

15 September 2022

Utmost Group plc announces a strong set of HY 2022 Results

Utmost Group plc ("UGP") has delivered a strong financial performance in an uncertain economic environment. The Group has performed well against its KPIs and progressed against its core strategic pillars.

HY 2022 Highlights

- **Resilient Financial Performance:** The Group has delivered a strong financial performance in a period characterised by high inflation, weak equity markets, and rising interest rates. Assets under Administration are £57.6bn (HY 2021: £38.1bn; YE 2021: £63.7bn) and Net SII Economic Value is £1,691m (HY 2021: £1,362m; YE 2021: £2,175m) after significant dividend payments.
- Strategic initiatives included a £300m issuance of listed Restricted Tier 1 ("RT1") loan notes, the launch of a new product for the French HNW market, the development of an Online Service Centre for our UK business as well as a targeted pay-rise to support our employees through the cost-of-living crisis.
- **New Business:** The Group wrote £2.2bn gross flows (HY 2021 Pro Forma: £2.4bn; FY 2021 Pro Forma: £4.8bn) and £0.7bn net flows (HY 2021 Pro Forma: £0.6bn; FY 2021 Pro Forma: £1.5bn). APE was resilient at £211m with the acquisition of Quilter International extending Utmost International's leadership position in the international life assurance market.
- **Credit Rating Upgrade:** Fitch Ratings upgraded the Group's Issuer Default Rating ("IDR") to 'A-' from 'BBB+', with a consequent upgrade in the rating of UGP's two public debt issuances. The upgrades are reflective of the Group's leading market position, resilient capital and solvency positions, low leverage ratio and attractive capital generation profile.
- **Quilter International Integration:** Over H1 2022 the Group focused on the integration of Quilter International. The 100-day plan completed in March 2022 and secured early synergies from the acquisition which have resulted in an increase in SII EV and Own Funds. The Group remains on track to complete all integration activity within the 18–24-month timeline set out at acquisition.

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

"After a year in which global markets and investor sentiment rebounded, the first six months of 2022 were marked by a very different backdrop, creating challenges for our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients.

"I was pleased with the manner in which the Group navigated the uncertainties of H1 2022 without deviating from its long-term vision. Thanks to the hard work of our teams and their unflagging enthusiasm, the Group has delivered a solid financial performance and progressed against its core strategic pillars."

Commenting on the results, Ian Maidens, Group CFO, said:

"Utmost Group delivered strong results for the first half of 2022, in a period in which financial markets were volatile as a result of the invasion of Ukraine by the Russian Federation which exacerbated already strong inflationary pressures in the UK, Europe and the United States.

"In the first half of the year, a key focus has been on securing synergies from the integration of the Quilter International business. The integration work is on track to complete in the 18-24-month timeline set out at completion.

"The Group has significant access to capital to support future investment in the business, and the financing of future acquisitions.

"Senior management continue to focus on the economic environment and the impact of heightened inflation. In light of the escalating cost-of-living crisis, we continue to consider our approach to pay across our regions."

Delivering on our KPIs

- **Assets under Administration ("AUA"):** The Group's AUA was £57.6bn, a reduction of 9.6% from the YE 2021 AUA of £63.7bn as a result of negative returns across most asset classes in H1 2022, offset by positive net fund flows from clients. In H1 2022, the Group had net flows of £0.7bn (H1 2021 Pro Forma: £0.6bn; FY 2021 Pro Forma: £1.5bn) reflecting strong client retention in our businesses.
- **Annual Premium Equivalent ("APE"):** APE was £211m in H1 2022, compared to Pro Forma FY 2021 APE of £484m. The Group's performance was resilient in its core markets of the UK and Europe and is well positioned for growth in the key strategic markets of Latin America and Asia, supported by strong advisor relationships and ongoing investment into our proposition.
- **Value of New Business ("VNB"):** Utmost International VNB was £24m compared to Pro Forma FY 2021 VNB of £66m. The 27% reduction in VNB relative to half of the Pro Forma FY 2021 outcome reflects both the reduction in H1 2022 APE compared to the Pro Forma 2021 APE of £484m and changes in the mix of business written resulting in lower average VNB margins than were achieved in 2021.
- **Net Solvency II Economic Value ("SII EV"):** Net SII EV reduced from £2,175m at FY 2021 to £1,691m at HY 2022 principally reflecting the payment of £445m of dividends during the period. Pre-dividend payments, the reduction of £39m in Net SII EV was caused by adverse market movements, coupon payments on the Group's listed loan notes and head office expenses. The impact of these items was partially offset by the VNB achieved in the period.
- **Operating Profit:** Operating Profit for H1 2022 was £78m. This outcome reflects the lower management charges received during the period as a result of declines in the value of unit funds together with some short-term losses on currency positions which hedge Economic Value rather than IFRS profits.
- **Client Retention:** Client retention remained strong with each business' retention above 95%. The commitment to good client outcomes and the provision of excellent service underpins our high retention rates. High client retention is reflected in our strong net flows figures, with clients recognising the long-term benefits of our solutions in a challenging external environment.

Strategic Development

- **Organic Growth:** H1 2022 new business volumes were resilient against an uncertain geopolitical and economic backdrop.
- Utmost Wealth Solutions demonstrated strong performance in the core markets of the UK and Europe. The growth strategy progressed with the launch of a HNW proposition in the key strategic market of France.

- Quilter International has strengthened our position in the key growth regions of Latin America and Asia. Our proposition, strong ties with advisers and enduring focus on customer outcomes will further cement our strong market positions in these regions.
- Longer term trends remain supportive of Utmost's new business growth – demographic trends, a complex savings and investment environment, intergenerational wealth transfer and the shift towards individual responsibility for savings.

Utmost Wealth Solutions Net Flows

£bn	Opening AUA	Inflows	Outflows	Net Flows	Market	Closing AUA
H1 2021 Pro Forma	51.1	2.4	(1.8)	0.6	2.2	53.9
FY 2021 Pro Forma	51.1	4.8	(3.3)	1.5	3.4	55.9
H1 2022 Actual	55.9	2.2	(1.5)	0.7	(5.8)	50.8

- **Acquisition Outlook:** The Group is well positioned for future acquisition activity supported by consistent financial performance, access to capital and supportive shareholders, an experienced team and market-leading integration expertise.
- **Optimised and Efficient Operations:** Over H1 2022 the Group focused on the integration of Quilter International. The 100-day plan secured early synergies from the acquisition which have resulted in an increase in SII EV and Own Funds. It is the securing of these synergies which enable the Group to meet its IRR targets.
- Outcomes of the 100-day-plan include a single, combined Utmost International Isle of Man leadership team with all Isle of Man staff located in a single office, strong progress with the entity mergers in the Isle of Man and Ireland with plans well advanced, commencing the IT migration off Quilter plc systems as well as the full rebrand to Utmost nearing completion.
- **Digital Strategy:** A focus area of the digital strategy is the Group's Online Service Centre, aiming to provide enhanced self-service capabilities to our policyholders and their advisers. The digital strategy will move an increasing proportion of our clients to paperless documentation, which aligns with our sustainability strategy.
- In line with this, our UK business, Utmost Life and Pensions, will launch its new Online Client Service platform, MyUtmost, in September 2022. The platform will enable customers to view policy values, communicate and transact online. As our approach to online servicing matures it will deliver efficiencies to both our policyholders, their advisers and to the Group.
- **Sustainability:** The nature of its insurance and savings solutions means the Group is focused on the long term. Our sustainability commitments reflect this approach. The Group is updating its investment framework to incorporate the expectations of signatories to the UN PRI. The Group continues to focus on initiatives to reduce our operational emissions.

Solvency, Capital, and Leverage

- **Solvency:** The Group maintained its strong solvency position, with a Solvency Coverage Ratio of 193% at 30 June 2022 (FY 2021: 177%) and Group Own Funds of £1,836m. The strength of its balance sheet enables the Group to provide a high level of security to its clients.

- **Conservative Leverage Ratios:** The Fitch financial leverage ratio was 22.5% at 30 June 2022 (YE 2021: 16%) allowing for the RT1 issuance in January and the dividends paid during the period. This is comfortably in the range required to maintain our credit ratings. The Group's SII EV leverage ratio was 29.3% which is within the target range of 20-30% debt to Gross SII EV.
- **Inflation Exposure:** The Group has limited net exposure to changes in inflation and interest rates. The impact of an increase in inflation on Own Funds has partially been offset by the impact of the accompanying increase in interest rates. The stability of the Group's Own Funds and Economic Value during the first half of the year in the face of material changes to markets, interest rates and inflation provide a clear demonstration of this. The Group disclosed its Own Funds sensitivities to interest rates and inflation in its Annual Report 2021. Senior management are closely monitoring the economic outlook including the Group's approach to pay across our regions, in light of the ongoing cost-of-living crisis.
- **Credit Rating:** UGP's Issuer Default Rating was upgraded from 'BBB+' to 'A-', following Fitch's annual ratings review. The upgraded rating resulted in an upgrade of the Fitch ratings of UGP's Tier 2 and RT1 notes to 'BBB-' and 'BB+' respectively. Utmost International's operating subsidiaries maintained their Insurer Financial Strength ratings of 'A' with a Stable Outlook. This reflects the strong capitalisation and stable leverage ratios of the Group.

To read the full report, please click here:

<https://utmostgroup.co.uk/financials/annual-accounts/>

Utmost Group plc will host a bond investor call on Thursday 22 September at 9am BST. Please email ir@utmostgroup.co.uk if you would like to join the call.

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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. £57.6bn of primarily unit linked policyholder assets for around 550,000 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 approx. £52bn assets under administration on behalf of 210,000 policyholders and wrote £4.8bn of new business in 2021.

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 £6bn of assets on behalf of 340,000 policyholders. Utmost Life and Pensions is authorised by the PRA and regulated by the FCA and the PRA.