21 APRIL 2023

# UTMOST GROUP PLC ANNOUNCES ITS FULL YEAR RESULTS TO 31 DECEMBER 2022

"The Group's performance in 2022 illustrates the strengths of the Group's strategy. The long term nature of our proposition provides good outcomes to our policyholders through market cycles, encouraging strong client retention. The Group remains well placed to capitalise on its strong market position and deliver against its longer-term ambitions."

**Paul Thompson, Group CEO**

Today, Utmost Group plc ("UGP") has announced its results for the year to 31 December 2022.

## 2022 HIGHLIGHTS

› **Strong Set of Results against a Volatile Backdrop**
The strength of the Group is evidenced through the consistency of its financial and operating performance through the uncertain environment over the year

› The Group's balance sheet is strong and resilient with Own Funds of £1,900m (YE 2021: £1,964m) and a Solvency Coverage Ratio of 191% (YE 2021: 177%), enabling us to provide a high level of security to our clients

› **Capital Raise**
The Group issued £300m listed Restricted Tier 1 ("RT1") notes in January 2022 at a coupon of 6.125%

› In June 2022, Fitch Ratings upgraded the Group's Issuer Default Rating to 'A-' from 'BBB+'. The Group's Tier 2 ("T2") notes were upgraded to 'BBB-' from 'BB+' and its RT1 notes were upgraded to 'BB+' from 'BB'

› The upgrade reflects the credit strengths of the Group including its prudent capital structure. At YE 2022, Gross Solvency II Economic Value ("SII EV") leverage ratio was 28% and Fitch Financial Leverage Ratio ("FLR") was 23%, post the £500m dividend paid by UGP to its shareholder during 2022

› **Quilter International Integration**
The programme of work has progressed well, with a number of workstreams complete and the remainder on-track against the initial plan

› The portfolio transfers in Ireland and in the Isle of Man were implemented in October 2022 and November 2022 respectively, enabling the Group to maintain a single insurance entity in each jurisdiction, in line with its strategic vision

› The activity to rebrand the Quilter International business to Utmost International completed in October 2022. All our International activity is now operated under the Utmost brand

› **Investing for the Future**
The Group is investing in upgrading its core technology platforms. Our core policy administration systems in the Isle of Man and Ireland are being enhanced and updated to ensure that they remain robust and scalable

› Cyber security has been a focus of the Board through the year. Our technology teams have focused on enhancing our security measures to protect our policyholders' data and ensure uninterrupted service delivery

› During the year, Utmost Life and Pensions new Online Service Centre, MyUtmost, was launched. The platform enables customers to view policy values, communicate and transact online. The platform has been well received and is delivering efficiencies to both our policyholders, their advisers and to the Group

**Commenting on the results, Paul Thompson, Group CEO, said:**

"The Group performed strongly in 2022 despite the difficult macroeconomic environment and volatile investment markets. Financial performance was strong and new business was resilient against a difficult backdrop.

"I am pleased with the progress made on the integration programme in 2022. The programme has progressed well, with a number of workstreams complete and the remainder on-track against our initial plan.

"Longer-term sectoral trends are supportive of our continued business growth, with increasing demand for robust, transparent investment and savings products. Utmost Group remains well placed to capitalise on our existing strong market position and foresees continued opportunities for acquisition-led growth."

## DELIVERING ON OUR KPIS

› **Annual Premium Equivalent ("APE")**
APE was £397m in 2022 compared to £484m in 2021 on a pro forma basis. Utmost Wealth Solutions generated £393m and Utmost Corporate Solutions, our employee benefits business, generated £4m of APE

› Utmost International's new business figures reflect the lower volume of new business in our established markets, offset by strong sales performance in our growth markets in Europe and Asia

› Net flows for the year were £1.3bn, comparable to the £1.5bn pro forma figure in 2021, supported by high client retention rates

› **Value of New Business ("VNB")**
VNB was £48m in 2022, compared to the pro forma 2021 figure of £66m. The reduction in VNB relative to the pro forma 2021 figure reflects the reduction in APE and changes in the mix of business written

› **Assets under Administration ("AUA")**
AUA was £58.4bn at YE 2022, decreasing by 8% from £63.7bn at YE 2021. AUA decreased in the period due to adverse market movements, leading to lower market values for all asset classes. Strong net flows in the year as a result of improved client retention rates partially offset the negative impact of market movements

› **Operating Profit ("OP")**
Operating profit was £224m in 2022 compared to the 2021 pro forma figure of £220m

› The increase in operating profit compared to the pro forma 2021 outcome reflects lower operating expenses offset partially by lower charges received as a result of the declines in the value of unit funds

› **Solvency II Economic Value ("SII EV")**
Net SII EV of £1,770m at YE 2022 decreased by £405m from the £2,175m at the end of 2021, primarily as a result of the payment of £500m in dividends. Adjusted for dividends, the Group achieved an increase in Net SII EV of £95m as VNB and operational improvements overcame the impact of adverse market movements

› **Client Retention**
Client retention is reported separately for each business given their different dynamics. The Group revised the calculation of its Client Retention KPI in 2022, to include all policy exits in the calculation. UWS client retention was 94% in 2022 (2021: 93%) on the revised basis. High retention rates reflect good client servicing and the long-term nature of our proposition which delivers good outcomes through market cycles

## RESILIENT CAPITAL POSITION

› **Solvency Position**
The Group maintained a strong capital position throughout 2022, with a Group Solvency Coverage Ratio of 191% at 31 December 2022 and Group Own Funds of £1,900m

› **Exposure to Interest Rates and Inflation**
Elements of the Group's fee base include an explicit inflation linkage, which acts as a mitigating factor in the high inflation environment, helping protect Operating Profit and SII EV. The Group also earns higher yields on its net assets and has higher expected returns on policyholder assets in a higher interest rate environment, which together offset the impact of higher discount rates on Own Funds

› **Capital Generation**
Total capital emergence over the projected life of the in-force business is estimated at £3.1bn including £350m of existing capital in excess of capital policies at 2022 year end. The increased value relative to the Gross SII EV reflects a simple cash flow approach, rather than a discounted one, and the inclusion of expected real world investment returns

› **Capital Structure**
The Group maintains a prudent capital structure and aims to target a leverage ratio between 20-30% of Gross SII EV

› UGPs SII EV leverage ratio was 28% at YE 2022. The ratio incorporates the £300m RT1 notes and £400m T2 notes as debt. The Fitch FLR was 23% at YE 2022. The FLR awards the £300m RT1 equity credit within its calculation. The Ratio is comfortably within the range required to maintain our credit ratings

› **Sensitivities**
The Group has a resilient solvency position due to the active management of key risks. The Group's Own Funds and Solvency Coverage Ratio have limited sensitivities to market and life risks, as shown in the table below:

| | OWN FUNDS £M | SOLVENCY CAPITAL REQUIREMENT £M | SOLVENCY COVERAGE RATIO % |
|---|---|---|---|
| Base Position | 1,900 | 996 | 191% |
| Interest Rates +100bps | 0 | (31) | 6% |
| Interest Rates -100bps | (32) | 20 | (7)% |
| GBP Appreciates by 20% | (136) | (102) | 7% |
| Equity & Property (40)% | (224) | (165) | 11% |
| Mass Lapse of 40% | (524) | (286) | 3% |
| Expenses +10% | (98) | (8) | (8)% |
| Credit Spreads +200bps | (64) | (30) | (1)% |
| Inflation +100bps | (42) | 24 | (9)% |

## CUSTOMERS AND PROPOSITION

› **French Market Presence**
In April 2022, Utmost International launched a product tailored for the sophisticated financial planning needs of French HNW and UHNW individuals. This followed the launch of our expatriate product in October 2021 and demonstrates the strong commitment of Utmost International to the French market, a key strategic market for insurance-based wealth solutions

› **Online Servicing**
Utmost Life and Pensions new Online Service Centre, MyUtmost, was launched in H2 2022. The platform enables customers to view policy values, communicate and transact online. The platform has been well received and is delivering efficiencies to both our policyholders, their advisers and to the Group. The Group is continuing to invest in the functionality of its International Online Service Centre to aid customer access to their policy information and valuations, whilst allowing our Client Service team to provide support and assistance where needed

› **Responsible Investment Policy**
A highlight of the year was the adoption of the Group's Responsible Investment Policy, which formalises the Group's Net Zero 2050 commitment for its shareholder investment portfolio

› The Board were pleased to adopt thermal coal exclusions into our Responsible Investment Policy, recognising the high contribution the burning of thermal coal for energy has on man-made global temperature increases

***The full UGP 2022 Annual Report and 2022 Group SFCR will be available on 28 April 2023.***

## BASIS OF PREPARATION

Full year 2022 results are shown on an actual basis. Full year 2021 results are shown on a pro forma basis. They include the results of Quilter International as if it had been owned by the Group for the whole of 2021. The acquisition completed on 30 November 2021. Any synergies generated by 31 December 2022 are included in these results.

## FOR FURTHER INFORMATION, PLEASE CONTACT

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## ABOUT UTMOST GROUP PLC

Utmost Group plc is a leading provider of insurance and savings solutions. Its principal businesses are Utmost International and Utmost Life and Pensions, which together are responsible for approx. £58bn of primarily unit linked policyholder assets for around 530,000 customers. Utmost Group plc is subject to Group Supervision by the PRA.

## ABOUT UTMOST INTERNATIONAL

Utmost International is a leading provider of insurance-based wealth solutions. Utmost International operates across the UK, Europe, Latin America, Asia and the Middle East. Its solutions are based on unit linked insurance policies. Utmost International manages £52bn assets under administration on behalf of 204,000 policyholders and wrote £4.2bn of new business in 2022.

## ABOUT UTMOST LIFE AND PENSIONS

Utmost Life and Pensions is a closed UK life and pensions business focused on the acquisition of life and pension businesses in the UK. Utmost Life and Pensions manages £5.5bn of assets on behalf of 330,000 policyholders. Utmost Life and Pensions is authorised by the PRA and regulated by the FCA and the PRA.