ISSUED 01 November 2023

PROVIDER SECTOR

Curtis Banks

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.

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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, most recently with Dunstan Thomas and Talbot and Muir
- Considerable work has been undertaken to integrate a number of the acquired businesses, with the Talbot and Muir sales function now integrated into Curtis Banks team
- Curtis Banks Ltd (CBL) has been in a phase of delivery and organic development within an enlarged group under Curtis Banks Group plc
- Recent developments have included the establishment of greater in-house group capabilities via companies offering a range of FinTech, 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 CBL and Suffolk Life Pensions Ltd remain 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
- Regulatory capital adequacy under the SIPP reporting regime has been maintained, although falling below internal targets at times, against the backdrop of a series of acquisitions
- Curtis Banks group AuA stood at £35.8bn as at 31 December 2022 [2021: £37.4bn]
- Numbers of SIPPs administered in 2022 decreased from 79,679 to 78,592, primarily reflecting attrition within e-SIPPs
- On 6 January 2023, it was announced that Curtis Banks Group plc and Nucleus Clyde Acquisition Ltd (Bidco), a wholly-owned subsidiary of Nucleus Financial Platforms Ltd, had agreed a recommended cash acquisition by Bidco of the entire issued share capital of Curtis Banks
- The acquisition completed on 26 September 2023, with Nucleus Financial Platforms Ltd (NFP) being the parent in the UK. HPS Investment Partners LLC (HPS), a major American private equity firm, has had a majority stake in NFP group since 2022, with Epiris LLP retaining a significant minority shareholding

COMMENTARY

Financial Strength Ratings

Curtis Banks has made several acquisitions in recent years. 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. In January 2016 Curtis Banks Group plc (since renamed Curtis Banks Group Ltd, CBG) raised £27m in equity towards the purchase of the Suffolk Life Group for £45m.

In July 2020, CBG placed shares which raised £25m to assist with the financing of initial consideration for the acquisitions of Dunstan Thomas and Talbot and Muir. At the same time, the group re-negotiated its borrowing facility and put in place a £20m term loan and a £10m rolling credit facility, £6m of which was drawn upon in 2020, with the remaining £4m drawn in April 2023. CBG's debt continues to be repaid in line with scheduled terms and the covenants required by the bank in respect of this gearing are covered.

CBG's reports include analysis (unaudited) separating out shareholder accounts from policyholder accounts, which relate to non-participating investment contracts. At 31 December 2022, CBG shareholder borrowing totalled £16.2m [2021: £19.9m], of which £11.6m [£15.4m] was repayable in between 1 and 5 years. The remaining borrowing of £59.3m [£70.9m] was secured by legal charge over certain properties held within non-participating investment contracts.

At shareholder level, the net inflow from operating activities was £9.2m [2021: £13.5m]; £5.8m was used in investing activities [2021: £2.8m used] and £11.8m was used in financing activities [2021: £11.3m outflow], resulting in a decrease in cash of £8.0m to £23.9m [2021: £0.6m decrease to £31.9m].

CBG equity decreased to £69.4m [2021: £81.6m].

Curtis Banks publishes details of the group's regulatory capital position and requirements, and reports that CBG, on a consolidated basis, and CBL, Suffolk Life Pensions Ltd (SLP), Suffolk Life Annuities Ltd (SLA) and Talbot and Muir Ltd (TML), fully complied with the regulatory capital adequacy requirements for SIPP operators.

The group reported that GBG on a consolidated basis, and each of CBL, SLP, SLA and TML on an individual basis, fully complied with the capital adequacy requirements for SIPP operators. At 31 December 2022, the total regulatory capital requirement across the group was £15.6m [2021: £15.1m] and the group had an aggregate surplus of £6.9m [2021: £17.0m] across all regulated entities. It is group internal policy for regulated companies within the group to hold at least 130% of their regulatory capital. Although this was not achieved in some cases at the year end position, it has subsequently been met.

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 125% of its required regulatory capital as at 31 December 2022 [2021: 171%]. This was linked to the growth in interest income, and was expected to subside following the year end.

Suffolk Life Pensions Ltd

Suffolk Life Group Ltd, comprising SLP and SLA is an important business within CBG. It represents around half of the Curtis Banks group AuA and is expected to be an instrumental element as Curtis Banks continues its strategy of controlled growth.

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 resulted in a much smaller parent in terms of size and resources but one with greater commitment to both the SIPP market and to Suffolk Life.

SLP was holding 114% of its required regulatory capital as at 31 December 2022 [2021: 141%], which subsequently increased to over 130% after the year end.

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.

There has been a substantial reduction in complaints, which reflects Curtis Banks' focus on outstanding customer service. Similarly, improvements in Trustpilot scores is seen as reflecting increased engagement and improvements in the business's service offering.

To maintain these levels throughout the period of change as CBG integrates its acquisitions, work has included an emphasis on employee engagement and activity to support a combined culture from the component staff groups. In addition, a remote telephony system was implemented across the business in 2021 in response to the pandemic and acknowledging the needs of clients and staff members.

Delivering on Consumer Duty has been a key focus in the year, and included the establishment of two dedicated Consumer Duty focused Governance Committees, the Risk and Customer Outcomes Committee and the Customer Outcomes Forum.

For the future, an increasing digital foundation, capability and offering is underlined by the acquisition of Dunstan Thomas with a recent example being the vulnerable customers initiative.

Image & Strategy Rating

One of CBG's stated ambitions is increased revenue diversification for the business, and was demonstrated with the acquisition of Dunstan Thomas, albeit with the some of the developmental / revenue affects from the acquisition somewhat delayed from original aspirations, in part due to the unusual pandemic circumstances which hampered Dustan Thomas' ability to physically get in front of potential clients. 2022, however, saw a material reduction in Fintech revenue from Dunstan Thomas, largely due to a reduction of project income from a key client and the current economic climate. CBG reported that 2023 has commenced more positively in this segment and it remains optimistic over the medium term prospects.

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.

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 administers over 9,000 commercial properties through its SIPPs and SSASs 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 is a strategic focus on improved user experiences, with the group aiming to drive efficiency in pensions administration via automation and satisfying complex retirement modelling by realising the full potential of its acquisitions and building on the enhanced size and capability for future organic and acquisitive growth.

CBG has been working towards the strategic objectives of: organic growth - to continue to focus on quality, advised SIPP business driving long term recurring fee revenues utilising a saleable operating model; and diversification - building on the capability acquired during 2020, driving new products and services to a wider customer base. Inorganic growth, a previous objective, has not been part of the strategy over the recent period, while the Nucleus acquisition has been underway.

Curtis Banks articulates its purpose in terms of the role it can play in the lives of its customers, and the responsibility it has to them in addition to staff, customers, communities and the wider environment. As part of this, the group introduced its first ESG policy, which it hopes can make a real difference in addressing important issues to society, the economy and the environment. The CBG CEO manages the Board's responsibility, alongside a non-executive director, to ensure accountability for the group's progress against targets.

Key ESG initiatives delivered by Curtis Banks in 2022 included:

- Continued the partnership with The Intergenerational Foundation through sponsoring their report on how the savings squeeze affects young people, and how policy makers could consider younger generations more when it comes to pensions. They also conducted an independent review of Curtis Banks Group's flagship Your Future SIPP product which supports its work around the upcoming Consumer Duty regulations
- Undertook further analysis of its Commercial Property holdings in pensions to understand the future climate risk and proactively engaged with clients to improve energy efficiency of its commercial property book to meet upcoming regulatory changes relating to Minimum Energy Efficiency Standards
- Delivery of unconscious bias in software training in the Dunstan Thomas business
- Announced a collaboration with Ecologi, the platform that looks to reverse and halt climate change, to launch a new tree planning initiative

Future strategy will be determined by the wider aspirations of the acquiring Nucleus group and at more granular level, the integration opportunities and challenges afforded by it.

Business Performance Rating

Curtis Banks progressed on a number of key operational areas in 2022. An operational transformation programme is underway to improve the overall customer experience. On-going work is supporting a reduction in turnaround times, reduction in processing errors and an improvement in its customer communications.

Changes to the senior operations management team have been made as Curtis Banks progresses the future target operating model. Preparations for the Consumer Duty regulations were advanced, working to key 2023 milestones.

CBL's outcomes in 2022 against its key performance indicators were as follows:

- Revenue, increased to £22.2m [2021: £20.1m]
- Operating profit, increased to £3.9m [2021: £2.8m]
- Number of pensions administered, decreased to 36,635 [2021: 37,806]
- Number of properties administered, decreased to 63 [2021: 70]

The revenue increase was driven by a £2.5m increase in interest income, while fee income decreased by £0.8m.

SLP's key performance indicators in 2022 performed as follows:

- Revenue, increased to £29.6m [2021: £26.0m]
- Operating profit, increased to £5.6m [2021: £5.1m]
- Number of pensions administered, decreased to 35,574 [2021: 35,932]
- Number of properties administered, increased to 6,002 [2021: 6,306]

At Group level, key financial metrics for the year were as follows:

- Revenue increased by 7.6% to £68.1m [2021: £63.3m]
- Adjusted profit before tax increased by 10% to £15.4m [2022: £14.0m]
- Adjusted operating margin increased to 24.1% [2021: 23.5%]
- Impairment of £11.5m to carrying value of Dunstan Thomas investment
- Profit before tax decreased, resulting in a loss before tax of £3.7m [2021: PBT £9.3m]
- Group assets under administration decreased by 4.2% to £35.8bn [2021: £37.4bn]
- The total number of SIPPs administered decreased from 79,679 to 78,592, consisting of 20,274 Full SIPPs [2021: 21,272]; 36,655 Mid SIPPs [34,699]; 16,387 e-SIPPs [17,881]; and 5,296 SIPPs under TPA (third party administration) contracts [2021: 5,827]. Additionally, there were 270 [300] SSASs

The transaction with Nucleus creates a larger financial planning and retirement-focused adviser platform in the UK, with combined Assets Under Administration of c. £80bn.

Group & Parental Context

BACKGROUND

Curtis Bank Group is now part of the Nucleus Financial Platform group. Its two platforms, Nucleus and James Hay Partnership, are run exclusively for financial advisers. The combined group now forms an adviser platform and product group with approximately £80bn in assets under administration, with nearly 5,000 advisers and almost 250,000 customers.

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 Curtis Banks group completed an IPO with a market capitalisation of approximately £85m, since increased to around £180m, and CBG 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.

CBL, SLP and TML are the Curtis Banks group's principal trading subsidiaries, and 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. CBG trades primarily under the Curtis Banks name with some residual use of Suffolk Life.

Two companies were 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 8,890 strong (as at 31 December 2022) commercial property portfolio:

- Rivergate Legal Ltd - a legal services company
- Templemead Property Solutions Ltd - a property management company, which has ceased providing services and is in the process of closure

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.

In August and October 2020, the Group completed the respective acquisitions of Dunstan Thomas, a FinTech provider delivering technology and business solutions for wealth managers, platforms and providers and with whom it had an existing relationship, and Talbot and Muir, a provider of SIPPs and SSAS products. The Talbot and Muir acquisition added £3.6bn of AuA. Whilst the acquisition of Dunstan Thomas provides an opportunity for greater technology collaboration across the Group, the main focus will be on developing new products and services backed by technology that disrupt the advised retirement market.

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.

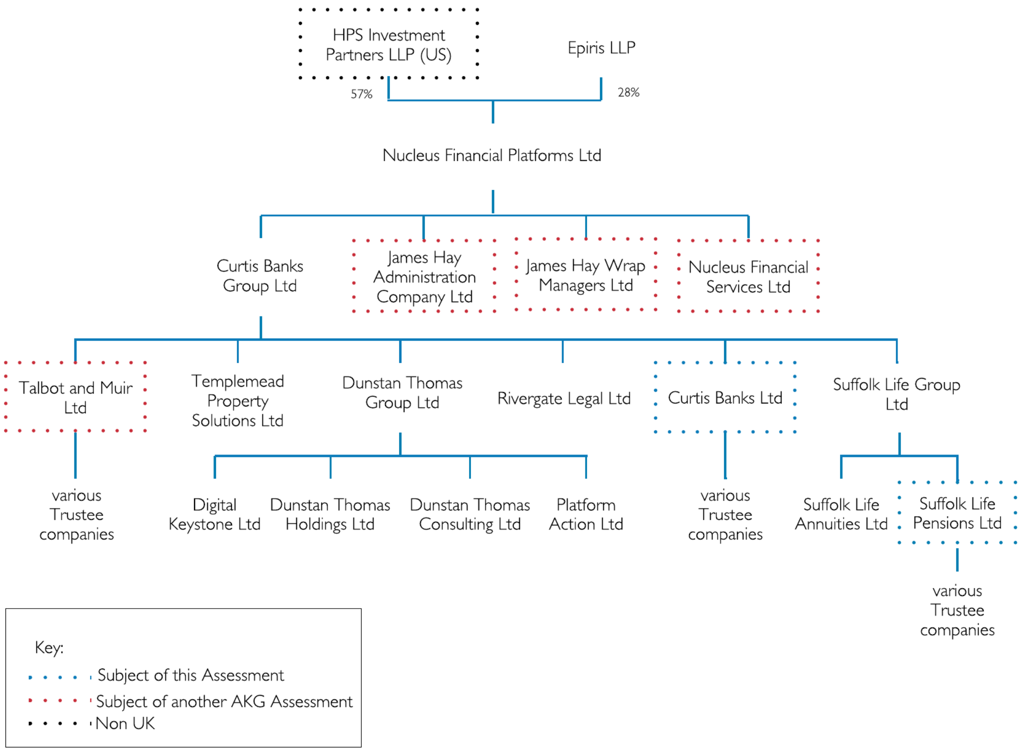
CBG currently employs around 800 staff in its head office in Bristol and regional offices in Ipswich, Portsmouth, Nottingham and Leeds. January 2017 saw the closure of the Chilmark office, part of the European Pensions Management Ltd (EPML) acquisition, whilst the Market Harborough office (part of the Pointon York acquisition) was closed in January 2018. In 2022, the group closed the physical Dundee location and transitioned all the staff based there to remote working.

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.

The Nucleus business was founded in 2006 by intermediaries who wanted a better client focused platform model, and AuA was built steadily. With the assistance of Sanlam UK, Nucleus Financial Group plc (NFG, since renamed Nucleus Financial Ltd) had become AIM-listed. During 2021, James Hay Holdings Ltd, backed by its owner Epiris LLP, acquired the NFG companies for aggregate consideration of £144.6m, creating a combined business, which had AuM of £43.5bn at the end of December 2022. In September 2022, HPS Investment Partners LLC (HPS), through certain funds and accounts managed, advised or controlled by it, acquired a majority stake, with Epiris retaining a significant minority shareholding.

HPS is an American private equity firm with c. US$101bn assets under management as at April 2023, operating 15 global branches. 85% of its investor base is institutional investors. Epiris LLP is a private equity manager which, since 2011, has invested £2.0bn in 31 companies and reports an IRR of over 35%. Epiris LLP is an investment adviser to the general partner (Epiris GP Ltd) of the Epiris funds. The funds' investor base comprises public and private pension funds, endowments and foundations, asset managers and private investors from around the world.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Curtis Banks Ltd

BASIC INFORMATION

Company Type
Non-insured SIPP Operator

Ownership & Control
Nucleus Financial Platforms Ltd is the UK parent company of CBG. The ultimate holding company of NFP is Jersey domiciled Plutus Topco Ltd, whose major shareholders are: HPS with 57% of the ordinary shares and 100% of the preference shares in issue; and Epiris with 28% of the ordinary shares.

Other shareholders of Plutus Topco include FNZ IP Ventures Ltd (a member of the FNZ group) with 7% of the ordinary shares, and NFP management (none with more than 5%).

Year Established
2008

Country of Registration
UK

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Key Personnel

Role	Name
NFP Chair	G Wilson
NFP Chief Executive Officer	R Rowney
NFP Senior Independent Director	K E Purves
CBG Interim Chief Executive Officer	P Docherty
CBG Chief Financial Officer	D J Cowland
CBG Chief Operating Officer	R Allan
CBG General Counsel	G L Millard
CBG Chief Growth Director	C Read
CBG Chief Information Officer	B Caswell
CBG Chief Risk Officer	J Keely
Chief Commercial Officer	T Larkman
Chief Actuary, Suffolk Life Annuities Ltd	G C Wood
Founder & Strategic Adviser	R M Curtis
Chief Executive Officer - Dunstan Thomas	I El-Saie

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.

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.

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, 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.

OPERATIONS

Governance System and Structure

CBG operates several committees and complies with the UK Corporate Governance Code. Governance is generally 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 (ExCo) 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. Since November 2020, Chris Read from Dunstan Thomas has sat on the ExCo.

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

Two dedicated Consumer Duty focused Governance Committees were established in 2022, the Risk and Customer Outcomes Committee, reviewing adherence to Consumer Duty, and Customer Outcomes Forum, reviewing and escalating good and poor customer outcomes across the business, monitoring and delivering actions to address poor outcomes.

CBG considers that it undertakes robust due diligence on Non-Standard Investments (NSI), with all new Curtis Banks products having a clear Schedule of Allowable Investments.

As part of the acquisition of Dunstan Thomas, a NED with specific technology experience, was appointed to the CBG board in addition to becoming the Chair of Dunstan Thomas.

Risk Management
Oversight of risk management across group companies is performed by the Group Risk Committee. The committee's role is to ensure the effectiveness of the overall risk framework and that key risks to the group and companies are being identified and assessed relative to the appetite, and monitored and controlled in line with the Curtis Banks Group Risk Appetite.

Curtis Banks operates a single Group Risk Register.

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

- Strategic risks including unanticipated litigation/claims or unexpected integration costs
- Regulatory risks
- Counterparty credit risk
- Interest on customer funds
- Dependence on key executives and personnel
- Reliance on Information Technology systems
- Operational Risk and Internal Control systems
- Infrastructure security
- Non-Standard Investments
- Commercial Property

Investment risk is managed through the Investment Committee which meets once a month, and ongoing reviews and prudent management of NSIs 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 have been utilised during the COVID-19 pandemic.

Administration
Following rationalisation Curtis Banks operates from two locations: a Head Office in Bristol and the former Suffolk Life office in Ipswich. Following its most recent acquisitions, it now operates from more offices within the wider group such as Nottingham and Leeds through Talbot and Muir as well as Portsmouth through Dunstan Thomas. It had a further administrative office arising from the ATS acquisition in Dundee, but the physical location was closed in 2022 with staff transitioning to remote working.

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.

As part of a multi-year strategy, 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. The programme of these improvements was planned for completion in 2024, however, the group indicated at the half year results that this date was at risk. More recently, in light of the acquisition by Nucleus, the group reported it was re-evaluating its objectives roadmap, while remaining committed to enhancing efficiency and accountability, regardless of the path it chooses.

Priority within these upgrades was 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 ran on the Microsoft Navision ERP platform. During the year, the upgrade of the Navision platform, which supports the SLA / SLP SIPPs, to the Navision Business Central platform progressed and was subsequently completed in January 2023.

SIPP Pro from Delta Financial Systems is the back office system in place within CBL, with the change programme incorporating a planned move away from SIPP Pro to the exclusive use of Navision.

The use of Navision Business Central and the launch of Your Future SIPP represented 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.

However, with the Nucleus acquisition, it is anticipated that Curtis Banks' back office operating system will migrate to use FNZ's platform administration solutions. The enhanced scale of the combined group will enable greater investment in technology and product and service offerings that it would not be in a position to finance or execute on a standalone basis.

The acquisition of Dunstan Thomas and its technology offering is expected to provide the Group with new routes to market adopting FinTech relationships and integrated solutions. 2022, however, saw a material reduction in Fintech revenue from Dunstan Thomas, largely due to a reduction of project income from a key client and the current economic climate. CBG reported that 2023 has commenced more positively in this segment and it remains optimistic over the medium term prospects.

Across CBG, average staff numbers decreased to 801 [2021: 828], while in CBL the average headcount decreased to 257 [2021: 273].

Benchmarks
Curtis Banks has featured in some recent awards including:

- 5-star service rating at the Financial Adviser Service Awards 2020-2022
- Retained its 5-star rating for SIPP from both Defaqto and Moneyfacts in 2022
- 'Best SIPP Provider' for a second consecutive year at the 2020-2021 Investment Life & Pensions MoneyFacts Awards
- Winner of the 'Innovation' category at the 2019 Investment Life & Pensions MoneyFacts Awards
- 5-star service rating and winner of the 'Readers' Choice Award' at the 2021 Financial Adviser Service Awards
- 'Top Rated in the Full SIPP Provider' category at the 2020 FT and Investors Chronicle Awards
- The SSAS proposition achieved a 5-star Defaqto and Moneyfacts rating in 2022

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
With the acquisitions of Dunstan Thomas and Talbot and Muir, 2020 saw Curtis Banks progress its vision of evolving from a predominantly SIPP administration business to a more holistic retirement group providing multiple complementary services, including FinTech, legal and property, for the advised retirement market. Post acquisitions the group has improved its operations through further technical efficiencies and can now provide incremental value-added technology solutions and services. This offers the Group an opportunity to capture growth in the advised retirement market place.

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. Curtis Banks added 179 new adviser relationships in 2022 [2021: 81].

Strategic objectives proritise organic growth and distribution. The business has also undertaken an operational transformation programme to improve the levels of service it offers and remove friction in its processes for advisers and their clients.

In November 2020, the group announced an increase to the annual SIPP administration fee paid on the Mid and Full SIPPs from February 2021. This decision was taken to reduce the volatility of interest income on earnings and as part of a shift towards higher client fees which lead to higher quality revenues. This has had no discernible impact on attrition. Attrition levels were lower in 2022 at 4.7% [2021: 6.1%], which the group believes reflects improving service levels across the business.

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.

Future strategy will be determined by the wider aspirations of the acquiring Nucleus group and at more granular level, the integration opportunities and challenges afforded by it.

Proposition
2018 saw the launch of new corporate branding which brought one consistent identity to all businesses within the Group, a key strategic objective following the acquisition of Suffolk Life. A new Group website was also introduced.

CBG has continued 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 latest 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. This product continues to perform well and is one of the key drivers for organic growth of Full and Mid SIPPs.

The group is overseeing an on-going managed reduction in the lower margin e-SIPP and Third Party Administered products, which are deemed non core, and this is expected to continue for the medium-term.

The new SIPP and introduction of the new client portal has improved the user experience. It was designed and continually developed in consultation with advisers; it aims to 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. 79% of Your Future SIPP applications are now received digitally [2021: 74%] and 7,047 advisers are registered for the online portal [5,686].

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 Navision, previously supported externally by Dunston Thomas, are the back office systems in place.

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.

As part of further propositional development, which seeks to combine expertise across what is now a wider group, the business has launched 'CB Labs'. This combination of senior staff is designed to create a vision for core, adjacent and new or transformational markets; a framework for capturing and incubating ideas; and then to be a mechanism for converting these ideas into revenue opportunities, improved client experience and/or operational efficiencies. CB Labs has successfully launched a ‘chatbot’ via the Curtis Banks website, providing responses to simple customer queries and a suite of adviser tools and calculators.

Around 9,000 properties are held across all SIPPs and SSASs in the group within CBL, SLP and Talbot and Muir. 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 variable rate, disclosed at the start of each calendar quarter. This rate is dependent on the rate of interest received by Curtis Banks from their banking counterparties and the amount shared with clients is determined by The Bank of England Bank Rate. CBG invested in a new strategic treasury solution with a global provider of back office operational cash management software. The investment was designed to innovate and improved the group's treasury management function through provision of a system that provides a multibank facility. CBG sees that interest income provides a revenue opportunity in 2022 and into 2023.

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. This is now recognised as a probable provision, and at 31 December 2022 was £0.1m [2021: £0.2m], £68k having been released in the year.

In relation to the acquisition by Nucleus, CBG reported that it expected it to deliver significant benefits for its intermediaries and customers, leveraging its strengths and expertise from its SIPP and SSAS offering and commercial property administration expertise. The broader product set and enhanced distribution channels is anticipated to enable an extension to the current reach and to service a greater number of intermediaries and customers more effectively.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	9.2	9.2	7.1
Capital resources requirement (CRR)	5.2	5.4	5.7
Excess capital resources	4.0	3.8	1.4
CRR coverage ratio (%)	176	171	125

Group internal policy is for regulated companies within the Group to hold at least 130% of their required regulatory capital. At the end of 2022, CBL reported a capital coverage level of 125% [2021: 171%]. CBL is experiencing significant growth in interest income due to higher interest rates available. This has created a higher level of accrued interest receivable over 90 days which is increasing the capital requirement of CBL, resulting in a lower coverage percentage compared with the prior year. CBL reported that it expected this pressure to subside following the sign off of the accounts, as audited reserves for the year ended 31 December 2022 can then be included in the value of capital maintained over the capital requirement.

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	26.8	27.9	26.4
Current liabilities	(9.4)	(9.7)	(9.6)
Long-term liabilities	0.0	(2.3)	(1.9)
Net assets	17.3	15.9	14.9

Statement of Changes in Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Equity at start of period	19.7	17.3	15.9
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	(2.7)	(1.4)	(1.1)
Other	0.2	0.0	0.1
Equity at end of period	17.3	15.9	14.9

Balance sheet net assets/total equity, decreased to £14.9m in 2022 [2021: £15.9m], with dividends paid of £4.6m [2021: £3.7m], exceeding profit after tax for the year of £3.4m [2021: £2.4m].

Total assets included intangible assets of £8.3m [2021: £9.1m] which mainly comprised the value of all the acquired client portfolios of £8.2m [2021: £9.0m]. At the end of 2022, cash held had decreased from £8.9m to £5.8m.

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	22.5	20.1	22.2
Other operating income	0.0	0.0	0.0
Operating expenses	(18.4)	(17.2)	(18.2)
Operating profit (loss)	6.7	2.9	3.9
Other gains (losses)	(2.6)	(0.1)	0.0
Profit (loss) before taxation	4.1	2.8	3.9
Taxation	(0.6)	(0.4)	(0.5)
Profit (loss) after taxation	3.5	2.4	3.4
Other comprehensive income	0.0	0.0	0.0
Dividends	(6.0)	(3.7)	(4.6)
Retained profit (loss)	(2.5)	(1.3)	(1.2)

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	30	14	18
Pre-tax profit margin	18	14	18
Employee costs as a % of revenue	44	51	48

Revenue increased by 10.2% to £22.2m in 2022 [2021: £20.1m] driven by a higher interest rate environment generating higher interest income, offset partially by the migration of property administration work into one office location under SLP since 2021. At 31 December 2022, CBL administered 36,635 pensions [2021: 37,806], which has decreased as although there was net growth of Mid SIPPs, this was offset by the net decrease of Full SIPPs and managed attrition of eSIPPs and 3rd party administered SIPPs. At the meantime, the attrition observed in Full SIPPs as well as conversion to Mid SIPPs led to a reduction of number of properties administered by 10% to 63 [2021: 70].

Expenses increased by 5.9% to £18.2m [2021: £17.2m]. Within this, costs related to redundancy and restructuring activities reduced to £0.1m [2021: £0.4m]. Average staff numbers for CBL decreased to 257 [2021: 273], while the staff cost base increased to £10.6m [2021: £10.2m]. Profit before tax increased from £2.8m to £3.9m in 2022. With a dividend paid of £4.6m [2021: £3.7m], there was a retained loss of £1.2m [2021: £1.3m].

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £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	(3.8)	1.6	(3.2)
Cash and cash equivalents at end of period	7.4	8.9	5.8

Assets under Administration (AuA)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets at start of period	15,000	14,900	16,500
Inflows			
Outflows			
Net market and other movement			
Assets at end of period	14,900	16,500	15,900
Growth rate (%)	(1)	11	(4)
Net inflows as % of opening AuA			

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

Within CBL, assets under administration decreased by 3.6% in 2022 to £15.9bn [2021: £16.5bn]. Gross organic new own SIPPs totalled 1,076 for the year [2021: 1,379].

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.

See Curtis Banks Ltd for latest shareholdings.

Year Established
1974

Country of Registration
UK

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

Contact
0370 414 7000
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 411 (average for 2022) 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 ££11.9bn [2021: £13.1bn] 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 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	7.4	6.6	5.4
Capital resources requirement (CRR)	4.9	4.7	4.7
Excess capital resources	2.5	1.9	0.7
CRR coverage ratio (%)	152	141	114

Coverage for SLP at 31 December 2022 had decreased to 114% [2021: 141%], affected by the growth in interest income increasing the capital requirement. This was reported to have unwound after the year end as SLP expected and coverage again exceeded 130%.

During the year, sister company SLA undertook a capital restructuring exercise, which reduced the share capital from £1,700k to £1k. This had the effect of reducing the regulatory solvency position. As at the 31 December 2022 the biting capital requirement was the MCR which was £3.4m [2021: £3.1m] and own funds totalled £7.4m [2021: £10.0m]. This gave a capital coverage of 216% [2021: 319%], well within the coverage tolerance of a target capital ratio of at least 130% of the biting requirement. The SCR for SLA as at the 31 December 2022 was £2.7m [2021: £2.7m] and own funds coverage of the SCR was 278% [2021: 371%].

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	21.6	21.0	22.0
Current liabilities	(7.1)	(8.4)	(9.1)
Long-term liabilities	(3.6)	(3.3)	(3.3)
Net assets	10.9	9.3	9.6

Statement of Changes in Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Equity at start of period	14.3	10.9	9.3
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	(3.7)	(1.7)	0.2
Other	0.2	0.1	0.1
Equity at end of period	10.9	9.3	9.6

Total assets increased to £22.0m [2021: £21.0m], primarily due to an increase in the level of intangible assets, with a £1.2m addition to the value of computer software in the year. As a result of the proposed acquisition, CBG decided to put a system migration that had been planned for SLP on hold indefinitely. These events indicate that some of the internally generated intangible assets for computer software of SLP may be impaired. SLP reported that an assessment was underway to consider whether such impairment exists, and the total maximum quantum of such a charge over the assets if so would be £1.8m. There was a reduction in the level of cash held, which was £5.9m at the end of 2022 [2021: £6.6m].

Net assets increased by £0.3m to £9.6m in 2022 as dividends of £4.4m [2021: £6.2m] were less than a profit after tax of £4.6m [2021: £4.4m] and share based payment contributed another £0.1m.

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	25.3	26.0	29.6
Other operating income	0.0	0.0	0.0
Operating expenses	(20.2)	(20.9)	(24.0)
Operating profit (loss)	6.0	5.1	5.6
Other gains (losses)	(0.9)	0.0	(0.1)
Profit (loss) before taxation	5.0	5.1	5.4
Taxation	(1.0)	(0.7)	(0.8)
Profit (loss) after taxation	4.0	4.4	4.6
Other comprehensive income	0.0	0.0	0.0
Dividends	(7.5)	(6.2)	(4.4)
Retained profit (loss)	(3.5)	(1.7)	0.2

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	24	20	19
Pre-tax profit margin	20	20	18
Employee costs as a % of revenue	53	54	51

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 13.5% in 2022 to £29.6m [2021: £26.0m]. £9.4m [2021: £8.5m] of this was a recharge from SLA.

Operating expenses increased by 15% to £24.0m [2021: £20.9m]. Employee costs increased by 9% from £14.0m to £15.2m, remaining the most significant proportion of costs, at 63% [2021: 67%].

SLP reported an operating profit of £5.6m [2021: £5.1m] and after a net finance cost of £150k [2021: cost of £83k] and other investment income of £4k [2021: £45k], a profit before tax of £5.4m resulted [2021: £5.1m].

Dividends paid during the year reduced to £4.4m [2021: £6.2m].

SLA reported a profit before tax of £606k and paid dividends of £2,200k [2021: £504k and £400k respectively]. The share capital reduction had resulted in a transfer of £1.7m from share capital to retained earnings, facilitating an increased dividend.

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £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)	(1.0)	(0.7)
Cash and cash equivalents at end of period	7.6	6.6	5.9

Assets under Administration (AuA)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets at start of period	10,021	11,373	13,099
Inflows	1,357	1,514	1,129
Outflows	(792)	(1,088)	(938)
Net market and other movement	787	1,300	(1,341)
Assets at end of period	11,373	13,099	11,949
Growth rate (%)	13	15	(9)
Net inflows as % of opening AuA	6	4	2

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

Within the Suffolk Life Appropriate SIPP, assets under administration decreased by 8.8% from £13.1bn to £11.9bn in 2022.

The number of SIPPs administered decreased marginally from 35,932 to 35,574, with the number of properties administered decreasing from 6,306 to 6,002, a result of the attrition observed in Full SIPPs as well as conversion to Mid SIPPs. Gross organic new own SIPPs totalled 1,967 for the year [2021: 2,493].

SLA saw its assets under administration decrease to £3.4bn [2021: £3.8bn], whilst the number of SIPPs and similar products in issue decreased by 4% from 4,959 to 4,771, which was partly the result of an exercise to close down plans where no assets were held.

Guide

INTRODUCTION

For over 30 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 30 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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