

Utmost International H1 2020 Results; Announcement of Group Reorganisation; Update on Acquisition and Operational Activity

5 October 2020

Recent Highlights

- **Utmost International H1 2020 Results:** Utmost International announces a strong set of H1 2020 results proving the business's resilience to a challenging economic environment. Solvency II Economic Value ("SII EV") is stable at £1.0bn, Assets Under Administration are £28.8bn, new business sales are robust in spite of the disruptions to our core markets
- **Group Reorganisation:** Utmost Group has reorganised to bring the Utmost International and Utmost Life and Pensions businesses together under a single group holding company, Utmost Group Limited ("UGL"), effective 1 October 2020. UGL is group regulated by the Prudential Regulation Authority ("PRA")
- **Group H1 2020 Pro-Forma Position:** Utmost Group Limited announces its inaugural H1 2020 pro-forma position. Assets Under Administration are £35.3bn and the balance sheet is resilient with a Solvency Coverage Ratio of 178%
- **Resilience and Agility:** Our businesses have demonstrated their resilience and agility during an unprecedented period. Our employees transitioned to a remote working environment across multiple jurisdictions whilst ensuring minimal disruption to ongoing activity and customer servicing. The Group delivered on its strategic priorities with a continual focus on the sustainable growth of the business and integration activity

Utmost International H1 2020 Results

Utmost International is pleased to announce strong financial results for H1 2020:

- Solvency II Economic Value is £1.0bn (H1 2019: £1.0bn; YE 2019: £1.0bn)
- Assets under Administration are £28.8bn (H1 2019: £28.7bn; YE 2019: £29.4bn)
- Utmost International new business on an Annual Premium Equivalent ("APE") basis is £88m in H1 2020 (H1 2019: £87m; FY 2019: £173m). Utmost Wealth Solutions ("UWS") APE was £81m and Utmost Corporate Solutions ("UCS") APE was £7m for the period. In the face of an uncertain macroeconomic and social outlook, we saw increased appetite from partners and clients for solutions to protect and preserve their wealth
- Value of New Business ("VNB") of £19m in H1 2020 (H1 2019: £11m; FY 2019: £28m). Our strategic focus on writing profitable new business coupled with our focus on the provision of tailored solutions has supported the margins on our new business franchise
- Operating Profit of £17m (H1 2019: £36m; FY 2019: £73m) impacted by unprecedented falls in interest rates which led to increases in some insurance liabilities. Heightened project costs increased expenses in the period as integration activity continued across the Group

Utmost International's solvency position remains strong with Own Funds of £720m and a Solvency Coverage Ratio of 159% at 30 June 2020 (H1 2019: 162%; YE 2019: 161%).

Utmost International New Business Development

New business inflows were impacted by the disruption caused by the pandemic, which led to the suspension of travel and the restriction on in-person meetings in our core markets. In a volatile macroeconomic environment with a vast reduction in economic activity, appetite for our products remained strong. The long-term nature of our products and their proven effectiveness in assisting clients in wealth preservation has supported new business inflows, where we have seen an increasing proportion of clients topping up their existing policies.

UWS APE was £81m in H1 2020 (H1 2019: £72m; FY 2019: £147m) driven by strong flows in our core markets in the UK and Continental Europe.

UWS' focus on becoming the leading provider of HNW solutions has continued in H1 2020 with the development of a new product for the Portuguese market (which was launched in September 2020), the enhancement of existing product features and the closure of certain legacy products. We are focused on capturing the wealth trends in Asia, with the planned launch of a new product for the Singapore market to support solutions for high net worth Asian clients. UWS has offices in UAE, Singapore and Hong Kong from which we aim to develop our Middle East and Asian franchises and capture a growing proportion of market share. We maintain a strict territorial focus on where we conduct business.

UCS APE was £7m in H1 2020 (H1 2019: £16m; FY 2019: £26m). UCS has seen a reduction in new business activity in H1 2020, as corporates have delayed retendering processes for their employee benefits programmes. Retention rates for our existing clients are high. We were encouraged to see that employers are providing full cover to employees on furlough, demonstrating a duty of care through this challenging period.

UCS has developed a unique global risk solution to ease the provision of employee benefits for multinational corporations with employees in multiple global locations. The global product is an extension of our existing Pan-European risk solution. It has been well received by brokers with strong interest and sales. We expect demand for this product to increase in H2 2020 as corporates resume their focus on developing their employee benefits programmes.

Launch of Utmost International Website

We are launching a new Utmost International website in October 2020, which provides advisers and clients of UWS and UCS with a single source of information about our Utmost International business and its solutions. The Utmost International website will replace the three existing websites of Utmost Limited, Utmost PanEurope and Utmost Worldwide and provides a comprehensive view of the International business.

The online adviser and client access available on the three websites of Utmost Limited, Utmost PanEurope and Utmost Worldwide will be available via the new Utmost International website using existing log-in details and there will be no disruption to online servicing. We continue to develop the online servicing centre of the website, with plans underway to deliver the full spectrum of online services to our clients across each of our acquired businesses.

Utmost Group Reorganisation

Utmost Group today announces its reorganisation. The Group is reorganised so that its two businesses, Utmost International and Utmost Life and Pensions, are brought together under a single UK holding company, Utmost Group Limited, effective 1 October 2020. Utmost Group Limited is a UK registered company subject to group regulation by the PRA.

Utmost Group Pro-Forma Position

Utmost Group Limited combines the results of the Utmost International and Utmost Life and Pensions businesses:

- Assets Under Administration are £35.3bn. Asset valuations were impacted by declining equity and property markets and widening credit spreads in H1 2020
- The Group Solvency Coverage Ratio at H1 2020 is 178%. UGL has a capital policy in place to maintain a Group solvency coverage ratio of at least 135% at all times and 150% immediately after a dividend, with similar policies in place at each Life Company. UGL has a leverage policy to maintain leverage at 20-30% of SII EV
- All employees stayed on full pay and no government support schemes were accessed. In March and April, the vast majority of our global workforce were working from home. Our employees are now transitioning back to office working, in line with their local government guidelines. Measures are in place in our offices to maintain social distancing
- The Group has bank debt of £296m. Its leverage ratio is low and well within the Group's SII EV and Fitch leverage ratio limits, with ample funding capacity for future acquisitions

Acquisition Activity

On 1 January 2020, the business transfer of the Equitable Life Assurance Society ("Equitable Life") to Utmost Life and Pensions Limited ("ULP") completed. Policyholders voted in favour of the Scheme in H2 2019, which included an Uplift in Scheme Policyholders' Policy Values, the removal of Investment Guarantees and the conversion from With-Profits Policies to Unit Linked Policies.

On completion of the acquisition, £4bn of With-Profit Policies were converted to Unit Linked Policies. Policyholders were able to select their Unit Linked asset allocation from a new range of multi-asset and single asset class funds. These funds were designed with our strategic goal of providing good client outcomes in mind.

In March 2020, Utmost Life and Pensions launched a drawdown product, available to their existing clients, in line with their objective of providing suitable retirement outcomes for their clients.

We continue to focus on M&A activity with our demonstrable track record in executing well-priced acquisitions and the efficient and timely completion of these deals. The Group has readily available access to significant capital and its low leverage ratio enables headroom for further debt to support the financing of future deals. We expect the pace of M&A activity to increase as a result of COVID-19, as insurance companies look to free up capital by divesting non-core and closed businesses and reduce their balance sheet risk. The Group is well positioned to take part in this activity.

Integration and Operational Progress

The Group's priority through H1 2020 has been the health and safety of its employees, its partners and its clients. Throughout this unprecedented period our employees have demonstrated their dedication while adapting to the current environment. Our businesses have displayed their agility, implementing measures to move to an online client servicing and sales environment. We experienced no disruption to client servicing or in the ability to process queries as a result of the move to remote working. The remote working environment has accelerated the role of digitalisation in the Group. A number of processes have been fully automated to enable business continuity during the period.

A core strategic pillar of the Group is the efficient operational management of our businesses to delivery deeper synergies. This is one of our core competencies. We have deep expertise and focus on the integration of our acquired businesses and portfolios in order to enhance our financial and operating performance. We have completed a number of integrations of the acquired portfolios and a comprehensive timeline of future integration activity is in place. Our employees have handled the high level of integration activity through excellent collaboration and shown a high degree of engagement.

Integration activity has continued at pace with the integration of the Equitable Life business completing during June 2020. Within Utmost International, the migration activity towards our strategic client administration platforms continues. We aim to have the majority of our current single premium business supported by these platforms in the near future.

Environment, Social and Governance (“ESG”) and Sustainability

Our responsibility to our clients combines with a sense of responsibility to the environment and to the society in which we operate. The Group is aware of the importance of issues around sustainability, the environment and diversity to our clients, our partners, and our employees. As such, the Group is embedding our sustainability goals across our businesses. These activities include improving our environmental footprint, integrating ESG criteria into our investment approach and delivering sustainable investment options to our clients. Our social impact is important to our employees and we continue to develop diversity throughout our organisation and look to make a positive difference in the communities in which we operate.

This marries with our mission to provide good client outcomes through the delivery of excellent propositions to ensure prosperity. As well as being an overall positive for society, this also makes business sense in keeping with our long-term vision.

We have made our first donations via the Utmost Challenge. The Utmost Challenge is a new initiative which allows employees across the Group to get extra support for their favoured charities. The Group provides individual donations to match or top-up our employees personal fundraising efforts while completing an “Utmost” challenge.

Basis of Preparation

Utmost International H1 2020 results are presented on an actual basis and are unaudited at H1 2020. Utmost International YE 2019 and H1 2019 results are shown on an actual basis. IFRS results are audited at YE 2019. Utmost Worldwide was acquired on 28 February 2019; this is included using a pro-forma adjustment (Operating Profit, VNB and APE are adjusted to show a full year result for 2019).

Utmost Group Limited combines the results of the Utmost International business and the Utmost Life and Pensions business on a pro-forma basis.

About Utmost Group Limited

Utmost Group Limited is a specialist life assurance group. Its principal businesses are Utmost International and Utmost Life and Pensions, which together are responsible for over £35bn of primarily unit-linked policyholder assets for around 520,000 customers.

Utmost Group Limited is authorised and regulated by the PRA.

About Utmost International

Utmost International is an international life assurance business which serves two key markets. It provides international life assurance to affluent, high-net-worth and ultra-high-net-worth individuals through its Utmost Wealth Solutions business, and group risk and savings solutions to multi-national corporates through its Utmost Corporate Solutions business.

Utmost International has been formed through the acquisition of insurers that were previously owned by major insurance groups. By bringing these companies together under a common strategy and rationalising to achieve significant cost synergies, Utmost International has created a financially and operationally robust insurance group that is strongly positioned to win new business.

About Utmost Life and Pensions

Utmost Life and Pensions is a specialist UK life consolidator, focused on the acquisition of life assurance businesses in the UK. It looks after 390,000 customers with £6.5bn of Assets under Administration.

Utmost Life and Pensions is authorised by the PRA, and regulated by the FCA and the PRA.

For further information, please contact:

Anne Marie Shepherd, Head of Strategy and Corporate Affairs, Utmost Group Limited on +44 203 861 4347 or annemarie.shepherd@utmostgroup.co.uk