IFRS profits of £89m (HY 2021: £329m).
- **Assets & liabilities:** The Group's assets under management fell to £51.9bn primarily as a result of the significant increase in long-term interest rates (YE2021: £62.5bn). Because of the way in which we closely match our assets and liabilities, Rothesay's insurance liabilities also reduced by a similar amount to £43.1bn (YE2021: £54.0bn). The asset portfolio has an average credit rating of 'AA'.
- **Market consistent embedded value (MCEV):** Substantial MCEV gains were generated from new business and other operating profits. As a result of our risk management strategy, which is designed to protect the Group's solvency position in volatile markets, these MCEV gains were offset by the impact of the significant increase in long-term interest rates combined with an increase in spreads on corporate and other debt. Rothesay's overall market consistent embedded value has fallen to £6.5bn (YE2021: £7.1bn).
- **Credit ratings:** Rothesay's ratings were reaffirmed by Fitch Ratings and upgraded by Moody's Investors Service. Rothesay Life Plc is rated A+ (Strong) for the Fitch Insurer Financial Strength Rating, and is now A2 for the Moody's Insurance Financial Strength Rating (upgraded from A3). The rating outlook is stable from both.

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- **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 are now carbon neutral (a year ahead of target) and the Group achieved a 7% reduction in the emissions generated by its investment portfolio between 2020 and 2021.
- **Excellence in customer service & industry recognition:** The Group continues 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 May 2022. Rothesay also saw its performance and market-leading approach recognised in the European Pensions Awards 2022, where we were named Pensions Insurance Firm of the Year.
- **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 made a donation of £500,000 to the International Committee of the Red Cross. In addition, employees are encouraged to make monetary donations to support the relief effort in Ukraine with Rothesay matching donations on a 3-to-1 basis.
 - 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.
- **LTA partnership:** Rothesay has become 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 now the title sponsor of the Rothesay Summer Series: the Rothesay Open Nottingham, Rothesay Classic Birmingham and Rothesay International Eastbourne.
- **The Rothesay Foundation:** The Foundation partnered with Iceland Foods to launch the 'Summer Cheer' campaign, giving £2 million worth of vouchers to pensioners in need to spend on food and other essentials. The campaign supported over 80,000 pensioners with a £30 voucher and also provided them with Age UK's information guide on financial advice following research showing that, despite record levels of poverty, over 770,000 pensioner households are still missing out on Pension Credit payments.

Tom Pearce, Chief Executive Officer of Rothesay, said: "Improved funding levels are making de-risking increasingly affordable for pension schemes, creating the potential for a very busy bulk annuity market in the second half of this year. Our strong capital position means we are well-placed to execute the exciting new business opportunities we are seeing, while maintaining our disciplined approach to underwriting.

This disciplined approach, along with our purpose-built risk management systems, allowed us to successfully navigate a turbulent economic environment and rapidly rising inflation over the last six months, driving strong financial performance, protecting the future for our policyholders and delivering long-term value for our shareholders."

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The Group's solvency metrics as at 30 June 2022 are summarised in the table below:

	Group	Rothesay Life Plc
	£m	£m
Own funds available to meet SCR	8,211	8,298
SCR	3,305	3,305
Surplus above SCR	4,906	4,993
SCR coverage	248%	251%

ENDS

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, Will Barker +44 (0)7827 960151 or Sam Livingstone +44(0) 7769 655437 or rothesay@templebaradvisory.com

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 £50 billion of assets under management, we secure the pensions of more than 810,000 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 Asda, British Airways, Cadbury's, the Civil Aviation Authority, National Grid, 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. In September 2020, our shareholders increased their investment in Rothesay through a transaction which valued the business at £5.75bn at that time.

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