PENSION INSURANCE
CORPORATION GROUP LIMITED

2020 Results

Pension Insurance Corporation Group

Today's Presenters

TRACY BLACKWELL
CHIEF EXECUTIVE OFFICER

Tracy is Chief Executive Officer and a Director of Pension Insurance Corporation (PIC). Tracy is also CEO and a Director of PIC's parent company, Pension Insurance Corporation Group. At PIC, Tracy is responsible for leading the management team in carrying out the company's strategy. Tracy was one of PIC's founders, joining in 2006. Until she became CEO in 2015, Tracy was PIC's Chief Investment Officer and was responsible for building up the company's asset management function, including direct investment capabilities into areas such as social housing, renewable energy and student accommodation. Areas of particular interest include: "The Purpose of Finance", a project seeking to redefine the social contract with financial services, and diversity in financial services. Tracy is a member of the Wellcome Trust Investment Committee; a member of the Association of British Insurers' (ABI) Board; an Advisory Council member on the Diversity Project; and Trustee and Honourable Treasurer of the Elton John Aids Foundation.

ROB SEWELL
CHIEF FINANCIAL OFFICER

Rob is the Chief Financial Officer and a Director of PIC and has leadership over the financial aspects of the company. Rob has led the development of PIC's finance function since joining the company in 2008. He oversaw the transition of regulatory financial reporting to Solvency II requirements. He previously held roles as UK Finance Director at Legal & General, and as Chief Executive of National Westminster Life Assurance. Rob is a Fellow of the Institute of Chartered Accountants in England & Wales. Rob has announced his intention to retire from PIC by the end of 2021.

This presentation, along with our full 2020 results, has been posted on our website www.pensioncorporation.com. This presentation is based on PICG's Annual Report and Accounts 2020, but references are made to PIC where it is relevant.

Any questions from bondholders or shareholders can be sent to Jeremy Apfel, Head of Corporate Affairs, via Apfel@pensioncorporation.com.

PENSION INSURANCE
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Overview of PIC, the pension risk transfer market, and 2020 highlights

Tracy Blackwell, Chief Executive Officer

PENSION INSURANCE CORPORATION GROUP LIMITED

PIC's Purpose and Strategy

Our Purpose

The purpose of PIC is to pay the pensions of our current and future policyholders

- PIC's strategy is focused on the growth potential of the Pension UK Risk Transfer Market ("PRT")
  - Our objective is to grow the business on a focused, secure and sustainable basis, based on our purpose
- Key features of PIC's purpose:
  - Guaranteed pensions for our growing policyholder base are backed by a purposeful investment strategy
  - Management of key risks, including those relating to Environmental, Social and Governance (ESG) factors, are a core part of paying the pensions of policyholders over the coming decades
  - Investments with a lasting impact on current and future generations in areas including renewable energy, social housing, and national infrastructure are socially beneficial outcomes of our purpose
  - Excellence in customer service and balanced stakeholder relationships are fundamental to our approach

Key outcomes of our purpose

POLICYHOLDERS	Guaranteed pensions for life; excellence in customer service	CAPITAL PROVIDERS	Growing store of value expected to provide secure, long-term returns
ECONOMY	Significant investments in urban regeneration, social housing, and areas that balance intergenerational equity	ENVIRONMENT	Increasing investments into renewable energy, with concurrent reduction in exposure to carbon-producing industries
SOCIETY	Active engagement in public policy debates around purposeful, long-term investment in the economy and stakeholder capitalism	KEY SUPPLIERS	Partnership model of engagement
EMPLOYEES	Stimulating, fair and rewarding workplace		

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A large and resilient market with significant growth potential

UK defined benefit plan in numbers

£2.4trn[1]

UK defined benefit "DB" liabilities

£175bn[2]

Total DB pension liabilities insured through buy-ins and buyouts since 2008

89%[1]

UK DB funds either closed to new entrants, future accrual or winding up

£1.2trn[3]

Held in gilts and fixed income bonds by DB pension schemes

9.9m[3]

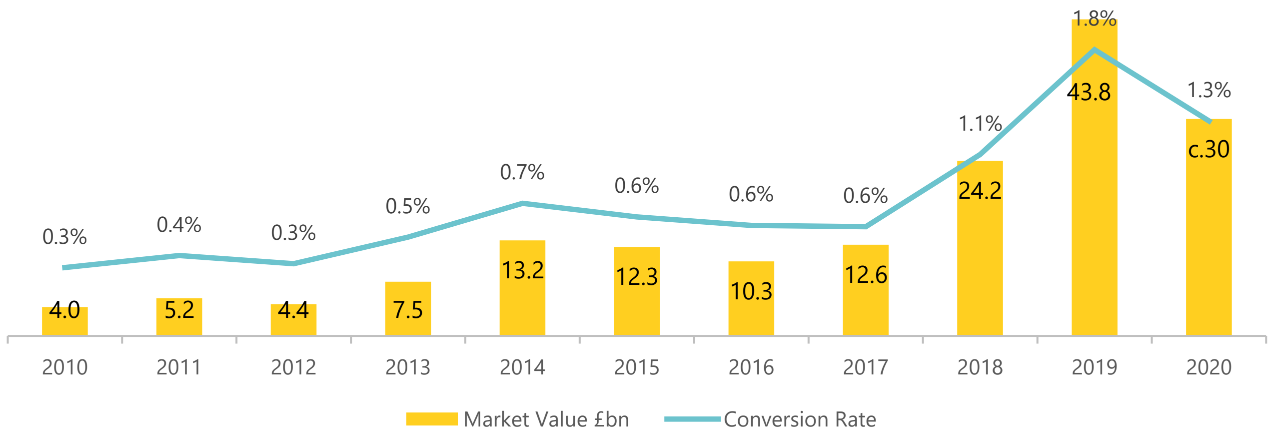
Members of DB pension funds

8.5%[4]
2020

7.2%[4]
2019

Cumulative percentage of UK DB pension liabilities insured through a buy-in or buyout since 2008

UK pension risk transfer conversion rate[4]



1. Estimated total liabilities on a full buyout basis. PPF Purple Book 2020. As at 31 March 2020.
2. PIC company estimate
3. PPF Purple Book 2020
4. LCP, Willis Towers Watson, PPF Purple Book 2020 and company estimate. Conversion rate is calculated as the pension risk transfer volume in individual year, divided by Purple Book DB pension scheme liabilities on a buyout basis

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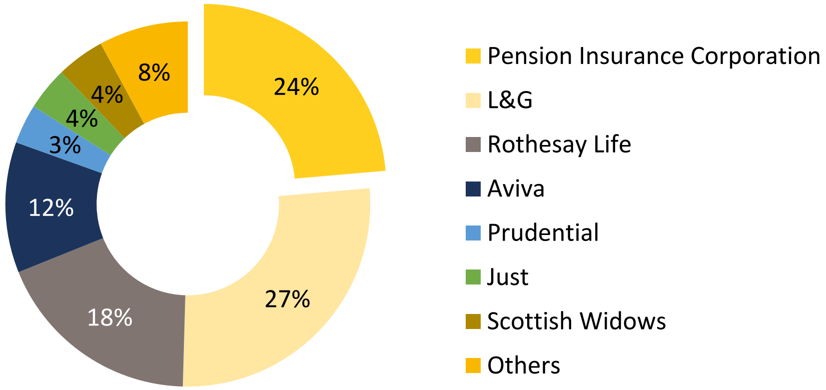
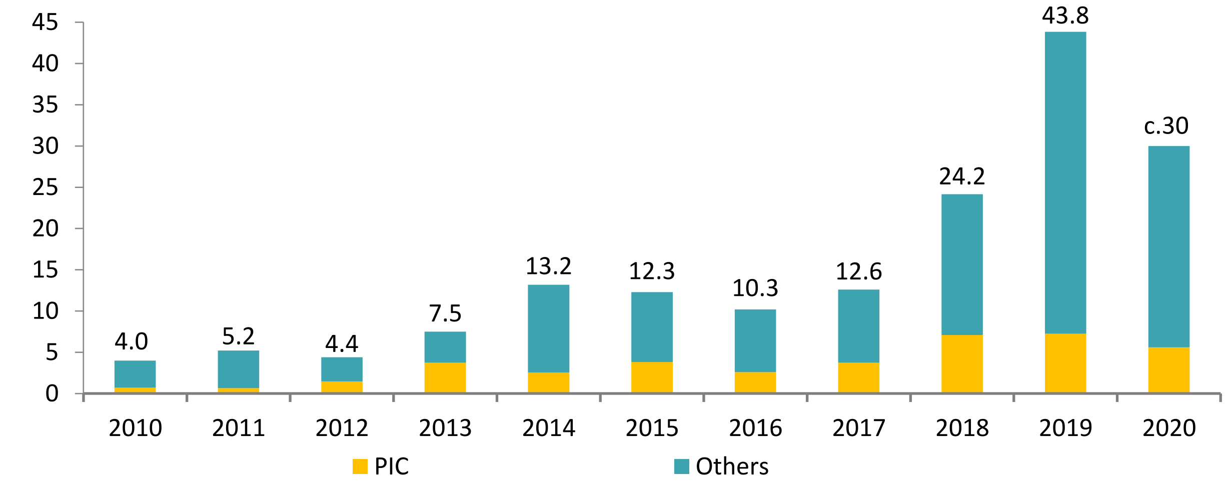
PIC has maintained a consistent long-term market share and is recognised for its excellent customer service

UK pension risk transfer cumulative market share (2008-2020)[1]



UK pension risk transfer volumes (£bn)[1]



Our clients include

Our 2020 awards

1. Aon, LCP, Willis Towers Watson, Professional Pensions and company estimate, refers to buy-ins and buyouts only

PIC is diverse in its appetite for different transaction sizes

External perspectives on appetite by transaction size

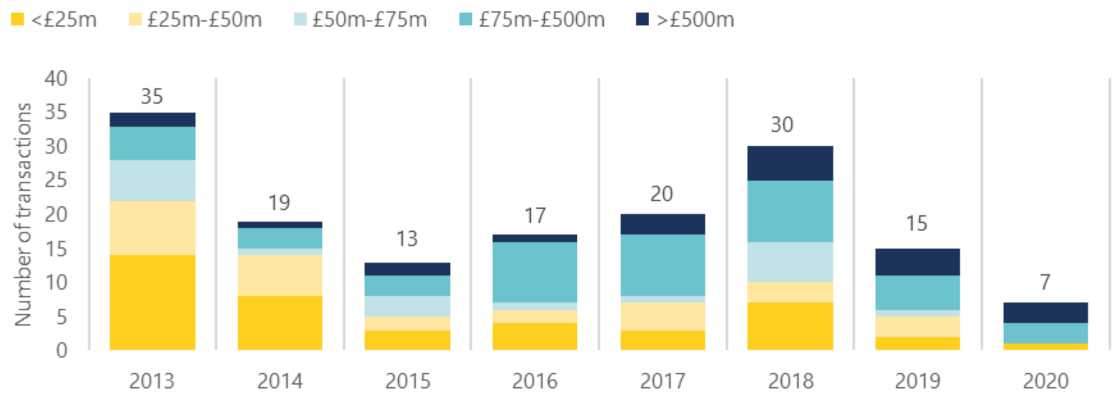
More likely to quote | More Selective | Unlikely to Quote

✓ Able to write | ? More selective | ✗ Unable to write

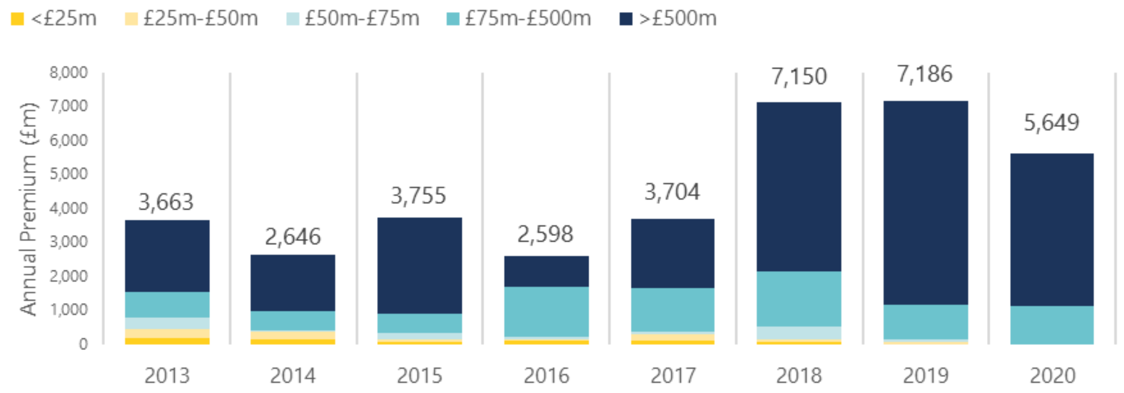
	Deferreds?	<£50m	£50m – £100m	£100m – £500m	£500m - £2bn	>£2bn
Pension Insurance Corporation	✓	More Selective	More likely to quote	More likely to quote	More likely to quote	More likely to quote
Legal & General	✓	More Selective	More Selective	More likely to quote	More likely to quote	More likely to quote
AVIVA	✓	More likely to quote	More likely to quote	More likely to quote	More likely to quote	Unlikely to Quote
Canada Life	✗	More likely to quote	More likely to quote	More likely to quote	Unlikely to Quote	Unlikely to Quote
JUST.	?	More likely to quote	More likely to quote	More likely to quote / More Selective	Unlikely to Quote	Unlikely to Quote
PHOENIX LIFE	?	Unlikely to Quote	More Selective	More likely to quote / More Selective	More likely to quote	More Selective
Rothesay	✓	Unlikely to Quote	Unlikely to Quote	More likely to quote / More Selective	More likely to quote	More likely to quote
SCOTTISH WIDOWS	✓	Unlikely to Quote	More Selective	More likely to quote	More likely to quote	Unlikely to Quote

1. Hymans Risk Transfer Report 2021

PIC transactions by premium size and number of transactions



PIC new business by premium size and annual premiums (£m)



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Key developments

1. New business and market environment

— £5.6bn of new business premiums written in 2020 with seven pension schemes (2019: £7.2bn)

— PIC reinsured £6.6bn of longevity risk in 2020, with 84% of total longevity risk insured overall at FY2020. The Group has 14 reinsurance counterparties, all of which have a credit rating of A or above

2. Capital and solvency

— The Group successfully completed a £750m equity raise from existing shareholders along with two additional Tier 2 subordinated debt issues totalling £700m

— Fitch affirmed PIC's insurer Financial Strength Rating as A+ (strong) and Long-Term Issuer Default Rating at 'A'. Both outlooks were affirmed at 'Stable'

— PIC's solvency ratio stood at 157% at year end (FY2019: 164%) demonstrating a robust balance sheet, despite the economic and market turmoil

3. Customers and our culture

— Continued commitment to providing excellent customer service to our policyholders with 98.7% of our policyholders expressing overall satisfaction with our service levels (2019: 99.1%)

— Re-awarded the Institute of Customer Service (ICS) ServiceMark with Distinction accreditation

— PIC held virtual Policyholder Hours in place of the usual in-person events for its policyholders

— 12.1% - Pension Service Corporation's (PIC's service company) gender pay gap for 2020, down 5.1% on the prior year, and down by 16.9% in the last two years

— PIC is a sponsor of LGBT Great, #1000blackinterns, the Actuarial Mentoring Programme with the Institute and Faculty of Actuaries – which aims to help retain women within the profession – and the Social Capital Network, a mentoring and networking scheme for young BAME professionals

4. Purposeful investing

— Financial investments increased to £49.6bn (2019: £40.9bn), an increase of 21% in the year

— Continued to increase our focus on integrating Environmental, Social and Governance (ESG) factors into our investment process. During 2020, the Group invested £587m in renewable energy, committed to divesting from coal producers, and reduced its exposure to fossil fuels

— £1.8bn of direct debt invested in secure, long-term cash flows that complement our investments in public debt markets, in areas such as renewable energy and social housing, which help the transition to a greener economy and provide a measure of intergenerational fairness

5. Shareholders

— Following the completion of the £750m capital raise, and various other smaller transactions, Reinet remains the Group's largest shareholder with a 49.5% stake in the Group. Luxinva, a wholly owned subsidiary of ADIA, holds an 18.2% stake, and CVC Strategic Opportunities I holds a 17.4% stake

6. Engaging through Covid-19

— Our policyholder service remained fully operational and in many areas exceeded our high performance levels. Policyholder payments continued without interruption and on time

— All employees had been issued with laptops suitable for home working, allowing the Group to bring in homeworking for all employees ahead of the national lockdown on 23 March 2020

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Substantial store of future cashflows from the in-force business

PIC asset breakdown at FY2020

Total assets

£47.5bn

Financial investments, current net assets and net derivative positions

Excess assets

£8.9bn

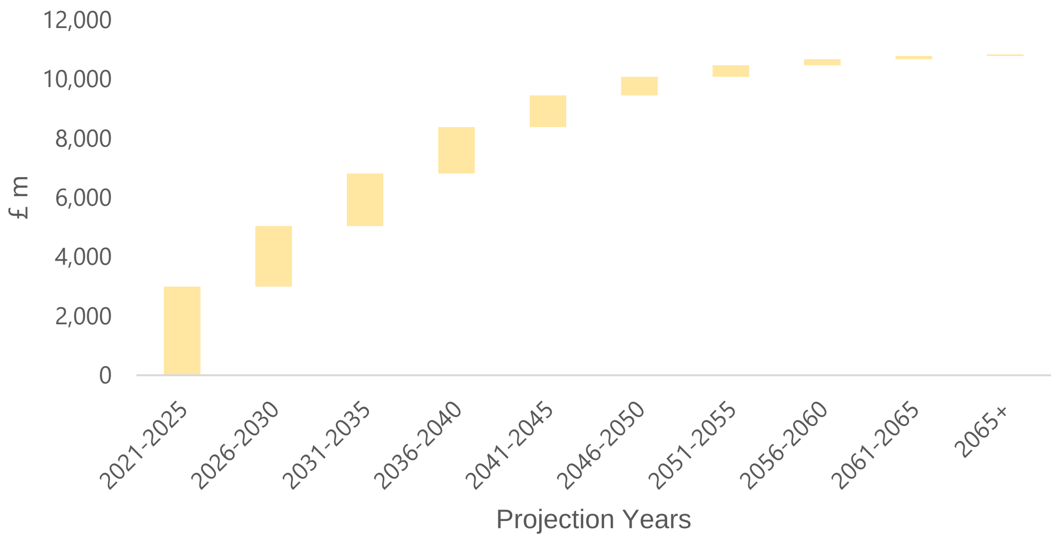
Assets held for claims and expenses

£38.6bn

Best Estimate Liability net of reinsurance and prudent margins

1. Assets allocated to cover Solvency Risk and Prudent Margins that will generate future cashflows for capital and equity providers (debt and equity)

Illustrative profile of future cash generation from current in-force business



— The illustrative net of tax cash generation (pre-debt coupon and principal) from PIC's in-force business at FY2020

— Over the fifty years of the projections the net of tax cash generation (pre-debt costs) is £10.8bn

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FY2020 Financial Results

Rob Sewell, Chief Financial Officer

PENSION INSURANCE CORPORATION GROUP LIMITED

Overview of FY2020 results

Despite the turbulent market conditions, the Group has shown resilience and remains financially strong and profitable

- The Group wrote £5.6bn of new business premiums, in line with our historic market share (2019: £7.2bn)
- PIC's solvency ratio stood at 157% at year end (FY2019: 164%) demonstrating a robust balance sheet, despite the economic and market turmoil
- The Group successfully completed a £750m equity raise along with two additional Tier 2 subordinated debt issues totalling £700m. Our Fitch Insurer Financial Strength rating of A+ (strong) was affirmed
- Adjusted operating profit before tax was £382m, a decrease of £442m from 2019 (£824m). This was primarily due to a lower contribution from new business written during 2020 compared to 2019. Assumption changes in 2020 contributed £292m to this variance, primarily relating to changes from:
  - £217m from mortality assumptions
  - £73m from maintenance expense updates
  - £2m from a number of smaller assumption and model refinements during the course of the year
- PIC insured £6.6bn of longevity risk exposure, with 84% of total longevity risk insured overall, with 14 global reinsurers
- Adjusted Equity Own Funds[1] increased to £5,915m, up from £4,504m in 2019
- £3.2bn of IFRS prudent margins relative to the IFRS NAV of £3.7bn at FY2020
- Profit before tax of £276m was £118m lower than 2019 (£394m) primarily due to a lower contribution from new business and a lower positive impact from changes in valuations assumptions compared to the prior year
- Embedded Value increased to £4,964m from £3,874m in 2019. The increase is primarily due to the issue of £750m of equity capital in year, the impact of writing £5.6 billion of new business in 2020, and modelling adjustments

1. Adjusted Equity Own Funds is calculated as Solvency II own funds deducting hybrid debt (including RT1 debt) and removing the impact of the Risk Margin and the Transitional Measures on Technical Provisions (TMTP)

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FY2020 financial highlights

Return from operations (£m)[1]

FY17	195
FY18	238
FY19	301
FY20	274

Adjusted operating profit before tax (£m)[2]

FY17	438
FY18	649
FY19	824
FY20	382

IFRS pre-tax profit (£m)

FY17	383
FY18	477
FY19	394
FY20	276

New business premiums (£m)

FY17	3,704
FY18	7,150
FY19	7,186
FY20	5,649

MCEV (£m)

FY17	2,932
FY18	3,638
FY19	3,874
FY20	4,964

Financial investments (£bn)

FY17	25.7
FY18	31.4
FY19	40.9
FY20	49.6

Fixed charge cover [3][4]

FY18	12.0x
FY19	14.9x
FY20	4.4x

Internal leverage ratio[4][5]

FY17	20.9%
FY18	27.0%
FY19	32.9%
FY20	35.7%

Fitch leverage ratio[4][6]

FY17	20.9%
FY18	27.0%
FY19	22.0%
FY20	27.8%

1. Return from operations is equivalent to return on back book in prior years
2. Adjusted operating profit includes return from operations and assumption changes
3. EBITDA divided by interest charge. For FY2019, the RT1 coupon is excluded from the interest charge as the first payment date was on 25 January 2020
4. Refers to PIC plc
5. Nominal RT1 plus nominal borrowings) divided by (IFRS Equity minus RT1 carry value plus RT1 nominal + nominal borrowings)
6. Nominal Borrowings divided by (Nominal Borrowings plus IFRS Equity)

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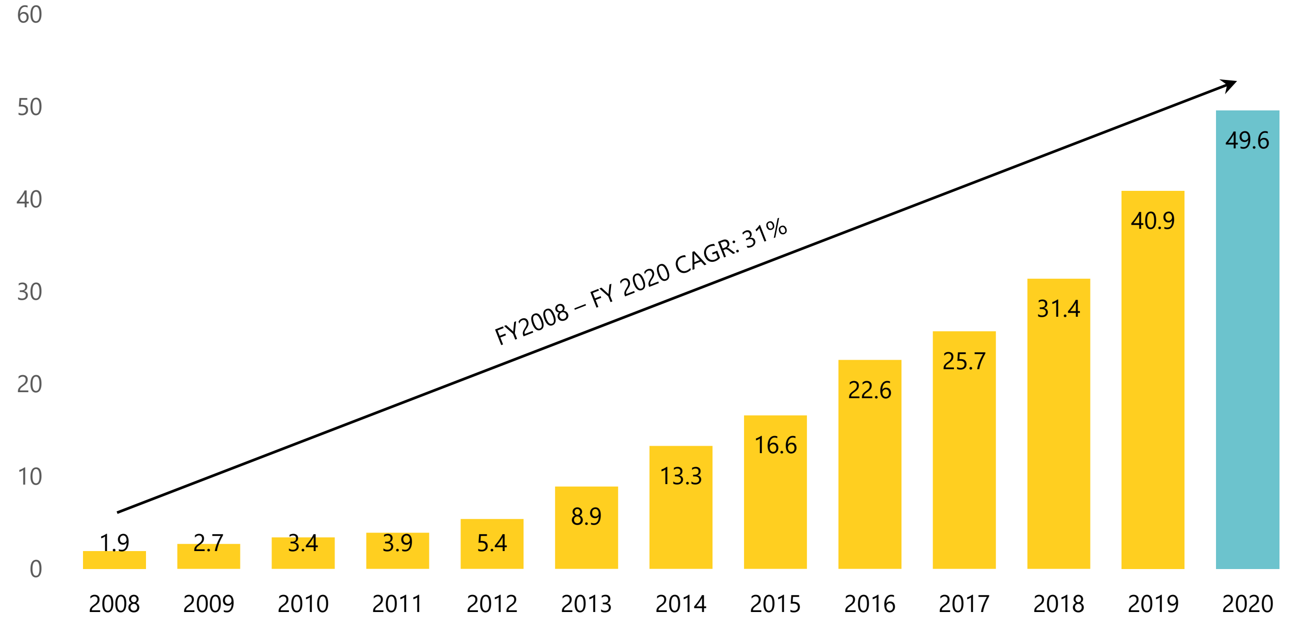
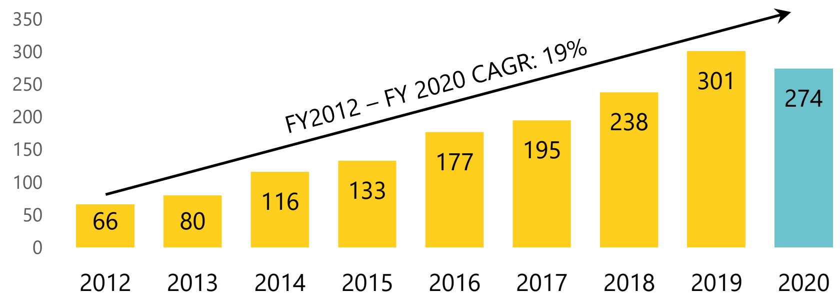
Long-term continued growth

PIC has written over £41bn of new business premiums since 2008, driving a 31% compound annual growth in financial investments in that period, and 19% annual growth in Return from Operations. Since 2016, MCEV has increased by nearly £2.4bn

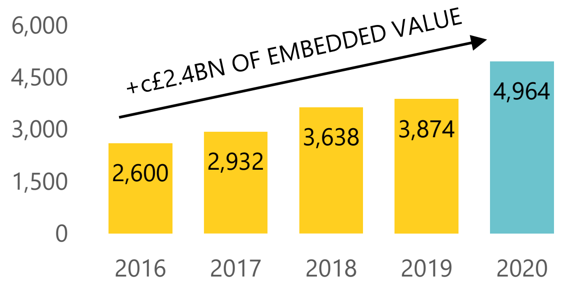
PIC – Financial Investments (£bn)



Return from Operations (£m)



PIC MCEV (£m)



1. Return on existing insurance book and shareholder assets in prior years is referred to as return on back book

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IFRS and solvency II balance sheet comparison

PIC asset breakdown at FY2020

Total assets

£47.5bn

Financial investments, current net assets and net derivative positions

Excess assets

£8.9bn

Assets held for claims and expenses

£38.6bn

Best estimate liability net of reinsurance and prudent margins

Excess assets on IFRS and SII bases

IFRS	Solvency II
Borrowings (including RT1)[(1)] £2.0bn	Subordinated debt[(1)] £2.1bn
Assets backing prudent margins to be recognised on future profits £3.2bn	Solvency II prudent margins £2.2bn
Net asset value (excluding RT1) £3.7bn	Shareholder own funds (excluding RT1) £4.6bn

1. IFRS Borrowings and Solvency II subordinated debt both include the RT1

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IFRS profit before tax

IFRS profit before tax

£m	2019	2020
Return from Operations[1]	301	**274**
New business and reinsurance surplus[2]	245	**31**
Net release from operations	**546**	**305**
Change in valuation assumptions	358	**292**
Experience variances	12	**(97)**
Finance costs	(61)	**(73)**
Project costs	(31)	**(45)**
Adjusted operating profit before tax	**824**	**382**
Investment variances[3]	(430)	**(106)**
Total profit before tax	**394**	**276**

1. Return from Operations is generated from release of prudent margins for business written in previous years, along with the expected return on shareholder funds based on long-term investment return assumptions
2. Profit generated from new business (at point of sale) and reinsurance contracts which have been written during the period
3. Includes the impact of short-term market fluctuations and differences to long-term return assumptions

Commentary

- Return from Operations of £274m at FY2020 was lower than 2019 (£301m) reflecting a lower assumed longer term rate of return due to the fall in interest rates seen in the year
- New business and reinsurance surplus of £31m was also lower than 2019 (£245m)
  - The fall was caused by lower new business volumes and a different mix of new business which was less profitable when recognised on an IFRS basis
- The Group updated its assumptions in respect of longevity and expenses, resulting in a total reserve release of £292m. In 2019, total reserve releases of £358m were due to changes in assumptions for expenses and credit defaults. Over 2020:
  - £217m from adopting the CMI 2019 mortality improvement tables
  - £73m from updates to per-policy expenses assumptions
  - £2m from a number of smaller assumption and model refinements made during the course of the year
- Experience variances were a loss of £97m in 2020 (2019: gain of £12m)
  - A data update variance of £46m primarily relates to the automation of data extracts from source systems for one particularly large and complex scheme. This is expected to be a one-off impact in 2020
- Finance costs of £73m were £12m higher than 2019 due to two new Tier 2 debt issues in 2020

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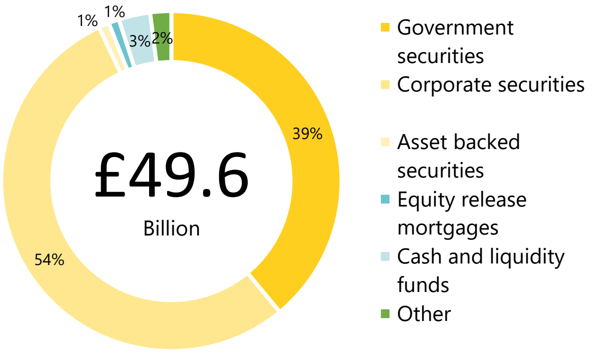
PIC has a conservative asset portfolio and investment strategy

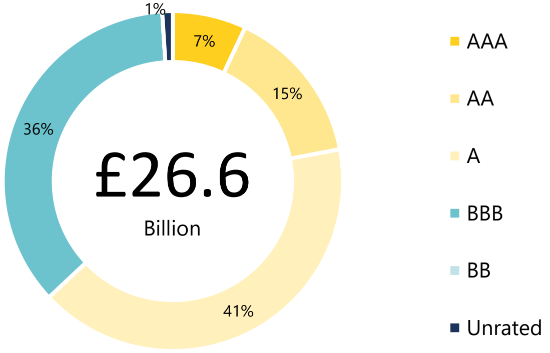
The portfolio has performed in line with its key purpose: to generate the long-term stable cashflows to pay our policyholders

- Continued low-risk approach to managing the portfolio
  - Over the last few years, we have proactively reduced our exposure to high-risk investments in more cyclical credit assets
  - 93% invested in government and corporate securities, with 99% of those corporate securities rated investment grade
  - No single counterparty represents more than 1.7% (2019: 2.3%) of our total investments, except for the UK Government, which accounts for 18%
- No defaults and limited downgrades to sub-investment grade, with only 0.4% of the credit portfolio (excluding gilts) moving into sub-investment grade
  - Our downgrade experience has been favourable compared to the overall market in 2020, as we have shielded the portfolio from high-risk, cyclical sectors impacted by lockdown
- Continued to increase our focus on ESG investment factors in our investment process
  - Further £587m invested in renewable energy, commitment to divest from coal producers, and reduction in exposure to fossil fuels
  - Climate risk has been incorporated into PIC's risk taxonomy covering physical, transition and liability risks
  - Signatory to the United Nations' Principles of Responsible Investment, as are all of PIC's key external asset managers

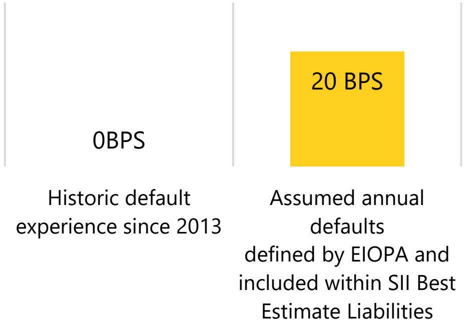
Financial investments by asset class (31 December 2020)[1]



Corporate securities by rating (31 December 2020)[2]



Historic default experience (FY2020, p.a.)



Corporate securities by currency (31 December 2020)

Currency	Market Value (£m)	%
GBP (£)	15,473	58
USD ($)	10,436	39
EUR (€)	730	3
Total	**26,639**	**100**

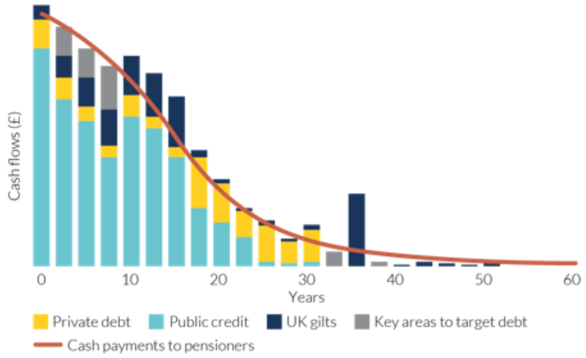
1. All privately sourced investments are classified as Corporate Securities.
2. £1,153m BBB- assets are held within the Issuer's matching adjustment fund.

PIC's private investments

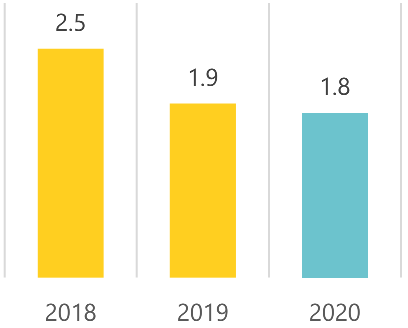
PIC has a long and successful track record of investing in secure, long-term assets that are sourced privately alongside those invested in the listed debt markets

- These investment grade, illiquid investments provide additional return and less risk compared to listed debt
- Focussed on investments that are socially useful and are likely to meet the needs of society for decades to come
  - Investing in areas covering renewable energy, social housing, education and the not-for-profit sector, helping the green economy, regenerate our cities, and provide low cost housing
- To date, PIC has invested £9.4bn into privately sourced debt, totalling 19% of our total portfolio. 2020 investments include:
  - £587m in renewable energy debt
  - £40m investment in Royal College of Surgeons
  - £65m in Trident Housing Association, and further loans to Pobl and Livin as part of long-term partnerships
  - £130m 'Build to Rent' investment in Manchester which is expected to create 40 new jobs and employ 650 people for the next three years
- In total, PIC completed 27 transactions

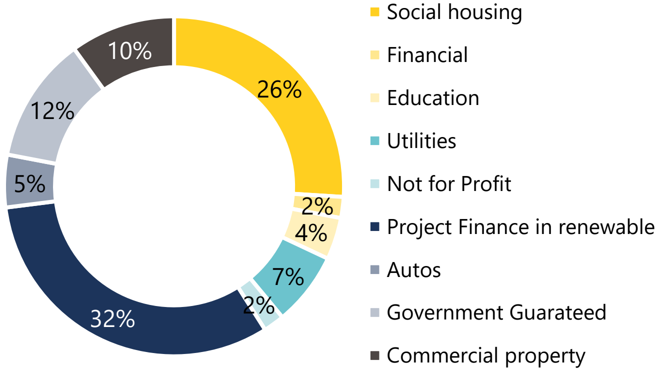
Private investments – Finding cash flows in years with low levels of listed bonds



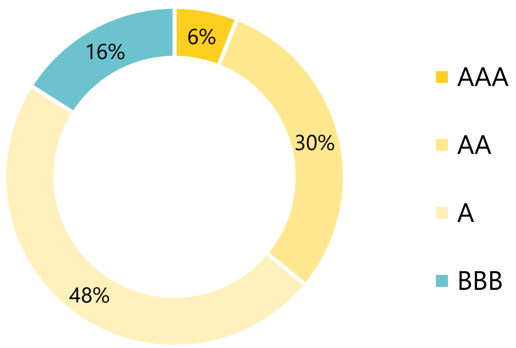
Private investments originated in the year (£bn)



Breakdown by sector of private investments (31 December 2020)



Breakdown by rating of private investments (31 December 2020)



1. All privately sourced investments are classified as Corporate Securities.

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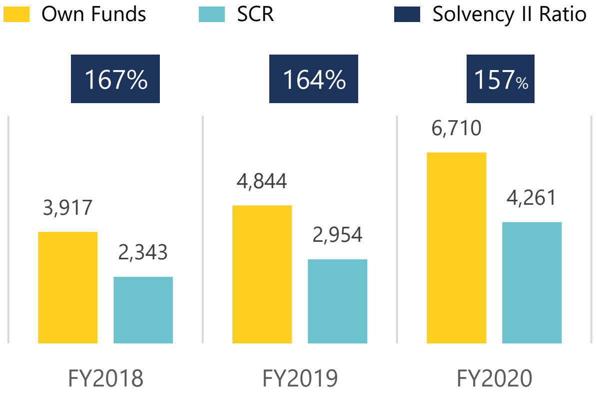
Solvency II position at FY2020

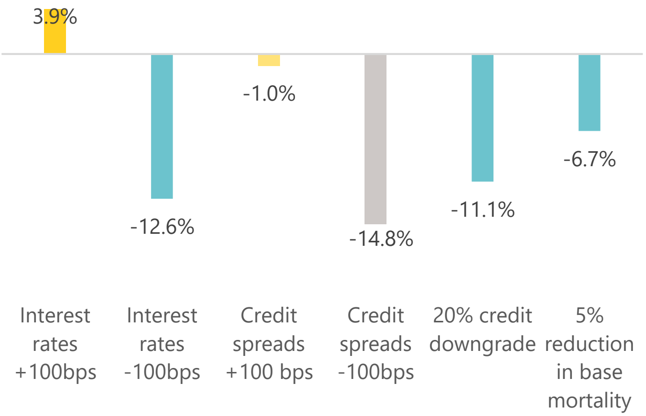
Commentary

- PIC's solvency ratio was 157% at FY2020 (2019: 164%) and it had surplus funds of £2.4bn (2019: £1.9bn) in excess of SCR
- Significant market volatility in rates and currencies managed through hedging programme
- PIC's Solvency II liabilities had an average duration of 14.1 years, net of reinsurance at FY2020

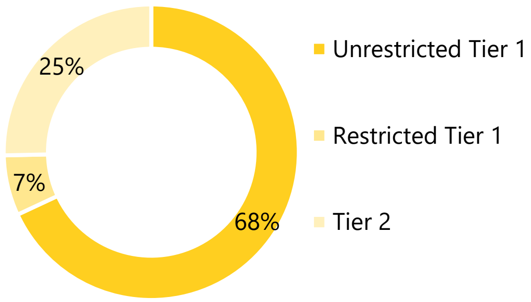
PIC Solvency II capitalisation



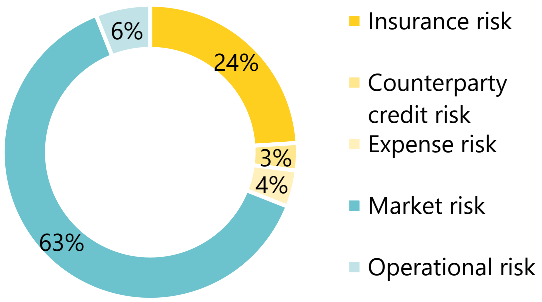
Solvency II ratio key sensitivities[3][4][5][6]



Own Funds by Tier[1]



SCR by Type of Risk[2]



1. As a percentage of Own Funds.
2. Pre-diversification (Insurance risk is predominately longevity risk and market risk is predominately default and downgrade risk).
3. For the interest rate and credit spreads sensitivities, due to the nature and size of the impact, the recalculation of the TMTP results in a different test biting and causes asymmetry of the results.
4. For the 20% downgrade sensitivity, this shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be traded to the original credit rating, so the impact of primarily a reduction on Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
5. 5% reduction in base longevity is equivalent to a 0.4-year increase in life expectancy from 22.8 years to 23.2 years for a typical male aged 65.
6. All sensitivities allow for a transitional measure for technical provisions recalculation ("TMTP").

Summary and outlook

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Summary and outlook

1. Leading, focused player in a large, resilient and attractive market with significant growth potential and a strong financial position

— Despite a challenging year, demonstrated our resilience by writing £5.6bn of new business

— Maintained our market share and maintained our financial strength through careful management of our financial investments and the continued belief in our business model from shareholders and debt holders

— Continue to monitor and safeguard our portfolio and remain disciplined in our pricing and deployment of capital when making new business decisions

— Robust balance sheet and a solid pipeline of new business

— Continue to provide excellent financial security for our existing policyholders

2. Growth potential enhanced with purposeful investments and customer service focus

— In-force cash generation is currently reinvested into new PRT transactions at attractive long-term IRR's, supported by a healthy balance between demand from trustees, and supply from PRT insurers

— Strong pipeline of asset origination and longevity reinsurance, supporting continued capital efficiency for new business transactions

— Continuing to focus on purposeful investments which secure the pensions of our policyholders for decades to come, helps to green the economy, provide social housing, regenerate our cities, support our universities, and benefits younger, and future, generations

— Continued commitment to providing the best customer service to our policyholders with 98.7% of our policyholders expressing overall satisfaction with our service levels in 2020, and PIC awarded the Institute of Customer Service's ServiceMark with Distinction in December 2020

Appendix and glossary

PENSION INSURANCE CORPORATION GROUP LIMITED

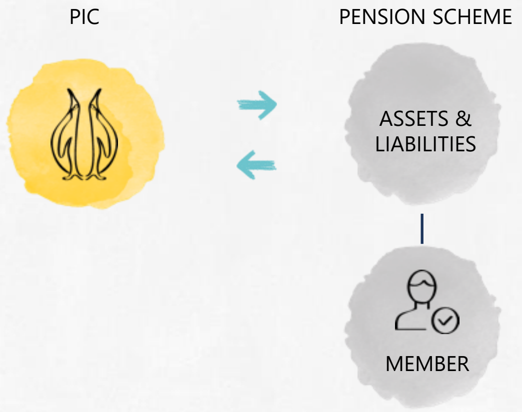
PIC: a leading UK pension risk transfer insurer

- PIC is a UK insurer with 311[1] employees, all based in one London office
- Founded in 2006, PIC has established itself as a leader in the growing UK PRT Focus on the UK PRT market for new business.
  - Focused on acquiring UK defined benefit pension plan assets and liabilities
  - Delivers excellent client service for trustees and policyholders
  - Earns an attractive risk-adjusted return on capital
- PIC is focused solely on the UK PRT market
  - No legacy business lines or product exposures
  - Deploys capital only if it meets internal economic criteria
  - Conservative investment portfolio with ALM focus
  - Hedging of interest, inflation and currency risks and reinsurance of the majority of longevity risk
  - Efficient operating model with substantial scale economies
  - PIC is authorised by the UK's Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA

1. 31 December 2020 number of employees (Group)

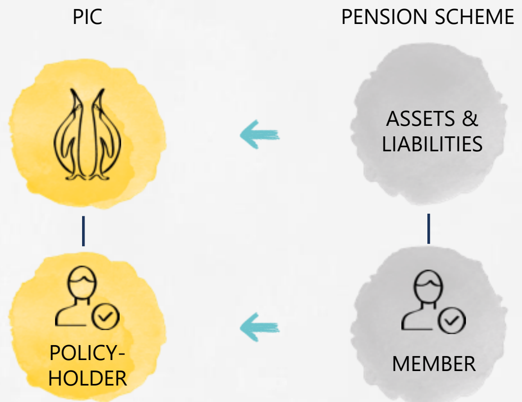
What is a pension insurance buy-in?

- The pension scheme purchases a bulk annuity insurance policy to cover its obligations to a subset of the scheme members. The insurance policy is held as an asset of the pension scheme
- A buy-in is a perfectly matching investment for the insured liabilities
- A buy-in removes the pension scheme's longevity, market interest rate, inflation and other risks, as these are transferred to PIC
- PIC has no direct relationship with pension scheme members, whose benefits continue to be managed by the trustees



What is a pension insurance buy-in?

- A buyout removes pension assets and liabilities from a pension scheme and employer's balance sheet. It is a full settlement of the scheme and employer's obligations to the scheme members
- PIC issues individual annuity insurance policies to the members of the pension scheme as a direct replacement for their claim on the pension scheme
- Typically, the pension scheme is wound up and assets pass across to PIC
- The scheme members become policyholders of PIC



The business model: three key steps in securing pensions and generating long term returns

WHAT WE DO

Pension risk transfer

PIC's financial strategy is to manage the assets associated with the defined benefit pension scheme liabilities and to make a consistent margin on these assets over the very long term. The liabilities that we take on are in respect of the obligations to pay the pensions of members or former members of pension schemes. As these obligations can be made highly predictable (by hedging the interest rate, inflation and longevity risk) and the majority are non-callable, we are able to invest in assets with a very long time horizon.

This process:

- Secures pension benefits to the highest level, within the insurance regulatory framework
- Removes risk from those companies responsible for defined benefit pension funds, increasing shareholder value
- Recycles investment back into the economy

Visit the 'What we do' section of the PIC website for descriptions of a buy-in and buyout.

HOW WE DO IT

Pension scheme

1. MANAGE OUR LIABILITIES
As pension scheme liabilities (or projected pension scheme payments) are usually uncertain in both timing and amount, where possible, we hedge the scheme liabilities for inflation and interest rates by using either derivatives or other assets.

2. MANAGE OUR RISKS
Longevity risk is also reinsured to transfer the risk to a third party, create certain liability cash flows and optimise PIC's capital deployment.

3. REINVEST OUR ASSETS
Pension scheme assets received are reinvested to optimise returns on a cash flow matched and risk-adjusted basis, taking into account a variety of risk factors including ESG considerations.

4. MANAGE OUR CAPITAL RESOURCES
We ensure capital is committed for the full term of the liabilities.

5. DELIVER EXCELLENT CUSTOMER SERVICE
We ensure that we pay our policyholders and trustees accurately and on time. Please also refer to pages 38 to 41 for further information on the customer service we provide.

PIC'S OUTCOME FOR POLICYHOLDERS AND CAPITAL PROVIDERS

Liabilities – best estimate liability net of reinsurance and prudent margins

2020
£38.6bn

2019
£32.4bn

Assets are financial investments, current net assets and net derivative positions

2020
£47.5bn

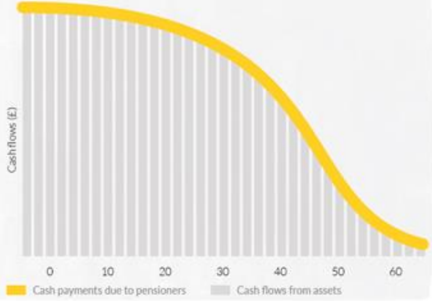
2019
£39.0bn

Excess assets are allocated to cover solvency risk and prudent margins that will generate future cash flows for reinvestment as well as returns for capital providers (debt and equity)

2020
£8.9bn

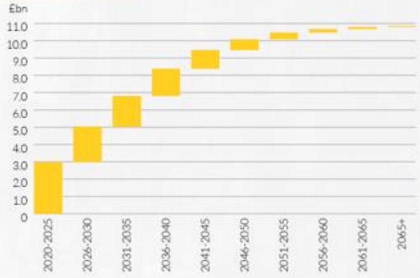
2019
£6.6bn

Best estimate liabilities are made more certain with reinsurance and liabilities are cash flow matched with high-quality assets to back future pension payments



Returns for our capital providers are generated by PIC on the assets held in excess of those needed to pay future pension payments. They are returned, or reinvested, as policyholder liabilities (including the prudent margins held within policyholder liabilities) run off.

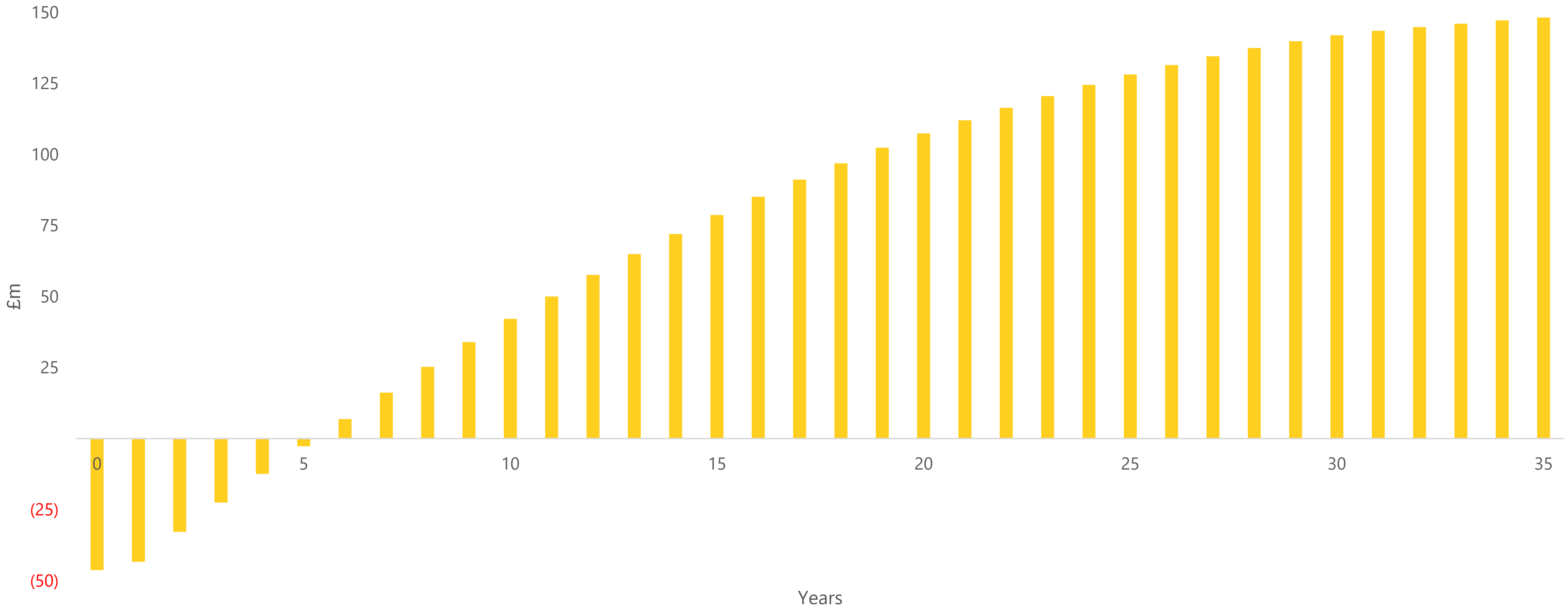
Illustrative profile of future cash generation from the current in-force business (FY 2020)



PENSION INSURANCE CORPORATION GROUP LIMITED

New business: cumulative surplus generation

Illustrative cumulative surplus generation from £1bn of new business Premium



PIC's hybrid debt maturity profile

Commentary

To date, PIC has issued one Restricted Tier 1 and five Tier 2 Capital Instruments (Hybrid Debt) to support the solvency position and new business capacity of the Company. These are:

— 2014 £300m Tier 2 10 Year Bullet / 6.500% coupon;

— 2016 £250m Tier 2 10 Year Bullet / 8.000% coupon;

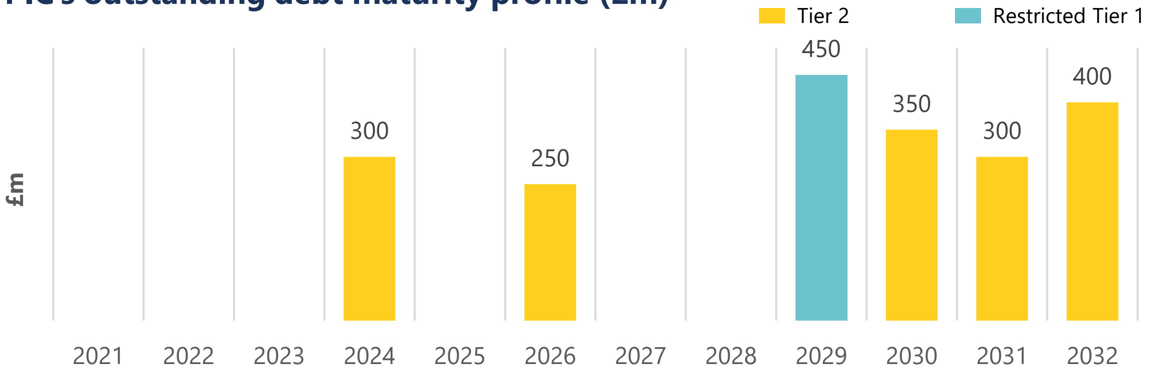
— 2018 £350m Tier 2 12 Year Bullet / 5.625% coupon;

— 2019 £450m Restricted Tier 1 Perpetual bond / 7.375% coupon;

— 2020 £300m Tier 2 11 Year Bullet / 4.625% coupon; and

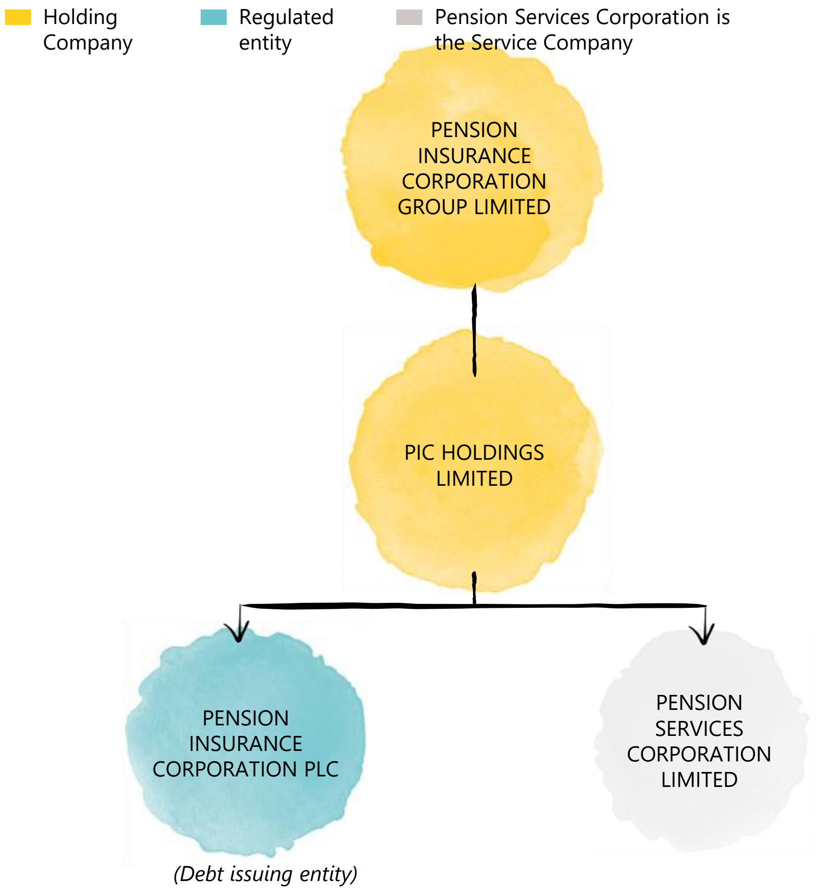
— 2020 £400m Tier 2 12 Year Bullet / 3.625% coupon.

PIC's outstanding debt maturity profile (£m)[(1)(2)]



1. PIC's five hybrid Tier II debt issues (issued in 2014, 2016, 2018, 2020 and 2020) are bullet structures and will be redeemed as per their maturity subject to satisfying the Solvency Condition.
2. In July 2019, PIC issued £450m of perpetual RT1 notes. The first call date is 2029 and on every fifth anniversary from that date. For the purpose of this presentation, it has been assumed the bond would be redeemed on the first call date.

Extract of the Group structure



PENSION INSURANCE CORPORATION GROUP LIMITED

Glossary

Annuities

— A type of insurance policy that pays out regular amounts of benefit to the policyholder for the remainder of insured individual's lifetime and in certain cases their spouse and/or dependents. The payments may commence immediately ("Immediate Annuity") or may be deferred to commence from a future date, such as the date of retirement ("Deferred Annuity"). Immediate Annuities and Deferred Annuities may be purchased for an individual and his or her dependents or on a bulk purchase basis for groups of individuals.

Best Estimate Liabilities (BEL)

— The expected present value of future cash flows for a company's current insurance obligations, calculated using best estimate assumptions, projected over the contract's run-off period, taking into account all up-to-date financial market and actuarial information.

Bulk Purchase Annuity (BPA)

— Bulk annuities are annuity policies that insure a group of individuals under a single contract, typically the members of a Defined Benefit Pension Plan, or a defined subset of such members.

Deferred Tax Liability

— Liability arising due to timing differences between tax computations and the recognition of items in company accounts.

Defined Benefit (DB) Pension Plan

— An employer sponsored retirement benefit plan where the benefits promised to the members of the Plan are defined according to a formula typically based on factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the trustees of the pension plan and not the employee or employer.

Defined Contribution (DC) Pension Plan

— A pension plan on which the employer and/or the employee make regular contributions, where the amount received by the employee on retirement is based on the accumulated fund. The employee normally has the responsibility of deciding how the contributions are invested (though investment choices may be limited by the actual pension fund provider).

Financial Conduct Authority (FCA)

— The FCA is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system and promoting effective competition in the interests of consumers.

Internal Rate of Return (IRR)

— A discount rate used to measure profitability. The rate used is that which will bring a series of cash flows to a net present value of nil.

Matching Adjustment (MA)

— An adjustment made to the risk-free interest rate when the insurer holds certain long-term assets to back a portfolio of their liabilities.

New business Strain

— The impact of writing new business on the regulatory capital position, including the cost of acquiring new business and the setting up of regulatory reserves.

Own Funds

— The amount of capital a firm actually holds under Solvency II on a market value basis. This is the sum of the economic value of assets less the economic value of liabilities. Basic own funds are calculated as the difference between the assets (including transitional measure on technical provisions) and liabilities (including subordinated liabilities) calculated on a combination of best estimate and market consistent assumptions. Eligible own funds reflect any tiering restrictions and are the amount of own funds eligible to cover the SCR and MCR.

PENSION INSURANCE CORPORATION GROUP LIMITED

Glossary continued

Prudential Regulation Authority (PRA)

— The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

Risk Margin

— The amount a third party would require, in excess of best estimate liabilities, in order to take over and meet the whole portfolio of insurance and reinsurance obligations of the company. It reflects the cost of providing capital equal to the solvency capital requirement for non-hedgeable risks necessary to support the insurance obligations over their lifetime.

Solvency II

— EU-wide regulatory regime which intends to align solvency capital to an insurers risk profile. Solvency II became effective from 1 January 2016.

Solvency Capital Requirement (SCR)

— Is the amount of capital the PRA requires an insurer to hold to meet the requirements under the Solvency II regulatory framework. Firms may use their own internal model e.g. like PIC, the European Insurance and Occupational Pensions Authority (EIOPA) prescribed standard formula or a partial internal model to determine SCR.

Transitional measure on Technical Provisions (TMTP)

— The introduction of Solvency II enabled insurers to apply for transitional relief the “TMTP” from their regulator. This allowed the initial increase in Solvency II capital requirements relative to the previous regime to be phased in over 16 years through applying a TMTP deduction, which for PIC was a deduction to the SII technical provisions.

Market Consistent Embedded Value (“MCEV”)

— The methodology for calculating and reporting Embedded Value, as set out by the European Insurance CFO Forum Market Consistent Embedded Value Principles. It is made up of five components: Adjusted Net Worth plus Present Value of Future Profits less Cost of Residual Non-Hedgeable Risks less Frictional Cost of Required Capital less Subordinated Debt.

PENSION INSURANCE CORPORATION GROUP LIMITED

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