ISSUED 19 SEPTEMBER 2019

PROVIDER SECTOR

Curtis Banks Group

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level (i.e. the elements and functions of an organisation which operate to specifically deliver and manage a proposition or service to the customer), specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.

TABLE OF CONTENTS

CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B
FINANCIAL STRENGTH RATED
PROVIDER SECTOR STRONG
CURTIS BANKS LTD

AKG B
FINANCIAL STRENGTH RATED
PROVIDER SECTOR STRONG
SUFFOLK LIFE PENSIONS LTD

Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Curtis Banks Ltd	▣	▣	▣	★★★★	★★★★	★★★★★
Suffolk Life Pensions Ltd	▣	▣	▣	★★★★	★★★★	★★★★★

SUMMARY

- Curtis Banks is a specialist pensions business which has grown its market footprint significantly over the last decade
- This growth has included an acquisitive strategy.
- The acquisition of Suffolk Life in 2016 with a successful AIM fundraising in particular brought additional scale to the business, doubling assets under administration, without significant negative impact on operating or financial performance; and provides the opportunity to develop revenue and make further margin enhancements
- Considerable work has now been completed on integrating acquired businesses and, whilst still alert to acquisitions, Curtis Banks has entered a phase of delivery and organic development as a single business
- Developments have included the establishment of greater in-house Group capabilities via the launch of two new companies, offering a range of legal and property services to deliver a more single Group solution for intermediaries, as well as creating efficiencies and deriving diversified revenue from more of the proposition value chain
- Whilst both Curtis Banks Ltd and Suffolk Life Pensions Ltd remain as the key corporate entity components, the operational composition of the business has been harmonised, with increasing use of the overarching Curtis Banks brand, single proposition development and with the business managed under a single management structure
- Capital adequacy under the new SIPP reporting regime has been maintained against the backdrop of a series of acquisitions
- Group AuA stood at £24.8bn as at 31 December 2018
- A new sales team and a new SIPP proposition, Your Future SIPP, have been developed, both of which became fully operative in 2019
- Your Future SIPP draws on the component strength from the constituent businesses, translated into a single offering, promoted and administered and managed accordingly, with other products moved to heritage status
- Will Self was appointed as Group CEO in January 2019, with Rupert Curtis maintaining an active role as Founder and Senior Adviser

COMMENTARY

Financial Strength Ratings

Curtis Banks has made several acquisitions in recent years, with the purchase of Suffolk Life seeing the business change significantly, bringing the two operations together and enhancing future growth prospects.

Funds for these have been raised through a series of corporate actions - the IPO and AIM listing put 25% of the Group's enlarged share capital into public hands and raised approximately £7.5m gross, and in January 2016 Curtis Banks Group plc (CBG) raised £27m in equity towards the purchase of the Suffolk Life Group for £45m. Being AIM listed also brings the potential for access to further funding, along with improved transparency and clearer governance procedures.

In 2016 CBG also borrowed £23m for the acquisition of Suffolk Life, comprising a £15m term loan repayable over 5 years and a revolving credit facility of £8m. Interest on this debt accrues at the rate of 2.25% plus LIBOR. The debt continues to be repaid in line with scheduled terms and the covenants required by the bank in respect of this gearing are covered. As at 31 December 2018 CBG had net shareholder cash (after debt) of £13.6m [31 December 2017: £8.1m].

The AIM funding and debt raising to support the Suffolk Life acquisition is now shown on the Group balance sheet. The consolidated Group shareholder funds increased to £49.7m [2017: £44.6m].

Curtis Banks publishes details of the Group's regulatory capital position and requirements, and reports that CBG, on a consolidated basis, and Curtis Banks Ltd (CBL), Suffolk Life Pensions Ltd (SLP) and Suffolk Life Annuities Ltd (SLA), fully comply with the regulatory changes to capital adequacy requirements for SIPP operators which became operative in September 2016.

At 31 December 2018 the total regulatory capital requirement across the Group was £11.6m [31 December 2017: £11.4m] and the Group had an aggregate surplus of £18.0m [December 2017: £13.1m] across all regulated entities. It is Group internal policy for regulated companies within the Group to hold at least 130% of their regulatory capital resulting in aggregate surplus after this buffer of £14.5m [December 2017: £9.0m].

Total Group assets included cash and cash equivalents of £432m [2017: £438m]. Shareholder cash balances also increased to £28.0m [2017: £25.7m].

At Group level, the inflow from operating activities was £28.4m [2017: £29.4m] in 2018; £23.2m was employed [2017: £14.9m] in investing activities and £11.5m was employed [2017: £24.2m] in financing activities, resulting in a decrease in cash of £6.3m [2017: £9.7m decrease].

The organisation is increasingly operating under the overarching Curtis Banks brand, whilst utilising both the CBL and SLP entities.

Curtis Banks Ltd

CBL has grown rapidly over recent years, expanding the SIPP and SSAS administration business through both acquisition and continued organic growth. The addition of Suffolk Life doubled CBG's assets under administration and brought significant scale to the Group together with associated challenges, which to date, look to have been dealt with well.

The integration of the acquired businesses has progressed well, with the components now organised into a coherent single organisation. A single management structure is now in place under the Curtis Banks brand and Your Future SIPP was launched in 2019, supported by a new enhanced Group Sales function.

Risk exposure to historic liabilities has been minimised by acquiring books of business (and the associated trust companies holding the assets) rather than acquiring directly the SIPP provider company, although Suffolk Life was a share purchase transaction.

The company was holding 134% of its required regulatory capital as at 31 December 2018 [2017: 168%].

Suffolk Life Pensions Ltd

Suffolk Life Group Ltd, comprising SLP and SLA is an important business within CBG. It represents around half of the current Group AuA and is expected to be an instrumental element as Curtis Banks continues its strategy of controlled growth, primarily organically, re-establishing margins and preserving capital.

Whilst Suffolk Life benefited initially from its ownership by Legal & General Group plc, it suffered as Legal & General changed focus to move growth attention away from the intermediated sector and disposed of activity related to a higher net worth client base.

The acquisition by Curtis Banks sees a much smaller parent in terms of size and resources but one with greater commitment to both the SIPP market and to Suffolk Life.

Suffolk Life's regulatory capital position and requirements is now published and reported within CBG's Report & Accounts, which state that the Group on a consolidated basis, and each of CBL, SLP and SLA on an individual basis, fully comply with the new regulatory changes to capital adequacy requirements for SIPP operators which became operative in September 2016. SLP was holding 156% of its required regulatory capital as at 31 December 2018 [2017: 137%].

SLA, as an insurer, moved to Solvency II reporting as of 1 January 2016.

Service Rating

High levels of repeat business are experienced from the regulated advisory firms with whom CBG has long-standing relationships, and Curtis Banks takes this as an indicator of good levels of satisfaction with the service that it provides.

Between Curtis Banks and Suffolk Life the organisation has received a number of product and service related awards. Anecdotal reports and internal records indicate a solid service foundation, regular senior review of this information allows action to be taken where required in order to maintain a high level of service.

CBG says it has built its reputation on high levels of service and it maintains and publishes service level standards in its brochures.

To maintain this through the period of change, work has included an emphasis on employee engagement and activity to support a combined culture from the component staff groups. Evidence from staff survey tools and external customer service metrics appear to support success in this.

For the future an increasing digital foundation and capability is underlined by the business.

Image & Strategy Rating

CBG's stated ambition is to be the most successful dedicated SIPP provider in the UK, growing through acquisitions and organic new business. CBG had over 77,000 SIPP clients as at 31 December 2018, with a route to 100,000 mapped out.

The primary brands in the business have previously been Curtis Banks and Suffolk Life, which each have strong and distinct adviser relationships and part of the rationale behind the Suffolk Life acquisition was the limited crossover of such relationships, with the additional opportunity for business synergies post acquisition. No new business is being written in other, previously acquired, brands.

2018 saw a move towards greater harmonisation, however under the Curtis Bank name. This included the development of a single sales force and propositional improvements, which went live in 2019. This development is set to continue with Curtis Banks being the overarching brand, albeit with the Suffolk Life name still in existence.

In terms of proposition, the business has four key product sectors: Full Sipp, Mid Sipp, e-Sipp and third-party arrangements. Going forward the Group plans to rationalise but ensure it has a key product in each sector. The Group owns 6,000 commercial properties through its SIPPs and outsources many management functions such as conveyancing, valuations, rent reviews etc. where Suffolk Life's expertise could be developed further across the brands.

CBG continues to follow a high growth strategy illustrated by its completed acquisitions over the past 10 years and, with strong organic growth and an increase in introducers and staff numbers, it has some track record of achievement and good momentum in the market currently.

There remains a strategy for Group growth, realising the full potential of the past acquisitions and building on the enhanced size and capability for future organic and acquisitive growth.

CBG is working towards five strategic objectives:

- Meet changing customer needs - adapting to the changing needs of the UK population and regulatory environment to be the SIPP provider of choice.
- Capitalise on the right opportunities for growth - focus on profitable areas of organic market growth and selective acquisitions of well-aligned books or businesses, with a clear business identity.
- Enhance revenue generation - extend proven revenue generation activities across the wider Group and continually review fee income relative to the services provided.
- Drive efficiency through technology - continue technology advances appropriate to the business to deliver improved margins through efficiency and improved service to customers.
- Maintain a robust and sustainable business model market leading governance, capitalisation and robust systems to ensure a sustainable long term business and confidence for business partners, customers and shareholders.

In addition to enhancing the Group in terms of size and growth opportunities, the acquisition of Suffolk Life was also a key component in its succession planning.

CBG continues to invest in improving its SIPP operating system in order to increase operational efficiency and provide improved online functionality, and looks well placed to take advantage of the changing SIPP market place.

Business Performance Rating

2018 was a year of transition for the Group. A new brand was launched, consolidating under a single identity. In April, Jane Ridgley was appointed as Chief Operating Officer of the Group.

Curtis Banks focussed on 5 key deliverables:

- New single SIPP proposition - Your Future SIPP was launched in February 2019, replacing the existing product range with a combined offering
- New national sales function - headed by Group Sales Director, Dave Stratton, distributing Your Future SIPP
- Expanding commercial property expertise further into the UK with the launch of two new companies
- GDPR - successful implementation of a framework throughout the Group
- IT Strategy - continued progress in simplifying the IT infrastructure.

Financial highlights were as follows:

- Operating Revenue increased by 6% to £46.1m [2017: £43.6m]
- Adjusted pre-tax profit increased by 13% to £12.1m [2017: £10.7m]
- Adjusted operating margin increased to 27.1% [2017: 25.8%], heading towards the 30% target
- Profit before tax increased by 72% to £10.1m [2017: £5.9m]
- 9% gross organic growth in SIPP numbers, with 77,739 administered [2018: 76,474] a net addition of 1,265 schemes
- Group assets under administration increased by 0.4% to £24.8bn [2017: £24.7bn]
- The total number of SIPPs administered increased from 76,474 to 77,739; 20,450 [2017: 20,539] Full SIPPs, 26,354 [2017: 24,682] Mid SIPPs, 22,935 [2017: 22,193] eSIPPs and 8,000 [2017: 9,060] SIPPs under TPA (third party administration) contracts. Additionally there were 326 [2017: 328] SSASs.

Group & Parental Context

BACKGROUND

Curtis Banks Group plc (CBG) trades primarily under the Curtis Banks name with some residual use of Suffolk Life.

CBG commenced trading as a pensions administrator in June 2009. The business was headed by Chris Banks, Rupert Curtis and a senior team with over 30 years of SIPP and SSAS development experience, and has grown through a combination of organic growth and acquisitions into one of the largest UK providers of these products.

In May 2015, the Group completed an IPO with a market capitalisation of approximately £85m, since increased to around £150m and CBG (LON: CBP) was admitted to the London Alternative Investment Market (AIM).

In May 2016, Suffolk Life was acquired by CBG; this was a similar sized business to CBL, managing around 26,500 SIPPs with c£8.7bn of AuA at that time.

CBG currently employs approximately 600 staff in its head office in Bristol and regional offices in Ipswich and Dundee, the office network having been rationalised down to three sites. January 2017 saw the closure of the Chilmark office, part of the EPML acquisition, whilst the Market Harborough office (part of the Pointon York acquisition) was also closed in January 2018.

CBL and SLP, the Group's principal trading subsidiaries, are authorised by the FCA to provide trust-based SIPP products. SLA is regulated by the PRA and the FCA to provide insurance based SIPP Products.

Two new companies have been formed to deliver a more single Group solution for intermediaries as well as creating efficiencies and deriving revenue from more of the proposition value chain, so extending services to include legal, management, inspection and valuation to customers with SIPPs invested in CBG's 6,000 strong commercial property portfolio:

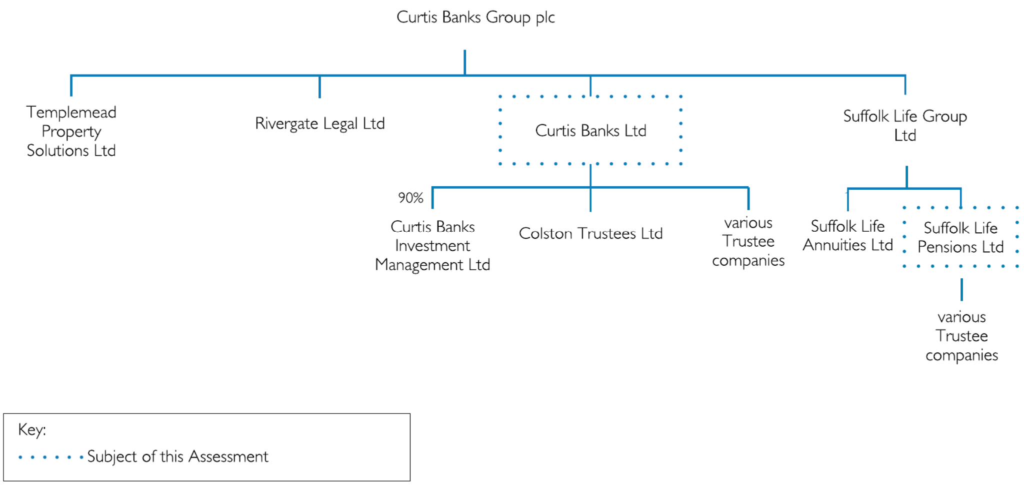
- Rivergate Legal Ltd - a legal services company
- Templemead Property Solutions Ltd - a property management company

In December 2018, Curtis Banks announced the completion of the purchase of wealth manager Hargreave Hale's book of SIPPs, which comprised of 578 SIPPs invested in assets valued at circa £180m.

The current corporate structure of Curtis Banks is shown over the page. Colston Trustees Ltd and Curtis Banks Investment Management Ltd (CBIM - 90% owned provider of financial advice to employees of Curtis Banks and around 80 external clients) were part of the original Group. When books of SIPP/SSAS business were acquired, the related trustee / nominee company holding the SIPP assets were usually acquired also and became subsidiaries of the Group.

CBG seeks to improve efficiencies in the back office and integrate activities across business locations which it is managing through joint project teams - streamlined processing and increased functionality is sought on all products from eSIPPs through to full SIPP. This may lead to a further assessment of the Group's ongoing IT needs in due course.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Curtis Banks Ltd

BASIC INFORMATION

Company Type
Non-insured SIPP Operator

Ownership & Control
Curtis Banks Group plc (CBG)

CBG has no majority owner/controller. Senior management have been reducing their shareholding in recent times, with 7.1m shares sold in April 2018 for £20m. The percentage of CBG's securities in public hands as at 31 December 2018 was 54%. The primary shareholders at that date were Group directors C Banks (27.2%), R Curtis (11.8%) and P Tarran (6.5%), with Liontrust Investment Partners LLP holding 12.2%, BlackRock Inc 9.1%, Canaccord Genuity Group Inc. 6.0% and Pie Funds Management Ltd 3.5%.

Year Established
2008

Country of Registration
UK

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Key Personnel

Role	Name
Group Chairman	C A J Macdonald
Group Chief Executive Officer	W A Self
Group Chief Financial Officer	D Cowland
Group Chief Operating Officer	J A Ridgley
Group Commercial Director	J R Scott
Group Communications Director	G J Kingston
Group Sales Director	D Stratton
Group Human Resources Director	S Pullin
Group Head of Legal	G Millard
Chief Risk Officer	I C Stone
Chief Information Officer	N T Rodgers
Finance Director, Suffolk Life	R A K Chester
Founder & Strategic Adviser	C Banks
Founder & Strategic Adviser	R Curtis

Company Background

CBL was established in 2008 as Banks Pensions plc. Following a name change in March 2009 to Curtis Banks plc, it commenced trading in July 2009, becoming Curtis Banks Ltd in July 2013. It is a provider of pension administration services principally for SIPPs and SSASs, and a third party administrator for other SIPP providers. It is regulated by the FCA.

Currently one of the two main trading entities operating within CBG, CBL remains the operator and administrator of the Curtis Banks SIPP schemes, with Colston Trustees Ltd acting as trustee to the main Curtis Bank SIPP. CBL has a number of additional wholly owned trustee business subsidiaries (Montpelier Pension Trustees Ltd, Tower Pension Trustees Ltd, Tower Pension Trustees (S-B) Ltd, Crescent Trustees Ltd, Final Pursuit Ltd, SPS Trustees Ltd and Temple Quay Pension Trustees Ltd) which were generally acquired when books of SIPP and SSAS business were bought from the then owners of those trustee companies. Sibling company CBIM (90% owned by CBG) is a small company which provides financial advice, and is regulated by the FCA.

CBG has typically bought SIPP and SSAS books from other providers, through CBL. Key acquisitions include assets from: Montpelier Pension Administration Services Ltd (MPAS) completed in May 2011; Alliance Trust Savings Ltd (ATS) in January 2013; Pointon York SIPP Solutions Ltd (PY) in October 2014; Rathbone Pension and Advisory Services Ltd (Rathbones) in December 2014; and Friends Life Ltd (FLL) in March 2015. CBL has also entered into contracts to administer SIPPs on behalf of third parties: the FLL acquisition included an element of TPA and a similar one to manage around 10,000 SIPPs for Zurich commenced in October 2015.

OPERATIONS

Governance System and Structure

CBG operates several committees and complies with the UK Corporate Governance Code 'where practicable'. Governance generally is managed via quarterly Group and company board meetings (Operational and Compliance reports are submitted to the Group board); monthly senior management meetings across the offices; and monthly Investment Committee meetings are only one of several governance meetings held monthly.

The Executive Committee was created in April 2017, comprised of managers from both Curtis Banks and Suffolk Life. This team oversees the Group and manages the changes needed to improve service and to increase operating margins. CBG reports that having a team acting with a common Group purpose has already yielded results, such as standardised operating procedures and aligned risk management.

On 28 August 2018, the board of CBG decided to fully adopt The Quoted Companies Alliance (QCA) Corporate Governance Code (2018 edition) (the QCA Code), believing that this code provides the right governance framework for a company of its size in which it can continue to develop its governance model to support its business.

The corporate governance principles contained in the QCA Code are as follows:

- Establish a strategy and business model which promote long-term value for shareholders
- Seek to understand and meet shareholder needs and expectations
- Take into account wider stakeholder and social responsibilities and their implications for long-term success
- Embed effective risk management, considering both opportunities and threats, throughout the organisation
- Maintain the board as a well-functioning, balanced team led by the chair
- Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
- Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
- Promote a corporate culture that is based on ethical values and behaviours
- Maintain governance structures and processes that are fit for purpose and support good decision making by the board
- Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

CBG considers that it undertakes robust due diligence on non-standard investments, and that the nature of the investments it is prepared to accept into SIPPs puts it in a strong position, with regards the current regulatory scrutiny on the nature of the assets held within SIPPs.

Paul Tarran notified the Board that he intended to stand down by the end of 2019. Following a process to identify and recruit a successor, Dan Cowland was appointed as Chief Financial Officer in July 2019.

Risk Management
Curtis Banks operates a single Group wide Risk Register.

Monthly management information is shared with a focus on key risks and the control procedures to manage them. The key risk identified are:

- Dependence on key executives and personnel
- Risks related to acquisitions
- Regulatory risks
- Interest on client funds
- Reliance on Information Technology systems
- Operational Risk and Internal control systems
- Online security

Investment risk is managed through the Investment Committee which meets once a month, and ongoing reviews and prudent management of non-standard investments (NSI) is undertaken. CBG has a published list of investments not accepted. Agreements are in place with all DFMs brokers and platforms in terms of permitted investments. Prudent management of NSIs has been built into the processes.

During the year ended 31 December 2017, CBG continued and completed the review of its operating systems, concluding that the most cost effective, appropriate and lowest risk solution was to implement a material upgrade of its existing back office operating system. As a result of this decision, costs of approximately £2.1m incurred and capitalised on the initial development, installation, evaluation and testing of an alternative system over recent years were written off as an exceptional impairment charge in 2017. Other than £0.1m, all costs were originally incurred in accounting periods up to and including the year to 31 December 2016. There remain risks associated with the reliance on IT and development of new systems which are closely managed within project teams.

Business continuity processes are well established and saw a refresh in 2018 with 'business as usual' / disaster recovery testing annually.

Administration
Following rationalisation Curtis Banks operates from three locations: a Head Office in Bristol; a further administrative office arising from the ATS acquisition in Dundee and the former Suffolk Life office in Ipswich. Whilst originally intending to keep Market Harborough, in 2017 CBG announced it was in talks to close the office down, effected in January 2018.

Servicing is provided via specialised administration teams that deal with investments, benefits, property, etc. There is also a team of Client Account Managers who hold relationships with intermediaries in order to support and provide additional oversight to the servicing proposition. This is supplemented by support teams in compliance, treasury accounts (with over £1bn of investor cash assets, treasury operations are an important aspect of service and revenue for CBL and its 'virtual banking system' supports this) and other business support / training requirements.

In December 2017, CBG completed the review of its operating systems and decided to implement a material upgrade of the existing Curtis Banks operating system and to continue to use the Suffolk Life back office system.

The Group has undertaken significant project work since 2017 to materially upgrade its back office operating systems, front end portal and to unify the presentation of its offering with a single web presence.

Priority within this has been given to the front end portal and website work ahead of the work to upgrade the back office systems in order to deliver key customer enhancements linked to the launch of Your Future SIPP, which runs on the Navision Platform.

The use of the Navision Platform and the launch of Your Future SIPP represent a key stage in unified product and administrative development for the Group since its strategy of integrating the formerly separate Curtis Banks and Suffolk Life business began.

Staff numbers decreased to 558 [2017: 597], reflecting the closure of the Market Harborough office during the year offset by organic growth of staff numbers to service increasing SIPP numbers and the expanded sales team.

Benchmarks

Curtis Banks has featured in some recent awards including its shortlisting in the 2018 Retirement Planner Awards for Best SIPP Service and in the 2018 Money Age Awards for Best SIPP Provider of the Year. It has also achieved a 2018 5 star Moneyfacts rating for SIPP and SSAS propositions. The Curtis Banks SIPP is also 5 star rated by Defaqto.

Outsourcing

Across the wider Group, and relating to the property held in SIPPs, property management functions are currently outsourced: conveyancing, valuations, rent reviews, inspections. Scope exists to turn these into in-house, revenue generating activities, but the development of these currently remains at a very early stage.

STRATEGY

Market Positioning

Curtis Banks has a good reputation as a specialist pension provider amongst UK intermediaries. It focuses mainly on the development of professional relationships within the intermediated channel for SIPP and SSAS administration, building B2B connections via a network of BDMs. This has grown under Dave Stratton, who was appointed as Group Sales Director in January 2018. The whole of the UK is covered with further office-based staff in support along with internal resource including Risk & Compliance and technical support. Key relationships include the likes of St. James's Place, Brewin Dolphin and Brooks Macdonald, providing sources of organic new business.

There are three areas of strategic focus: organic sales, acquisition opportunities, diversifying revenue streams.

CBL acts as administrator and trustee to SIPP products provided by third party partners, such as St James's Place (SJP) where CBL administers around 1,400 schemes. In November 2015 a 10 year deal with Zurich commenced, with CBL taking over from Capita as white label administrator for Zurich's SIPP business. Other partners that CBL works on behalf of, some as legacy books, include Aviva. CBL does not market a direct to client offering but will accept direct business subject to enhanced checks - less than 5% of clients take out a SIPP without a financial adviser.

2017 and 2018 saw good progress against CBG's strategic objectives designed to ensure it realises the benefits of its acquisitions, markets itself more efficiently and continuously look for ways to grow revenues.

As part of the focus on growing revenues CBG is also enhancing its property administration services, including the launch of a new company, and continues to explore ways in which it can capture the opportunities within the SIPP administration industry. One of the major activities in 2018 was the standardisation of its service offerings.

The strategic focus remains on the Full and Mid SIPP market.

A new online portal was launched to directly support 'Your Future SIPP'.

Proposition

February 2018 saw the launch of the new corporate branding which brings one consistent identity to all businesses within the Group, a key strategic objective following the acquisition of Suffolk Life. 2018 saw the introduction of a new Group website, which reflects this new brand identity and brought forward work to upgrade its front-end portal for its customers, in order to 'improve the customer and adviser experience'.

CBG continues to invest in enhancing its SIPP operating system in order to increase operational efficiency and provide improved online functionality, and looks well placed to take advantage of the changing SIPP market place to continue controlled growth both organically and by acquisition whilst restoring margins and preserving capital.

The new SIPP proposition, Your Future SIPP, is administered by SLP and was launched in February 2019 and draws on the component strength from the constituent businesses, translated into a single offering, promoted and administered and managed accordingly, with other products moved to heritage status. Curtis Banks considers this development to be 'the culmination of the Suffolk Life integration, as the product combines the best features of both companies' services into one industry leading proposition'.

Your Future SIPP has been designed to provide all the choice and functionality that is required from a SIPP, providing access to virtually the whole of market investment platforms, brokers and discretionary managers, including Curtis Banks' commercial property proposition. Your Future SIPP delivers a single suite of products across the Group and provides enhanced functionality. This also in time will enhance the functionality of existing products.

Curtis Banks also invested in its sales team and digital portals throughout 2018 and a new sales team was also fully operational in early 2019,

Curtis Banks operates a website and secure portal with back office servicing and systems for each product line and experienced staff to support the systems. SIPP Pro from Delta Financial Systems is the back office currently used.

Curtis Banks seeks to improve efficiencies in the back office and integrate activities across business locations which it is managing through joint project teams - streamlined processing and increased functionality is sought on all products from eSIPPs through to full SIPP. The acquisition of Suffolk Life has led to a further assessment of the Group's ongoing IT requirements to be undertaken and this remains in progress.

Quilter Cheviot lists Curtis Banks as a SIPP operator with which its discretionary fund management (DFM) services can dovetail.

Over 6,000 commercial properties are held across all SIPPs in the Group. Curtis Banks states it has helped farmers acquire agricultural land and large SSAS clients to build and develop commercial real estate. A panel of legal firms has been established to assist clients in this process.

CBG pays interest on client cash at a pre-determined percentage and makes a margin by generating interest income in excess of that paid. CBG has a dedicated Treasury function that continually monitors all client deposits and runs a virtual banking system to improve the efficiency of the treasury facility. Suffolk Life was added to this system during 2016.

Curtis Banks states that it has taken a prudent approach to its legacy book, composed of its own SIPPs as well as a large number of historic acquisitions, and has undertaken a detailed review of this business. It considers that there are areas where it will need to take remedial action but that these are limited. It is now undertaking a comprehensive data cleanse with regards Commercial Property.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2018

Capital Resources Disclosures

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Available capital resources	4.9	7.5	6.1
Capital resources requirement (CRR)	4.1	4.5	4.6
Excess capital resources	0.8	3.0	1.5
CRR coverage ratio (%)	120	168	134

Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital. During 2016, when the new capital adequacy requirements for SIPP operators came into effect (from 1 September), CBL received £4m by way of a share subscription from CBG to maintain an appropriate level of capital. Although as at December 2016 it reported 120% coverage, short of the internal target, this subsequently increased to 168% as at 31 December 2017, before reducing to 134% as at 31 December 2018.

Statement of Financial Position

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Assets	27.5	28.3	28.7
Current liabilities	(8.1)	(9.4)	(9.9)
Long-term liabilities	(1.1)	(0.8)	(0.1)
Net assets	18.4	18.1	18.7

Statement of Changes in Equity

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Equity at start of period	11.4	18.4	18.1
Movement due to:			
Share capital and premium	4.0	0.0	0.0
Retained earnings	2.9	(0.5)	0.2
Other	0.1	0.2	0.4
Equity at end of period	18.4	18.1	18.7

Balance sheet net assets/total equity, remained healthy at £18.7m in 2018 [2017: £18.1m], with dividends paid of £4.0m [2017: £2.5m] lower than post-tax profits for the year of £4.2m [2017: £2.0m]. £4m of new ordinary share capital had been received from CBG in 2016 to fund additional regulatory capital requirements. Some non-voting preference shares had been issued in prior years, predominantly to fund the business combinations. During 2015 all preference shares issued by CBL were redeemed and those not already held by CBG were acquired by them. All shares were subsequently converted into ordinary shares.

Total assets included a large but reduced proportion of intangible assets of £11.6m [2017: £12.1m] which mainly comprised the value of all the acquired client portfolios of £11.4m [2017: £11.7m].

Income Statement

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Revenue	19.1	20.8	21.9
Other operating income	0.0	0.0	0.0
Operating expenses	(14.8)	(19.0)	(16.8)
Operating profit (loss)	4.3	1.8	5.1
Other gains (losses)	0.0	0.0	0.0
Profit (loss) before taxation	4.3	1.8	5.2
Taxation	(0.5)	0.2	(1.0)
Profit (loss) after taxation	3.9	2.0	4.2
Other comprehensive income	0.0	0.0	0.0
Dividends	(1.0)	(2.5)	(4.0)
Retained profit (loss)	2.9	(0.5)	0.2

Financial Ratios

	Dec 16 %	Dec 17 %	Dec 18 %
Operating margin	23	9	23
Pre-tax profit margin	23	9	24
Employee costs as a % of revenue	50	51	50

Revenue increased by 5.6% to £21.9m in 2018 [2017: £20.8m] due to organic growth with new Full and Mid SIPP numbers increasing by 11% to 2,504 and new eSIPPs by 9% to 823. The number of SIPPS administered by CBL at 31 December 2018 totalled 24,987 Full and Mid SIPPs, 9,467 eSIPPs and 6,983 SIPPs administered under TPA contracts. Attrition levels on Full SIPPs and eSIPPs remained at 6%. The high attrition levels (13%) on TPA SIPPs are outside the control of the company, but do not significantly impact upon revenue.

Average staff number for CBL decreased slightly to 259 [2017: 275], partly reflecting continuing efficiencies.

Expenses reduced by 12% to £16.8m [2017: £19.0m]. 2017 was impacted by increased non-recurring costs of £3.3m [2018: £0.5m]. The largest items here were an exceptional impairment charge of £2.1m in relation to the installation, evaluation and testing of an upgrade to the back office operating systems and £1.1m in relation to redundancy and restructuring costs as a result of the closure of the Market Harborough office.

Consequently, operating and post-tax profit increased from £1.8m to £5.2m and from £2.0m to £4.2m, respectively, in 2018. With dividends increasing from £2.5m to £4.0m, there was a retained profit of £0.2m [2017: £0.5m, loss].

Statement of Cash Flows

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Net cash generated from operating activities			
Net cash used in investing activities			
Net cash used in financing activities			
Net increase (decrease) in cash and cash equivalents	4.6	2.8	0.3
Cash and cash equivalents at end of period	7.3	10.1	10.5

Assets under Administration (AuA)

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Assets at start of period	8,700.0	9,400.0	12,300.0
Inflows	700.0	2,900.0	
Outflows			300.0
Net market and other movement			
Assets at end of period	9,400.0	12,300.0	12,000.0
Growth rate (%)	8	31	(2)
Net inflows as % of opening AuA			

A cashflow statement is issued at (consolidated) Group level only.

Within CBL, assets under administration decreased by 2% in 2018 to £12.0bn [2017: 31% increase to £12.3bn].

Company Analysis: Suffolk Life Pensions Ltd

BASIC INFORMATION

Company Type
Non-insured SIPP Operator

Ownership & Control
SLP is a wholly owned subsidiary of Suffolk Life Group Ltd, which in turn is wholly owned by CBG.

CBG has no majority owner/controller. Senior management have been reducing their shareholding in recent times, with 7.1m shares sold in April 2018 for £20m. The percentage of CBG's securities in public hands as at 31 December 2018 was 54%. The primary shareholders at that date were Group directors C Banks (27.2%), R Curtis (11.8%) and P Tarran (6.5%), with Liontrust Investment Partners LLP holding 12.2%, BlackRock Inc 9.1%, Canaccord Genuity Group Inc. 6.0% and Pie Funds Management Ltd 3.5%.

Year Established
1974

Country of Registration
UK

Head Office
153 Princes Street, Ipswich, Suffolk IP1 1QJ

Contact
Tel: 0870 414 7000
Web: www.suffolklife.co.uk

Key Personnel

Role	Name
see Curtis Banks Ltd	

Company Background
Suffolk Life Pensions Ltd (SLP), incorporated in 1974, is a wholly owned subsidiary of Suffolk Life Group Ltd, itself wholly owned by CBG. SLP employs around 301 (average for 2018) [2017: 302] staff for the Group. SLP provides administration services for SIPPs, including those issued by its sister Group company SLA, an authorised long term insurer. SLP has one subsidiary, Suffolk Life Trustees Ltd, which legally owns the assets of £9.2bn [2017: £9.2bn] relating to the Suffolk Life Appropriate SIPP.

SLP has made several acquisitions including:

- November 2012 - around 1,700 SIPPs from Pointon York SIPP Solutions Ltd
- April 2013 - around 280 SIPPs from Pearson Jones plc.
- May 2013 - around 400 SIPPs from Origen Investment Services Ltd.
- In July 2016, SLP acquired the SIPP business of EPML for consideration of around £1.6m in cash after EPML had formally entered into special administration. At that time, EPML administered around 5,000 SIPPs with AuA of £630m and the business was to be administered by SLP via staff retained at EPML's offices in Chilmark near Salisbury. However, after a review SLP concluded that the systems and controls were not sufficient enough to fulfil responsibilities as the operator and trustee of the scheme and it therefore transferred all EPML SIPPs to the SLP SIPP and closed the EPML office.

OPERATIONS

Governance System and Structure
see Curtis Banks Ltd

Risk Management
see Curtis Banks Ltd

Administration
see Curtis Banks Ltd

Benchmarks
Suffolk Life won Best SIPP Provider, in the Full SIPP category, at the 2014 Money Observer Awards and was Best SIPP Provider in the Investment Life & Pensions Moneyfacts 2014 and 2015 awards, with a 'Highly Commended' in 2016. In recent Financial Adviser Life & Pensions Service Awards, however, Suffolk Life has scored relatively lowly.

Outsourcing
Across the Group, and relating to the property held in SIPPs, property management functions are currently outsourced: conveyancing, valuations, rent reviews, inspections. Scope exists to turn these into inhouse, revenue generating activities.

SLP operates a Cofunds branded personal pension - Cofunds Pension Account - on behalf of Aegon, available on the Aegon platform. This extends a pre-existing arrangement put in place when Cofunds was connected to SLP under the ownership of Legal & General.

STRATEGY

Market Positioning
See Curtis Banks Ltd

Proposition
See Curtis Banks Ltd

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2018

Capital Resources Disclosures

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Available capital resources	5.9	4.8	5.5
Capital resources requirement (CRR)	2.8	3.5	3.5
Excess capital resources	3.1	1.3	2.0
CRR coverage ratio (%)	210	137	156

SLP had historically worked to a capital requirement based on a quarter of its fixed overhead costs (25% of annual expenses). As part of the disposal of Suffolk Life a large dividend was paid by Suffolk Life Group to Legal & General in 2015, of which SLP paid £2.7m, impacting on available capital and resulting in coverage of 199% as at 31 December 2015 (subsequently restated at 192%).

Rating & Assessment Commentary
Group & Parental Context
Company Analysis
Guide

The new capital adequacy requirements were introduced by the FCA for SIPP operators with effect from 1 September 2016. This resulted in a significantly reduced capital resources requirement for SLP. Whilst the available capital resources had also fallen, coverage of 141% was reported at 30 September 2016, increased to 210% as at 31 December 2016, since reduced to 137% following the payment of the dividend in 2017. Coverage increased to 156% as at 31 December 2018.

As at 31 December 2018 SLA, assessed on a Solvency II basis, had an SCR of £3.49m [2017: £3.47m] and Own Funds totalling £6.38m [2017: £6.11m], giving a capital coverage ratio of 183% [2017: 176%], comfortably above the minimum target level of 130%.

Statement of Financial Position

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Assets	13.5	17.3	18.2
Current liabilities	(5.1)	(6.9)	(6.1)
Long-term liabilities	0.0	0.0	0.0
Net assets	8.3	10.4	12.2

Statement of Changes in Equity

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Equity at start of period	8.7	8.3	10.4
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	(0.4)	1.8	1.2
Other	0.0	0.3	0.5
Equity at end of period	8.3	10.4	12.2

Net assets increased by £1.8m [2017: £2.1m] in 2018 as post-tax profits again exceeded dividends paid. Dividends of £3.6m [2017: £2.0m] were paid.

Total assets also increased, with cash also increasing, from £10.3m to £11.1m.

Income Statement

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Revenue	16.2	21.6	22.8
Other operating income	0.0	0.0	0.0
Operating expenses	(16.1)	(17.1)	(17.3)
Operating profit (loss)	0.1	4.5	5.5
Other gains (losses)	0.1	0.1	0.2
Profit (loss) before taxation	0.3	4.7	5.7
Taxation	(0.1)	(0.9)	(0.8)
Profit (loss) after taxation	0.2	3.8	4.8
Other comprehensive income	0.0	0.0	0.0
Dividends	(0.6)	(2.0)	(3.6)
Retained profit (loss)	(0.4)	1.8	1.2

Financial Ratios

	Dec 16 %	Dec 17 %	Dec 18 %
Operating margin	1	21	24
Pre-tax profit margin	2	22	25
Employee costs as a % of revenue	57	47	46

Revenue, which arises from the administration of personal pension schemes, either in respect of its own products or as an 'insourced' administrator for SLA, increased by 5% in 2018 to £22.8m [2017: £21.6m]. £9.0m [2017: £9.0m] of this was a recharge from SLA.

Excluding non-recurring costs relating to the acquisition of EPML and other restructuring totalling £273k [2017: £463k, relating to the acquisition of EPML and separation from Legal & General], underlying operating expenses increased by 2% to £17.0m [2017: £16.6m]. Employee costs increased by 4% from £10.1m to £10.5m, remaining the most significant, proportion of costs, 61% [2017: 59%].

After non-recurring costs, SLP reported an increased operating profit of £5.5m [2017: £4.5m] and after net finance income of £61k [2017: £25k] and other investment income of £96k [2017: £94k], a profit before tax of £5.7m [2017: £4.7m].

Dividends paid increased to £3.6m [2017: £2.0m].

SLA reported a pre-tax profit of £398k and paid dividends of £400k [2017: £299k and £4.0m], respectively.

Statement of Cash Flows

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Net cash generated from operating activities	(1.3)		
Net cash used in investing activities	(2.6)		
Net cash used in financing activities	(0.6)		
Net increase (decrease) in cash and cash equivalents	(4.5)	5.2	0.9
Cash and cash equivalents at end of period	5.1	10.3	11.1

Assets under Administration (AuA)

	Dec 16 £m	Dec 17 £m	Dec 18 £m
Assets at start of period	5,752.7	7,043.9	9,231.1
Inflows	1,233.5	2,263.1	1,146.0
Outflows	(525.4)	(664.3)	(702.5)
Net market and other movement	583.0	588.4	(520.9)
Assets at end of period	7,043.9	9,231.1	9,153.7
Growth rate (%)	22	31	1
Net inflows as % of opening AuA	12	23	5

A cashflow statement is issued at (consolidated) Group level only.

Within SLP, assets under administration reduced by 1% from £9.23bn to £9.15bn in 2018. The number of SIPPs administered increased from 36,052 to 36,392, with the number of properties administered increasing from 3,587 to 3,614.

Funds held for the Suffolk Life Appropriate SIPP reduced to £9.15bn [2017: £9.23bn]. A further £3.4bn [2017: £3.6bn] of assets were held within SLA.

SLA saw its assets under administration decrease by 4% from £3.6bn to £3.4bn as the number of SIPPs and similar products in issue decreased by 5% from 6,065 to 5,777 due to a combination of transfers to trust based schemes operated by SLP and movement to other pension providers.

Guide

INTRODUCTION

For over 20 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at https://www.akg.co.uk/information/reports/provider.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at https://www.akg.co.uk/information/reports.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.

RATING DEFINITIONS

Overall Financial Strength Rating
The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	A	B+	B	B-	C	D	▣
	Superior	Very Strong	Strong	Satisfactory	Weak	Very Weak	Not applicable

With Profits Financial Strength Rating

The objective is to provide a simple indication of the with profits financial strength of a company, where it currently offers with profits business or has existing with profits business within it.

This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of with profits funds, products or propositions. Its comparison is with other companies within the assessment sector that offer or have with profits business.

The main criteria taken into account are: capital and asset position, expense position and profitability, the amount of with profits business in-force, parental strength (and likely attitude towards supporting the company), and image and strategy.

NOTE: More detailed analysis of with profits companies is included in AKG's UK Life Office With Profits Reports.

Rating Scale	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Unit Linked Financial Strength Rating

The objective is to provide a simple indication of the unit linked financial strength of a company, where it currently offers unit linked business or has existing unit linked business within it. This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of unit linked products or propositions. Its comparison is with other companies within the assessment sector that offer or have unit linked business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Non Profit Financial Strength Rating

The objective is to provide a simple indication of the non profit financial strength of a company, where it currently offers or has existing products and propositions such as term assurance and annuities. This focuses on the company's ability to deliver sustained operational provision of such non profit products or propositions. Its comparison is with other companies within the assessment sector that offer or have non profit business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, product / service features, its operating environment and ability to withstand external forces.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Service Rating
The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Image & Strategy Rating
The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Business Performance Rating
This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 20 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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