

06 SEP 2021

## Fitch Rates Utmost Group's Proposed Subordinated Tier 2 Notes 'BB+'

Fitch Ratings - Frankfurt am Main - 06 Sep 2021: Fitch Ratings has assigned Utmost Group plc's proposed fixed-rate subordinated Tier 2 notes with maturity of 10.25 years a 'BB+' rating.

The notes are rated three notches below Utmost Group plc's Long-Term Issuer Default Rating (IDR) of 'BBB+', which has a Stable Outlook, comprising two notches for a 'poor' recovery assumption and one for 'moderate' non-performance risk.

The proposed issue is part of the financing of Utmost Group's acquisition of the Quilter International business, consisting of Quilter International Isle of Man Limited and Quilter International Ireland DAC, that was announced on 1 April 2021.

Utmost Group plc is the UK holding company of the Utmost Group (IFS A/Stable).

### Key Rating Drivers

The notes will rank pari passu with themselves and junior to Utmost Group plc's unsecured unsubordinated obligations. The level of subordination is reflected in Fitch's 'poor' baseline recovery assumptions for the issue.

The notes include a mandatory interest deferral feature, which will be triggered if the solvency capital requirements applicable to Utmost Group plc are not met. Fitch regards this feature as leading to 'moderate' non-performance risk.

The notes are expected to qualify for 100% regulatory capital recognition under Solvency II. The notes receive 100% equity credit in Fitch's Prism Factor-Based Model, due to the application of the agency's 'regulatory override' approach. However, given that it is a dated instrument, the notes are treated as 100% debt in Fitch's financial debt leverage calculation.

Fitch views the proposed issue as neutral to Utmost Group plc's financial leverage ratio and Solvency II capital as the proceeds will be used to repay existing subordinated debt. Fitch expects the impact on fixed-charge coverage to be positive as the notes are, in the agency's view, likely to pay lower interest than the debt they are replacing.

### ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to

their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## **RATING SENSITIVITIES**

Factors that may, collectively or individually, result in a negative rating action/downgrade:

-A downgrade of Utmost Group's ratings

Factors that may, collectively or individually, result in a positive rating action/an upgrade:

-An upgrade of Utmost Group's ratings

For more details on Utmost Group's rating sensitivities, see ' Fitch Affirms Utmost Group at IFS 'A'; Outlook Stable' dated 26 July 2021 at [www.fitchratings.com](http://www.fitchratings.com).

## **Best/Worst Case Rating Scenario**

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

## **Date of Relevant Committee**

25 August 2021

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

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**Rating Actions**

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Utmost Group plc			
• subordinated	BB+		New Rating

**RATINGS KEY OUTLOOK WATCH**

POSITIVE	⊕	◇
NEGATIVE	⊖	◇
EVOLVING	◊	◆
STABLE	⊙	

**Applicable Criteria**

[Insurance Rating Criteria \(pub.15 Apr 2021\) \(including rating assumption sensitivity\)](#)

**Additional Disclosures**

[Solicitation Status](#)

## Endorsement Status

Utmost Group plc    EU Issued, UK Endorsed

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