

Press Release

Rothesay Life's 2017 Full Year Financial Results and Business Highlights

Rothesay Life, a leading life insurer specialising in providing de-risking solutions to UK defined benefit pension schemes and insurance companies, announces its audited results and business highlights for the year ending 31 December 2017.

Financial Highlights

- **Disciplined underwriting** and strong risk management led Rothesay Life to focus on value over volume in 2017.
- **New business volumes** of £1.2bn resulted from seven pension schemes and insurers de-risking their liabilities and included follow-on transactions to existing deals.
- **IFRS pre-tax profit** was £312m (Year ending 31 December 2016: £328m).
- **Assets under management** increased to £24.3bn (31 December 2016: £23.7bn), making Rothesay Life one of the largest annuity funds in the UK.
- **Market Consistent Embedded Value (MCEV)** increased by 6% to £2,301m (31 December 2016: £2,173m) through a selective approach to new business.
- **Solvency position** remains robust, reflecting the Group's caution in investment markets and focus on pro-active risk management. As at 31 December 2017, the Group's Solvency Coverage Ratio (SCR) coverage was 169% (31 December 2016: 164%) and Rothesay Life Plc's coverage was 163% (31 December 2016: 180%). Rothesay Life's solvency cover fell because it paid a dividend to the Group which was largely used to repay bank debt.
- **Policyholders'** total benefit payments were £1.5bn and the company insured benefits for over 380,000 lives as at 31 December 2017.

Business Highlights

- **Purchase of £12bn annuities from Prudential:** On 14 March 2018, we announced the post-balance sheet purchase of £12bn of annuities from Prudential plc, taking the Group's assets under management to £37bn and estimated MCEV to £3.2bn (unaudited).
- **Re-capitalisation:** Completed the re-capitalisation of the Group, creating a stable long-term shareholder base, enabling Rothesay Life to take advantage of strategic opportunities to grow the business further.
- **Business transfers:** Successfully migrated the annuity portfolios acquired from Zurich Life and Aegon N.V., ensuring continuity of service and increasing the number of customers whose pensions are paid directly by Rothesay Life by 215,000.
- **People:** Invested in the business through recruitment across the Group at all levels in order to ensure that we have the capacity to achieve our strategic goals. Rothesay Life increased headcount by 29% and now has 179 employees.
- **Secure investments:** Opened a New York office as part of the continued expansion of Rothesay Life's market leading capabilities in sourcing and investing in low-risk, secure assets to back annuity liabilities.
- **Operational excellence:** 98% of customer survey respondents rated our service as "good" or "excellent" and our complaints ratio is close to the lowest in the industry reflecting a relentless approach to operational care.

Commenting on Rothesay Life's results Chief Executive Addy Loudiadis, said: *"Rothesay Life had a very good year in 2017: we delivered strong profits and growth through maintaining our new business and investment discipline, and we completed our re-capitalisation.*

She continued: *"We are well positioned to benefit from the growing demand for corporate pension de-risking and an improving interest rate environment that will drive growth in the bulk annuity sector.*

Solvency II will continue to lead non-specialist insurers to look to sell their annuity business and our track record in that sector is second to none.”

Notes:

- Rothesay Life Plc (RLP) (previously Rothesay Life Limited) is the regulated insurance company within the Rothesay Holdco UK Limited group.
- Following the transaction with Prudential on 14 March 2018 and after allowing for the re-calculation of transitional solvency relief, Group solvency coverage was estimated to be 147% and 166% at RLP (unaudited).

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About Rothesay Life

Rothesay Life was established in 2007 and has become one of the leading providers of regulated insurance solutions in the U.K. market for pensions de-risking. This strong growth has been achieved through the steady accumulation of pension scheme clients, significant strategic acquisitions and the reinsurance of annuity portfolios.

Existing Rothesay Life clients include the pension schemes and customers associated with such names as Prudential, RSA, British Airways, Rank, Uniq, General Motors, the MNOFP (Merchant Navy Officers Pension Fund), InterContinental Hotels, Philips, GKN, Lehman Brothers, Aegon, Zurich Assurance, the Post Office and the Civil Aviation Authority.

Rothesay Life was founded on several core pillars:

- Clear and disciplined business strategy;
- Prudent underwriting;
- Meticulous management of risk and cautious investment strategy offering absolute customer security;
- Excellence in execution; and
- Robust operational processes underpinning excellent customer service

Rothesay Life has three substantial institutional shareholders, Blackstone, GIC and Massachusetts Mutual Life Insurance Company, who provide the company with long term support for its growth and development.

Rothesay Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Further information is available at www.rothesaylife.com