

Utmost Group plc H1 2021 Results: Strong financial performance, writing £1.3bn of new business and growing assets under administration to £38.1bn, with operating profit of £65m

Utmost Group is a leading provider of insurance and savings solutions operating in the UK and the International insurance markets

3 September 2021

Highlights

- **H1 2021 Results:** Utmost Group plc ("UGP", or together with its subsidiaries, "Utmost Group" or "the Group") delivered a strong financial performance for H1 2021 with £65m of operating profit. Utmost Group's diversified business model enabled it to deliver profitable, sustainable growth as the Group embarks on the next phase of its development.
- **New Business:** Strong new business volumes totalling £1.3bn due to increased activity across the globe as economies emerge from the pandemic. Utmost International continues to focus on client outcomes and proposition development.
- **Acquisition Activity:** The proposed acquisition of Quilter International remains on track for completion in Q4 2021. The Group is progressing the regulatory approvals required to complete the acquisition and work continues at pace planning the integration of the business into Utmost International.

Paul Thompson, Group CEO, commented:

"Utmost Group has enjoyed a strong half-year with assets under administration up over 8% since H1 2020 and record new business volumes. Our colleagues have again demonstrated their commitment and resolve. We have a resilient business model, our financial position is strong and the outlook for the business is positive.

"We announced a significant acquisition in Quilter International in April 2021 and are well positioned to take advantage of further strategic opportunities as these arise, benefiting from the continued support of our shareholders. I look forward to the rest of the year with optimism about what we can achieve for our customers and investors."

H1 2021 Key Performance Indicators

- UGP is pleased to announce strong financial results for H1 2021 with good progress on its KPIs:
 - **Assets under Administration:** Assets under administration ("AUA") were £38.1bn (H1 2020: £35.3bn; FY 2020: £36.7m), an increase of 4% from the start of the year reflecting strong new business volumes and favourable market performance.
 - **New Business:** The Group wrote record new business of £1.3bn in H1 2021, with net flows of £0.2bn. Annual Premium Equivalent ("APE") was £133m in H1 2021 (H1 2020: £88m; FY 2020: £180m) driven by strong performance resulting from the continued global economic recovery, particularly in the UK and Europe.
 - The value of new business of £21m (H1 2020: £19m; FY 2020: £30m) reflects our focus on writing profitable new business and the provision of tailored solutions.

- Net flows in Utmost International were £0.2bn across H1 2021, reflecting the positive impact of the new business.

Figures in £bn

Opening AUA	Inflows	Outflows	Net Flows	Market Movements	Closing AUA
29.3	1.3	(1.1)	0.2	1.2	30.7

- **Operating Profit:** Higher operating profit of £65m (H1 2020: £17m; FY 2020: £85m) is a result of an increase in product fees reflecting stronger market conditions as well as a disciplined approach to expenses.
- **Solvency II Economic Value ("SII EV"):** Gross SII EV is £1,662m (FY 2020 £1,642m), following interest and dividend payments of £53m to UGP's parent company, Utmost Holdings (Guernsey) Limited ("UHGL"). The latter used £44m of the dividends received to pay down bank debt.
- **Client Retention:** Client retention was strong across each business with 97% for Utmost Wealth Solutions, 98% for Utmost Life and Pensions and 96% for Utmost Corporate Solutions. The provision of good client service and the positive outcomes delivered by our products underpin high retention rates.

Group Solvency

- UGP's Solvency Coverage Ratio remains strong at 178% at 30 June 2021 (FY 2020: 183%) with surplus capital of £559m (FY 2020: £573m) following £53m cash remittances to UHGL.
- UGP's solvency metrics are shown in the table below:

	H1 2021	FY 2020
Own Funds	£1,279m	£1,262m
Solvency Capital Requirement	£720m	£689m
Surplus above SCR	£559m	£573m
Solvency Coverage Ratio	178%	183%

Leverage Ratio

- UGP's leverage ratio remained stable with £300m of Tier 2 loan notes issued by UGP and held by UHGL representing only 18% of Gross SII EV. At UHGL level, the outstanding bank debt reduced from £279m to £235m during the first half of 2021.

Credit Ratings

- In July 2021, Fitch Ratings affirmed the Group's credit ratings. Utmost PanEurope dac, Utmost Limited and Utmost Worldwide Limited are rated 'A' (Strong) for Fitch's Insurer Financial Strength Rating. The group holding company, Utmost Group plc, has an Issuer Default Rating of 'BBB+'. The outlooks remain stable.

Update on the Acquisition of Quilter International

- Following the announcement of the proposed acquisition of Quilter International in April 2021, the Group is finalising the regulatory approvals required to complete the acquisition. Planning is underway for the integration of the Quilter International business into Utmost International.
- Utmost Group notes the strong recent performance of Quilter International in H1 2021, announced in Quilter plc's H1 2021 results, and looks forward to welcoming its customers and employees to the Group. The Group expects the acquisition to close in Q4 2021.

Our Progress on Sustainability

- The Group has progressed its sustainability agenda in the first half of the year and has approved targets to reduce the carbon emissions from its investment portfolio, aiming to halve emissions by 2030 and to be net zero by 2050. Addressing climate change risk is at the heart of our strategic agenda.
- The Group has offset its own operational carbon emissions for 2020 through a Tree Buddying Scheme in partnership with Carbon Footprint Limited. As part of the project, the Group has arranged to plant a tree for each employee. A tonne of carbon will be offset for each tree planted through verified carbon standard approved carbon credits.
- We are working towards embedding climate risk into our risk processes by H1 2022 and are looking to enhance our sustainability reporting in 2022.

Board Appointments

- The Board was pleased to announce the appointment of an independent non-executive director, Gavin Palmer.
- A candidate has been identified to perform the role of non-executive Chairman, who will be independent on appointment. The candidate will be appointed on receipt of regulatory approval, which is expected before the end of 2021.
- The new appointments will strengthen the Board, complementing the experience of the existing directors. The appointments reinforce the culture of strong governance and risk management as the Group embarks on the next phase of its development.

Please note: Utmost Group Limited was reregistered as Utmost Group plc on 19 July 2021

Appendix

- Utmost Group plc Consolidated Financial Accounts for the six months ended 30 June 2021

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 over £38bn of primarily unit-linked policyholder assets for over 500,000 customers. Utmost Group plc is group regulated 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 £31bn assets under administration on behalf of 130,000 policyholders and wrote £1.8bn new business in 2020.

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. It looks after 380,000 customers and manages £7bn of assets under administration. Utmost Life and Pensions is authorised by the PRA and regulated by the FCA and the PRA.

UTMOST GROUP PLC
CONSOLIDATED FINANCIAL ACCOUNTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

UTMOST GROUP PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	6 months to 30 June 2021	Year to 31 December 2020
	£'000	£'000
Revenue		
Fees and charges receivable	87,680	162,621
Net premiums earned	30,884	67,944
Other income	2,367	9,348
	120,931	239,913
Investment return	1,989,879	1,632,153
Policyholder claims	(97,132)	(196,970)
Transfer from unallocated surplus	(12,391)	9,975
Change in insurance contract liabilities	339,468	(230,821)
Change in investment contract liabilities	(2,202,366)	(1,216,267)
	(1,972,421)	(1,634,083)
Commission and expenses		
Administrative expenses	(57,558)	(114,412)
Commission and advisor fees	(21,228)	(44,444)
Amortisation of acquired value of in-force business	(25,422)	(52,802)
	(104,208)	(211,658)
Gain arising on bargain purchases	-	86,176
	34,181	112,501
Profit for the period / year before interest and tax		
Finance costs	(9,453)	(10,276)
	24,728	102,225
Profit for the period / year before tax		
Tax charge	(6,356)	(22,833)
	18,372	79,392
Profit for the period / year after tax		
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Change in fair value of financial assets at fair value through OCI	(3,433)	4,243
Foreign currency translation movements in the year	(16,029)	10,329
<i>Items that will not be reclassified to profit and loss</i>		
Fair value movements of owner occupied land and buildings	-	(150)
Re-measurement on retirement benefit asset	2,736	(3,381)
Shareholder tax on items that will not be reclassified subsequently to profit and loss	283	(120)
	1,929	90,313
Total comprehensive income for the period / year	18,372	79,392

UTMOST GROUP PLC

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	30 June 2021	31 December 2020
Assets	£'000	£'000
Acquired value of in-force business	450,877	483,144
Deferred acquisition costs	51,024	44,516
Other intangible assets	563	608
Property, plant and equipment	21,284	20,755
Reinsurers' share of insurance contract liabilities	1,208,220	1,233,992
Withholding tax asset	101,754	114,718
Deferred tax asset	5,891	7,725
Financial assets at fair value held to cover linked liabilities	36,545,752	35,089,618
Other investments	2,125,365	2,279,887
Other receivables	165,697	144,817
Deposits	5,109	10,000
Assets held for sale	-	3,450
Cash and cash equivalents	293,858	278,452
Total assets	40,975,394	39,711,682
Liabilities		
Investment contract liabilities	36,004,216	34,312,054
Insurance contract liabilities	3,268,098	3,635,177
Reinsurance liability	32,988	40,469
Unallocated surplus	108,465	96,470
Borrowings	302,490	302,564
Deferred tax liabilities	35,799	38,780
Reinsurance payables	148,249	134,098
Payables related to direct insurance contracts	21,197	26,337
Deferred front end fees	57,068	52,256
Other liabilities	188,379	222,032
Total liabilities	40,166,949	38,860,237
Capital and reserves		
Share capital	100,000	100,000
Retained earnings	710,849	733,458
Other reserves	1,996	6,358
Foreign currency translation reserve	(4,400)	11,629
Total equity	808,445	851,445
Total equity and liabilities	40,975,394	39,711,682

UTMOST GROUP PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital £'000	Retained earnings £'000	Other reserves £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 January 2020	1,206,548	(274,261)	1,186	1,300	934,773
Profit for the year	-	79,392	-	-	79,392
Foreign currency translation movements in the year	-	-	-	10,329	10,329
Re-measurement on retirement benefit asset	-	(3,381)	-	-	(3,381)
Amounts that may be reclassified subsequently to profit and loss	-	-	4,243	-	4,243
Distributions paid	-	(174,574)	-	-	(174,574)
Other movements	-	(266)	929	-	663
Share capital reduction	(1,106,548)	1,106,548	-	-	-
Balance as at 31 December 2020	100,000	733,458	6,358	11,629	851,445
Profit for the period	-	18,372	-	-	18,372
Foreign currency translation movements in the period	-	-	-	(16,029)	(16,029)
Re-measurement on retirement benefit asset	-	2,736	-	-	2,736
Dividends paid	-	(44,000)	-	-	(44,000)
Amounts that may be reclassified subsequently to profit and loss	-	-	(3,433)	-	(3,433)
Other movements	-	283	(929)	-	(646)
Balance as at 30 June 2021	100,000	710,849	1,996	(4,400)	808,445

UTMOST GROUP PLC

NOTES TO THE FINANCIAL ACCOUNTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. Basis of preparation

The financial accounts for the six months ended 30 June 2021 have been prepared on a basis consistent with the accounting policies adopted and applied in preparing the 31 December 2020 audited financial statements.

On 1 October 2020 there was a restructure of the wider Utmost group which resulted in the Utmost International and Utmost UK entities being combined into the same group structure under Utmost Topco Limited (an indirect parent company). The Group restructure is accounted for using the principles of predecessor accounting in accordance with the accounting policy choice available under IAS 8 — ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Under predecessor accounting the financial statements for the year ended 31 December 2020 are presented on the basis that the reorganisation had occurred before the start of the earliest period presented. Given the restructure occurred on 1 October 2020 there are no comparatives available covering the period 1 January 2020 – 30 June 2020.