

ISSUED 17 SEPTEMBER 2020



PROVIDER SECTOR
Curtis Banks Group

FINANCIAL STRENGTH ASSESSMENT

Analysis by **AKG Financial Analytics Ltd**
Accessible • Comparative • Independent

AKG



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.



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Rating & Assessment Commentary



RATINGS

Overall Financial Strength



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
- 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 more solutions for intermediaries from within the Group, 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 SIPP reporting regime has been maintained against the backdrop of a series of acquisitions
- Group AuA stood at £29.1bn as at 31 December 2019
- 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. 31% of SIPP new business is written into this SIPP, and this is expected to increase to 60% by the end of 2020
- Numbers of SIPPs administered in 2019 fell slightly due to the expected attrition from legacy books and a slowdown in the pension market
- During the year, the Group commenced a project to centralise commercial property administration within one office location
- 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 2019 CBG had net shareholder cash (after debt) of £19.9m [31 December 2018: £13.6m].

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 £55.5m [2018: £49.7m].

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 2019, the total regulatory capital requirement across the Group was £12.5m [2018: £11.7m] and the Group had an aggregate surplus of £11.7m [December 2018: £9.0m] across all regulated entities. It is Group internal policy for regulated companies within the Group to hold at least 130% of their regulatory capital.

At Group level, the inflow from operating activities was £10.7m [2018: £28.4m] in 2019; £5.5m was employed [2018: £23.2m] in investing activities and £15.2m was employed [2018: £11.5m] in financing activities, resulting in a decrease in cash of £10.0m [2018: £6.3m decrease] to £422m. Total assets increased to £3.8bn [2018: £3.6bn].

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.

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

The company was holding 150% of its required regulatory capital as at 31 December 2019 [2018: 134%].

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 are 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 227% of its required regulatory capital as at 31 December 2019 [2018: 156%].

Your Future SIPP was launched in 2019, supported by a new enhanced Group Sales function.

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.

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 76,000 SIPP clients as at 31 December 2019, with multiple paths to continued growth and diversification for the business.

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 Banks 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 single brand for the pension business, although other names for underlying legal entities continue to exist.

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 over 6,350 commercial properties through its SIPPs and outsources many management functions such as conveyancing, valuations, and rent reviews.

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

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 marketplace.

Business Performance Rating

Curtis Banks focused on a variety of key deliverables:

- Continue growth - new sales team has driven growth in latest product, Your Future SIPP, resulting in increased turnover and profitability despite a small contraction of overall SIPP numbers. Diversification strategy was confirmed with a profitable first full year of trading for Rivergate. Acquisitions remained challenging, in part due to the uncertainty around entrepreneurs' relief
- Resolve SIPP Pro Upgrade - a system strategy is now defined and will see administration transferred from SIPP Pro to Microsoft NAV
- Office connectivity - full network and telephony connectivity between offices
- Legacy - decommissioned old Suffolk Life Portal and aligned majority of legacy product fees

At Group level, financial highlights were as follows:

- Operating Revenue increased by 6% to £48.9m [2018: £46.1m]
- Adjusted pre-tax profit increased by 11% to £13.4m [2018: £12.1m]
- Adjusted operating margin increased to 28.1% [2018: 27.1%], remaining on track to meet a 30% target
- Profit before tax increased by 8% to £10.9m [2018: £10.1m]
- Group assets under administration increased by 17.3% to £29.1bn [2018: £24.8bn]
- The total number of SIPPs administered decreased from 77,739 to 76,541; 19,869 [2018: 20,450] Full SIPPs, 27,799 [2018: 26,354] Mid SIPPs, 21,726 [2018: 22,935] e-SIPPs and 7,147 [2018: 8,000] SIPPs under TPA (third party administration) contracts. Additionally, there were 320 [2018: 330] 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 more solutions for intermediaries from within the Group 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 6,350 strong commercial property portfolio:

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

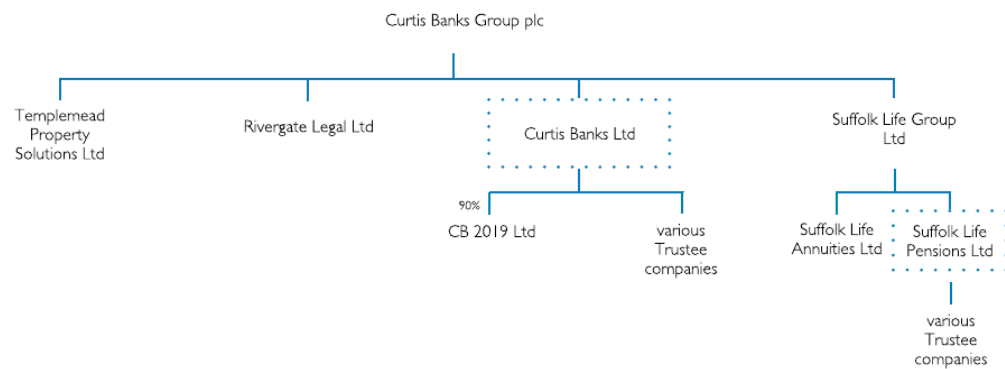
In December 2018, Curtis Banks announced the completion of the purchase of wealth manager Hargreave Hale's book of SIPPs, which comprised 578 SIPPs invested in assets valued at circa £180m.

The current corporate structure of Curtis Banks is shown over the page. When books of SIPP/SSAS business were acquired, the related trustee / nominee companies 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 e-SIPPs through to Full SIPP.



GROUP STRUCTURE (SIMPLIFIED)



Key:
 Subject of this Assessment

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. The percentage of CBG's securities in public hands as at 31 July 2020 was 64%. The primary shareholders at that date were Group directors C Banks (22.2%), P Tarran (5.0%) and R Curtis (4.4%), with Liontrust Investment Partners LLP holding 9.5%, BlackRock Inc 8.9%, Chelverton AM 6.9%, Canaccord Genuity Group Inc. 6.2% and Octopus Investments 5.2%.

Year Established

2008

Country of Registration

UK

Head Office

3 Temple Quay, Bristol, BS1 6DZ

Contact

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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 J Cowland
Group Chief Operating Officer	J A Ridgley
Group Commercial Director	J R Scott
Group Head of Legal	G Millard
Chief Risk Officer	I C Stone
Chief Information Officer	N T Rodgers
Head of Risk & Compliance	J Keely
Investment Director, Curtis Banks Ltd	P A Keepin
Operations Director, Curtis Banks Ltd	N M Presley
Chief Actuary, Suffolk Life Annuities Ltd	G C Wood
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 SSAs, 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 Banks 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 CB 2019 Ltd (90% owned by CBG) is a small company which provided financial advice.

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. 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 some examples of regular formal governance forums.

The Executive Committee was created in April 2017, composed 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). The Board believes that the QCA Code provides the right governance framework for a group of its size in which they can continue to develop its governance model to support the 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, with all new Curtis Banks products having a clear Schedule of Allowable Investments. As such, the Group does not consider this to be a material risk.

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 risks identified are:

- Unanticipated litigation or claims
- Risks related to acquisitions and integrations
- Regulatory risks
- Interest on client funds
- COVID-19
- Dependence on key executives and personnel
- Reliance on Information Technology systems
- Operational Risk and Internal Control systems
- Infrastructure security
- Non-Standard Investments
- Commercial Property
- Brexit

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.

Business continuity processes are well established and saw a refresh in 2018 with 'business as usual' / disaster recovery testing annually. A 'warming' of the disaster recovery site in preparation for deployment was also undertaken, should the need arise during the COVID-19 pandemic.

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 and front end portal, and to unify the presentation of its offering with a single web presence. In 2019 this amounted to £3.4m [2018: £3.3m], reflecting not only the cost of supporting the core IT infrastructure across the Group's three offices but also the amount of investment in technological improvements to the SIPP administration platform. The programme of these improvements is expected to continue into 2023.

Priority within these upgrades 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 businesses began.

At group level staff numbers increased to 572 [2018: 558] with CBL increasing to 275 [2018: 259], representing the support provided for the organic growth in own Full and Mid SIPP achieved, and to manage the migration of commercial property administration to a centralised function.

Benchmarks

Curtis Banks has featured in some recent awards including winning the Innovation category in the 2019 Investment Life & Pensions MoneyFacts Awards, as well as 'Most improved provider' at the 2019 Financial Adviser Service Awards. In prior years it was shortlisted 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 also achieved 5 star ratings for both SIPP and SSAS propositions from both Defaqto and Moneyfacts in 2020.

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. 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 and diversifying revenue streams.

2019 saw good progress against the strategic objectives, designed to ensure it realises the benefits of its acquisitions, markets itself more efficiently and continuously look for ways to grow revenues.

CBG completed the launch of Your Future SIPP, a single proposition for the Group that combines the best offerings of both the Curtis Banks and Suffolk Life SIPPs. Already, 31% of own SIPP new business is written into Your Future SIPP, expected to increase to 60% of own SIPP new business by the end of 2020.

The Group remains committed to exploring opportunities to add scale to its existing SIPP book and expand its offering through complementary acquisitions.

Diversification has continued with the business focusing on areas of complementary strategic interest. CBG expanded its commercial property expertise through the launch of Rivergate Legal Limited and this activity was profitable over its first full year of trading in 2019.

CBL acts as administrator and trustee to SIPP products provided by third party partners, such as St James's Place (SJP). 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.

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 marketplace 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.

The new SIPP and introduction of the new client portal greatly improves the user experience. This has been designed and continually developed in consultation with advisers; it will deliver efficiencies for clients and reduce the time spent on administration for advisers, clients and the Group. The enhanced digital functionality works on all platforms including smart phones, tablets and desktops. The new proposition also includes access to a wide range of investment solutions, easy management of cash and automated adviser charging.

Whilst digital evolution is a key component of the strategy for growth, this aspect remains in support of the core segment of higher asset value individual clients and into the family office environment.

Curtis Banks operates a website and secure portal with back office servicing and systems for each product line and has experienced staff to support the systems. SIPP Pro from Delta Financial Systems and Microsoft Nav, supported by Dunston Thomas, are the back office systems in place with a change programme currently running to move exclusively away from SIPP Pro to Nav in the near future.

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 e-SIPPs through to Full SIPP. The Group continues to leverage alignment opportunities across its three offices and identify areas which will improve both efficiencies and the levels of client servicing.

Over 6,350 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.

In 2019, Curtis Banks reopened its legacy Insured product to capitalise specific market demand.

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. A cleanse initiative of commercial property data has been completed with no further provision required, but an increase of contingent liabilities of £0.8m was made.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2019

Capital Resources Disclosures

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Available capital resources	7.500	6.100	7.500
Capital resources requirement (CRR)	4.500	4.600	5.000
Excess capital resources	3.000	1.500	2.500
CRR coverage ratio (%)	168	134	150

Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital. At the end of 2019, CBL reported an increased capital coverage level of 150% [2018: 134%].

Statement of Financial Position

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Assets	28.291	28.737	29.651
Current liabilities	(9.415)	(9.916)	(9.915)
Long-term liabilities	(0.780)	(0.125)	0.000
Net assets	18.096	18.696	19.736

Statement of Changes in Equity

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Equity at start of period	18.375	18.096	18.696
Movement due to:			
Share capital and premium	0.000	0.000	0.000
Retained earnings	(0.487)	0.193	0.699
Other	0.208	0.407	0.341
Equity at end of period	18.096	18.696	19.736

Balance sheet net assets/total equity, remained healthy at £19.7m in 2019 [2018: £18.7m], with dividends paid of £4.0m [2018: £4.0m] lower than post-tax profits for the year of £4.7m [2018: £4.2m].

Total assets included a large but reducing proportion of intangible assets of £10.8m [2018: £11.6m] which mainly comprised the value of all the acquired client portfolios of £10.6m [2018: £11.4m].

Income Statement

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Revenue	20,750	21,918	23,269
Other operating income	0.000	0.000	0.000
Operating expenses	(18,954)	(16,781)	(17,751)
Operating profit (loss)	1,796	5,137	5,518
Other gains (losses)	0.017	0.041	0.036
Profit (loss) before taxation	1,813	5,178	5,554
Taxation	0.200	(0.985)	(0.838)
Profit (loss) after taxation	2,013	4,193	4,716
Other comprehensive income	0.000	0.000	0.000
Dividends	(2,500)	(4,000)	(4,000)
Retained profit (loss)	(0,487)	0,193	0,716

Financial Ratios

	Dec 17 %	Dec 18 %	Dec 19 %
Operating margin	9	23	24
Pre-tax profit margin	9	24	24
Employee costs as a % of revenue	51	50	48

Revenue increased by 6.2% to £23.3m in 2018 [2018: £21.9m] due to organic growth with new Full and Mid SIPP numbers, annual increases to fees linked to the average weekly earnings index and further strengthening of relationships with external deposit providers enabling increased interest income. At 31 December 2019, CBL administered 40,647 SIPPs [2018: 41,347], which has decreased due to higher rates of attrition on e-SIPPs and products administered on behalf of third parties. Attrition rates remained stable on Full and Mid SIPPs. Gross organic new own SIPPs totalled 2,424 for the year [2018: 3,307].

Average staff number for CBL increased to 275 [2018: 259], solely within the Administration category of staff.

Expenses increased by 5.8% to £17.8m [2018: £16.8m]. Non-recurring costs increased to £0.8m [2018: £0.5m] primarily related to redundancy and restructuring costs and senior management changes, partially offset by not repeating a data cleansing provision that occurred in 2018. Staff costs increased to £11.2m [2018: £10.9m] reflecting the increase of staff numbers.

Consequently, operating and post-tax profit increased from £5.1m to £5.5m and from £4.2m to £4.7m, respectively, in 2019. With no change to the prior year dividend amount of £4.0m, there was a retained profit of £0.7m [2018: £0.2m].

Statement of Cash Flows

	Dec 17 £m	Dec 18 £m	Dec 19 £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	2,837	0,320	0,667
Cash and cash equivalents at end of period	10,135	10,455	11,122

Assets under Administration (AuA)

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Assets at start of period	9,400.0	12,300.0	12,000.0
Inflows			
Outflows			
Net market and other movement			
Assets at end of period	12,300.0	12,000.0	15,000.0
Growth rate (%)	31	(2)	25
Net inflows as % of opening AuA			

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

Within CBL, assets under administration increased by 25% in 2019 to £15.0bn [2018: £12.0bn].

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. The percentage of CBG's securities in public hands as at 30 April 2020 was 54%. The primary shareholders at that date were Group directors C Banks (27.1%), R Curtis (5.3%) and P Tarran (6.2%), with Liontrust Investment Partners LLP holding 11.9%, BlackRock Inc 8.8%, Canaccord Genuity Group Inc. 5.9% and Octopus Investments 4.1%.

Year Established

1974

Country of Registration

UK

Head Office

153 Princes Street, Ipswich, Suffolk IP1 1QJ

Contact

Tel: 0370 414 7000

Web: www.curtisbanks.co.uk/contact/

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 330 (average for 2019) [2018: 301] 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 £10.4bn [2018: £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

see Curtis Banks Ltd

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 in-house, 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 2019

Capital Resources Disclosures

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Available capital resources	4.800	5.500	9.100
Capital resources requirement (CRR)	3.500	3.500	4.000
Excess capital resources	1.300	2.000	5.100
CRR coverage ratio (%)	137	156	227

Coverage for the year to 31 December 2019 increased to 227% [2018: 156%].

As at 31 December 2019 SLA, assessed on a Solvency II basis, had an SCR of £4.1m [2018: £3.5m] and Own Funds totalling £8.1m [2018: £6.4m], giving a capital coverage ratio of 197% [2018: 183%], comfortably above the minimum target level of 130%.

Statement of Financial Position

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Assets	17,288	18,231	24,649
Current liabilities	(6,879)	(6,055)	(6,394)
Long-term liabilities	0.000	0.000	(3,916)
Net assets	10,409	12,176	14,339

Statement of Changes in Equity

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Equity at start of period	8,345	10,409	12,176
Movement due to:			
Share capital and premium	0.000	0.000	0.000
Retained earnings	1,780	1,247	1,548
Other	0.284	0.520	0.615
Equity at end of period	10,409	12,176	14,339

Net assets increased by £2.2m [2018: £1.8m] in 2019 as post-tax profits again exceeded dividends paid. Dividends of £3.6m [2018: £3.6m] were paid.

Total assets also increased significantly to £24.6m [2018: £18.2m], primarily due to the value of property assets recognised by SLP following the change to how leases were recorded. Cash also increased, from £11.1m to £12.2m.

Income Statement

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Revenue	21,624	22,800	24,476
Other operating income	0.000	0.000	0.000
Operating expenses	(17,083)	(17,276)	(18,360)
Operating profit (loss)	4,541	5,524	6,116
Other gains (losses)	0.119	0.157	0.001
Profit (loss) before taxation	4,660	5,681	6,117
Taxation	(0,880)	(0,843)	(1,138)
Profit (loss) after taxation	3,780	4,838	4,979
Other comprehensive income	0.000	0.009	0.000
Dividends	(2,000)	(3,600)	(3,600)
Retained profit (loss)	1,780	1,238	1,379

Financial Ratios

	Dec 17 %	Dec 18 %	Dec 19 %
Operating margin	21	24	25
Pre-tax profit margin	22	25	25
Employee costs as a % of revenue	47	46	47

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 7.4% in 2019 to £24.5m [2018: £22.8m]. £9.9m [2018: £9.0m] of this was a recharge from SLA.

Operating expenses increased by 6.3% to £18.4m [2018: £17.3m]. Employee costs increased by 10.5% from £10.5m to £11.6m, remaining the most significant proportion of costs, 63.2% [2018: 60.0%].

After non-recurring costs, SLP reported an increased operating profit of £6.1m [2018: £5.5m] and after a net finance cost of £58k [2018: income of £61k] and other investment income of £59k [2018: £96k], a profit before tax of £6.1m [2018: £5.7m].

Dividends paid during the year remained unchanged at £3.6m [2018: £3.6m].

SLA reported a pre-tax profit of £277k and paid dividends of £400k [2018: £398k and £400k], respectively.

Statement of Cash Flows

	Dec 17 £m	Dec 18 £m	Dec 19 £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	5.185	0.864	1.063
Cash and cash equivalents at end of period	10,271	11,135	12,198

Assets under Administration (AuA)

	Dec 17 £m	Dec 18 £m	Dec 19 £m
Assets at start of period	7,043.9	9,231.1	9,153.7
Inflows	2,263.1	1,146.0	1,092.3
Outflows	(664.3)	(702.5)	(878.4)
Net market and other movement	588.4	(520.9)	653.2
Assets at end of period	9,231.1	9,153.7	10,020.8
Growth rate (%)	31	1	9
Net inflows as % of opening AuA	23	5	2

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

Within SLP, assets under administration increased by 13.9% from £9.2bn to £10.4bn in 2019. A further £3.6m [2018: £3.4bn] of assets were held within SLA.

The number of SIPPs administered decreased from 36,392 to 35,894, with the number of properties administered increasing from 3,614 to 3,661.

SLA saw its assets under administration increase by 4.7% from £3.4bn to £3.6bn, whilst the number of SIPPs and similar products in issue decreased by 5.4% from 5,777 to 5,466 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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