

FINANCIAL RESULTS

30th April 2013

Rothesay Life Full Year Financial Results and Business Highlights

Rothesay Life, a leading life insurer specialising in providing bulk annuities and other de-risking solutions to defined benefit pension schemes and insurance companies, today announces its audited results for the year ending 31st December 2012.

Financial Results

- £1.3bn¹ of new premiums in 2012 despite the challenging market environment, making Rothesay Life the market leader in the medium to large size segment
- Cumulative pension liabilities passed £10bn², covering more than 150,000 pension scheme members
- Assets under management increased by £1.4bn to £6.9bn²
- Pre-tax UK GAAP operating profit of £266m
- Embedded value, calculated on a market consistent basis increased by £244m to £1.064bn
- Capital resources at year-end of £790m and a Pillar I solvency ratio of 322%
- Interim dividend of £225m paid in Q1 in respect of 2012 year-end
- £100m perpetual sub-debt investment from Mass Mutual, a leading US mutual life insurer. This replaced pre-existing debt provided by Goldman Sachs (£120m)

Business Highlights

- Rothesay Life has demonstrated strong growth by insuring over £1bn of new business liabilities in every year since 2007, sourced through competitive tender processes
- Our focus continues to be on delivering solutions that fit client needs. Successful execution of the largest bulk annuity transaction of 2012 (£680m for the MNOPF) added to our track record in execution of landmark transactions every year since our establishment
- Increasing success in the market for medium-sized transactions (i.e. £100m to £500m), driven by our ability to offer execution certainty in long processes
- Focus on risk management and secure investment has driven stability in Rothesay Life's solvency levels even in volatile markets
- Rothesay Life was awarded "Buy-in and Buy-out Provider of the Year" at the 2012 Pension and Investment Awards in recognition of our focus on innovation and client service to UK defined benefit pension schemes

¹ Includes regular premiums from business written in prior years

² The difference between the £10bn of liabilities insured and assets of £6.9bn results from longevity swaps that involve payment of regular premiums as distinct from bulk annuities which are single premium product

2012 Volumes and Outlook/ Themes for 2013

- Total bulk annuity market volumes are estimated to have been £4.5bn in 2012
- We expect pension risk transfer volumes in 2013 to be in excess of £8bn
- Drivers expected to include:
 - Continuation of the 'gilts for annuities' trend as large schemes execute partial de-risking transactions and annuities are considered as an asset class
 - Some companies, having taken a strategic decision to buy-out pension liabilities fully, have earmarked corporate cash to contribute to full settlement
 - Potential for corporates to raise debt at historically low levels and efficiently make contributions to their pension schemes
 - Some pension schemes have cleaned their data and updated their actuarial assumptions in the last few years. Their technical provisions liabilities have come closer in line with insurers' pricing and they are now more prepared for de-risking

Commenting on Rothesay Life's results:

Addy Loudiadis, CEO, Rothesay Life, said: "We are pleased with our solid earnings performance in 2012. Continuing strong financial results benefit all of our stakeholders, including ensuring ongoing security for our policyholders.

"Through our focus on risk management, we have successfully limited volatility in our balance sheet while remaining competitive and it is an endorsement of this low risk business model that our board has approved the payment of a dividend. Rothesay Life continues to benefit from a strong capital position to support the in force business and we remain focused on our strategy of pursuing substantial growth through new transactions."