

21st March 2023

Full-Year Trading Update

Strong capital position means we are well-placed in a pension de-risking market which has never been more buoyant

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

- **New business & market outlook:** Rothestay completed de-risking transactions with nine pension schemes during 2022, resulting in new business premiums of £3.3bn (2021: £3.0bn). Rothestay now secures the pensions of over 825,000 people. A buoyant bulk annuity market is creating significant opportunities, with Rothestay currently exclusive on £5.7bn 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 an improvement in the Group's solvency position, which remains very strong with a Solvency Capital Requirement (SCR) coverage ratio of 255% at 31st December 2022 (269% on a pro forma basis¹) (2021: 226%). Surplus capital of £4.9bn (2021: £4.6bn) means that Rothestay is well-placed for the significant future growth opportunities resulting from the positive conditions in the bulk annuity and pension risk transfer market. Rothestay welcomes the introduction of the new Solvency UK regime which will facilitate further investment in UK infrastructure projects and other forms of productive finance.
- **Risk management:** Rothestay'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 significant turbulence in the financial markets in 2022. Rothestay has no direct exposure to Silicon Valley Bank or Signature Bank and continues to monitor the situation in the US and European banking markets in line with the Group's long-term investment principles and risk management strategy.
- **Financial performance:** The Group generated record operating profits of £1,016m (2021: £904m) and pre-tax IFRS profits of £170m (2021: £913m).
- **Assets & liabilities:** The Group closely duration matches its assets and insurance liabilities so the significant increase in long-term interest rates resulted in the value of both assets and liabilities falling. Assets under management are now £47.3bn (2021:

¹ In order to provide flexibility in transitioning assets to our long-term investment strategy, some Matching Adjustment eligible new business was written into the non-Matching Adjustment fund. Adjusting for this on a pro forma basis would increase solvency coverage from 255% to 269%.

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£62.5bn) and insurance liabilities reduced by a slightly greater amount to £38.1bn (2021: £54.0bn).

- **Market consistent embedded value (MCEV):** Substantial MCEV gains were generated from new business and other operating profits. As a result of the Group's risk management strategy, which is designed to protect its 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 is now £6.4bn (HY2022: £6.5bn; 2021: £7.1bn).
- **Credit ratings:** Rothesay's credit ratings were upgraded by Moody's Investors Service and reaffirmed by Fitch Ratings. 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.
- **Investing in our people:** The Group recruited new talent throughout the year, with employee numbers increasing to 396 (2021: 359). It continues to have market-leading levels of employee engagement, with 91% of employees saying they are proud to work at Rothesay.
- **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. Rothesay has also become a signatory to the Financial Reporting Council's UK Stewardship Code and now has an MSCI ESG rating of A.
- **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. New initiatives this year included a partnership with Alzheimer's Society to provide Dementia Friends training to our people and the introduction of the SignVideo relay service to support policyholders who are deaf or hard of hearing. Rothesay saw its performance and market-leading approach recognised in the European Pensions Awards 2022, where we were named Pensions Insurance Firm of the Year, and in the Insurance Asset Management Awards, where we were named Insurance Company of the Year.
- **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 cost of living crisis:** During 2022, the Rothesay Foundation partnered with Iceland Foods to launch the 'Summer Cheer' campaign, giving £2 million worth of vouchers to pensioners living in need to spend on food and other essentials. The campaign supported 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

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poverty, over 770,000 pensioner households are still missing out on Pension Credit payments.

Tom Pearce, Chief Executive Officer of Rothesay, said: “Rothesay’s strong capital position combined with our track record of delivering large complex transactions and strong support from our long-term shareholders, means we are very well-placed to execute the exciting new business opportunities we are seeing in a bulk annuity market which has never been more buoyant.

At the same time, we will maintain our disciplined approach to underwriting, our focus on operational excellence, and our continuous investment in our purpose-built risk management systems. It is this approach which allows us to deliver excellent financial performance despite turbulent economic conditions, protecting the future for our policyholders and delivering long-term value for our shareholders.”

The Group’s solvency metrics as at 31st December 2022 are summarised in the table below:

	Group	Rothesay Life Plc
	£m	£m
Own funds available to meet SCR	8,066	8,151
SCR	3,162	3,162
Surplus above SCR	4,904	4,989
Adjusted surplus above SCR ¹	5,149	5,234
SCR coverage	255%	258%
Adjusted SCR coverage ¹	269%	272%

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 £47 billion of assets under management, we secure the pensions of more than 825,000 people and pay out, on average, approximately £200 million in pension payments each month.

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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