Introduction to PIC.

Tracy Blackwell | Chief Executive Officer

Simon Abel | Head of Strategy and Corporate Development

14 - 15 March 2022

Wirral Water's One

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Today's Presenters

Tracy Blackwell
Chief Executive Officer

Tracy is Chief Executive Officer (CEO) and a Director of Pension Insurance Corporation (PIC). Tracy is also CEO and a Director of PIC's parent company, Pension Insurance Corporation Group (PICG). Tracy joined PIC as Chief Investment Officer at the company's inception in 2006, with responsibility for managing PIC's asset and liability management strategy.

Prior to joining PIC, Tracy held a variety of roles at Goldman Sachs. Tracy served as a Non-Executive Director at United Trust Bank from 2013 to 2019.

Tracy has 30 years' experience in insurance and asset management, including a deep knowledge and understanding of the regulatory landscape. Areas of particular interest include: "The Purpose of Finance", a project seeking to redefine the social contract with financial services; and diversity of thought in financial services. Tracy is a member of Wellcome Trust's Investment Committee; Trustee and Honourable Treasurer of the Elton John Aids Foundation; a Board member of the Association of British Insurers; and an Advisory Council member on the Diversity Project.

Simon Abel
Head of Strategy and Corporate Development

Simon is Head of Strategy and Corporate Development and is responsible for developing, communicating, executing and sustaining PIC's corporate strategic initiatives, including corporate bond issues.

Simon joined PIC in 2018 after 20 years of investment banking specialising in life and non-life insurance, mergers and acquisitions and sub-ordinated debt origination, working for financial services focused investment banks including Fox-Pitt, Kelton and Keefe Bruyette & Woods. Most recently, Simon was a board director of Aon Securities Limited, the investment bank within Aon.

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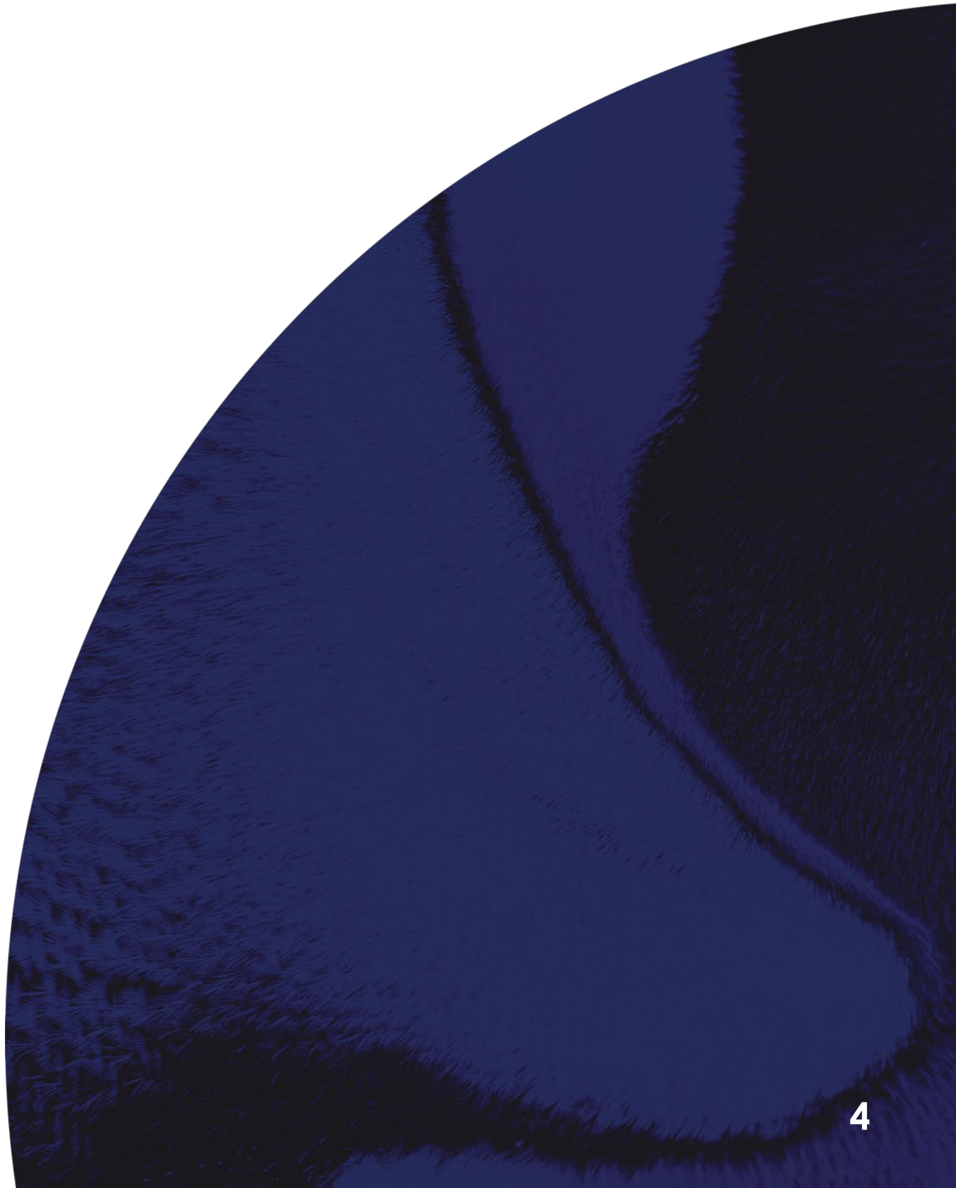


1.

Overview of PIC

PIC: Creating long-term value

PIC is a specialist insurer, which has established itself as a leader in the growing UK Pension Risk Transfer ("PRT") sector

- Simple purpose: to pay the pensions of our current and future policyholders
- **Clear and focused strategy**
  - Only insures UK defined benefit pension funds through either a pension insurance "buy-in" or "buyout"
  - Delivers excellent customer service for trustees and policyholders
- **Robust balance sheet with good financial flexibility**
  - Strong, stable solvency ratio
- **Conservative investment portfolio and resilient business model**
  - Highly rated asset portfolio
- **Creation of social value**
  - Commitment to carbon neutrality by 2025 / 2050
- **Supportive and committed long-term shareholder base**
  - Earns an attractive risk-adjusted return on capital
- Authorised by the UK's Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority and PRA

Some of our clients:

AON BhS Cadbury M&S SIEMENS Alliance Boots

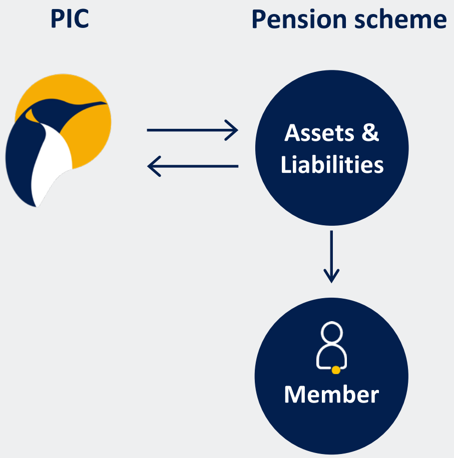
External Rating:

A+

Fitch Insurer Financial Strength Rating

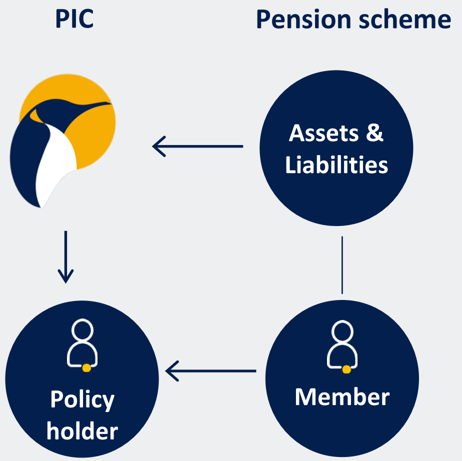
What is a pension insurance buy-in?

- 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 buyout?

- 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



Policyholders are at the heart of what we do

Our focus is always on customer outcomes

- Four times Institute of Customer Service Award ("ICS") winners and holders of the ICS ServiceMark with Distinction
- Close partnership with our administrators, ensuring complaint levels are low
- Our policyholders receive extremely high levels of service
- Organised policyholder days, lunches and virtual policyholder hours
- Clear policyholder communications. We hold the Platinum Crystal Mark from the Plain English Campaign

ServiceMark with Distinction Accredited from Dec '20 to Dec '23 The Institute of Customer Service

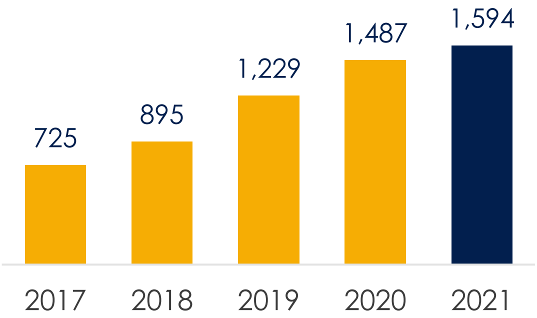
The Institute of Customer Service UK Customer Satisfaction Awards 2021 WINNER

Crystal Mark 15815 Clarity approved by Plain English Campaign

"PIC is a company you can trust. They are professional, serious, clear. Clarity of communication is excellent."

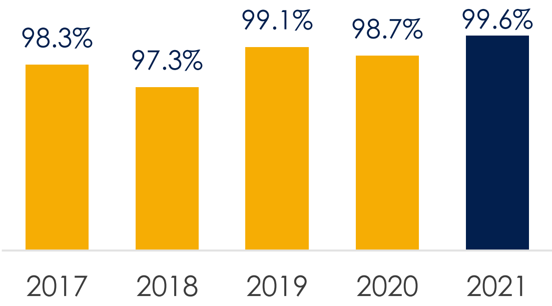
PIC policyholder 2021

Total pensions paid to policyholders (£m)



PIC paid £1,594m to policyholders in 2021

Policyholder satisfaction



We have maintained over 97% overall satisfaction over the last ten years

PIC

£8 billion
Total pensions paid[1]

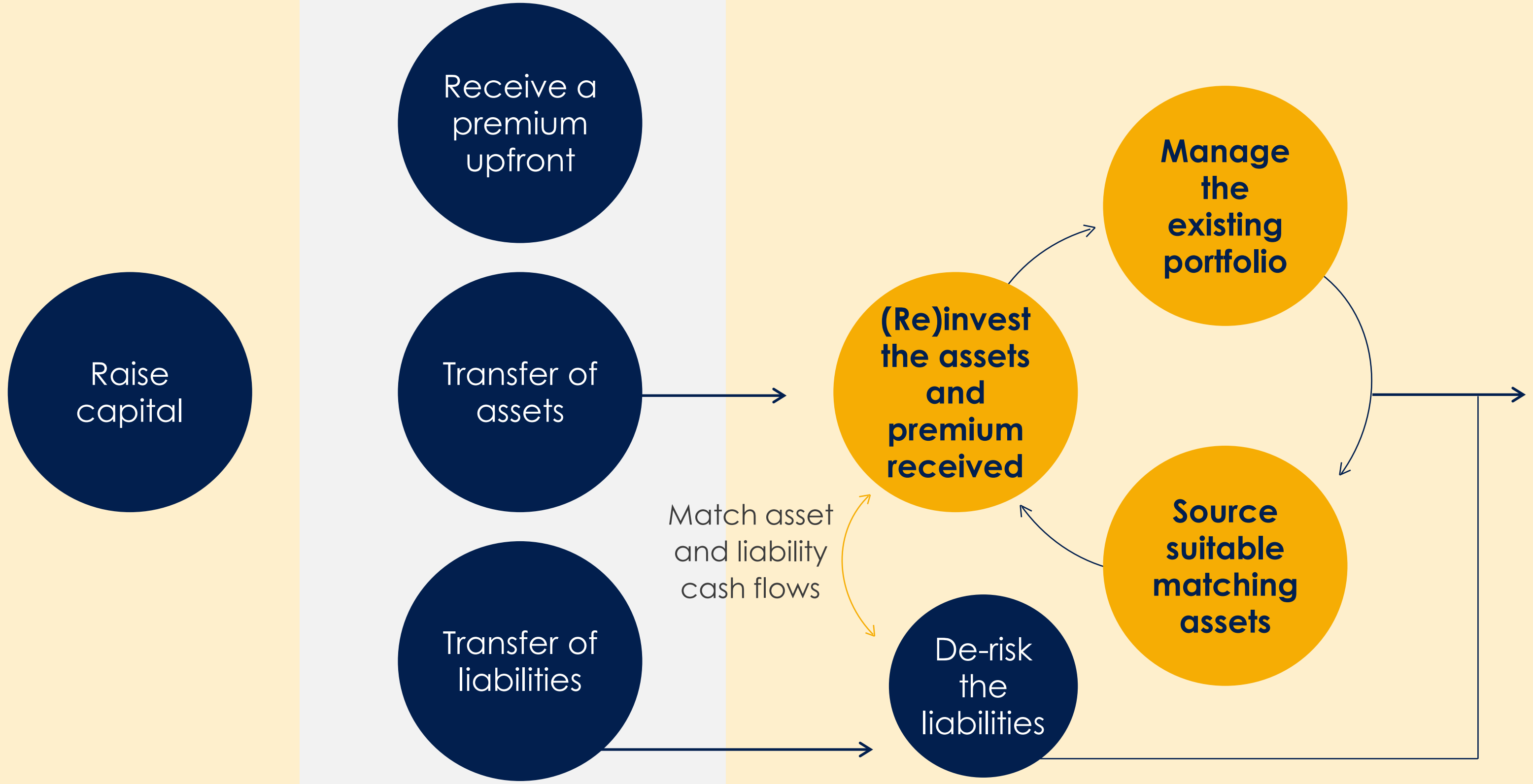
282,900
policyholders insured[2]

99%
of calls answered within 20 seconds

1. Pensions paid from 2008–2021.
2. Total number of policyholders insured as at 31 December 2021

PIC's Business Model

Key steps in securing pensions and generating long-term shareholder returns



Source DB pension liabilities (via buy-in or buyout)

Manage our risks and (re)invest our assets

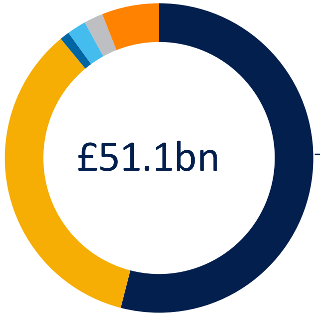
1. Pay the pensions of our policyholders
2. Distribute returns to our capital providers and/or reinvest surplus capital back into the business

£51bn high-quality investment portfolio

Low risk investment portfolio that provides a steady stream of high-quality cash flows that match the payments due to policyholders

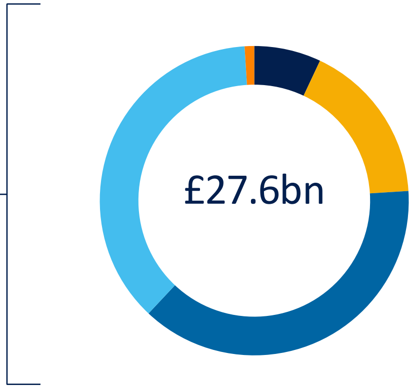
- Continued to de-risk the investment portfolio; zero defaults in 2021 and less than 0.1% of the credit portfolio downgraded to sub-investment grade
- £2.7bn unutilised IFRS credit default reserve
- 94% of the total portfolio rated investment grade
- £9bn private investment portfolio[1]
- 62% of corporate securities issued in GBP, 34% issued in USD
- Hedge out inflation, interest rate and currency risks
- Limited exposure to consumer cyclical sectors
- £10.9bn in ESG assets
- No direct exposure to Russia, Ukraine or Belarus in our matching adjustment portfolio and c0.6 basis point exposure in our non-matching portfolio[2]

Financial investments by asset class (31 December 2021)[1]



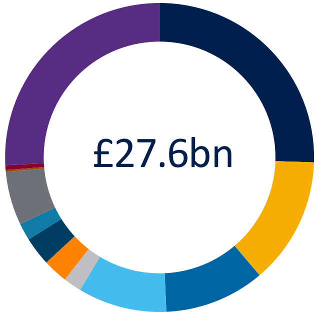
Corporate securities	54%
Government securities	35%
Mortgages and asset backed securities	1%
Equity release mortgages	2%
Cash and liquidity assets	2%
Others	6%

Corporate securities by rating[1]



AAA	7%
AA	17%
A	38%
BBB	37%
Unrated	1%

Corporate securities by industry sector[1]



Financial	25.5%
Utilities	13.3%
Consumer, non-cyclical	10.5%
Communications	9.3%
Energy	1.9%
Consumer, cyclical	2.6%
Industrial	3.0%
Basic materials	1.8%
Technology	5.6%
Diversified	0.2%
Quasi-Government	0.5%
Other	25.8%

1. Corporate securities includes both public and private investments. As at 31 December 2021, PIC had £9,021m of private investments
2. Exposure is calculated as a proportion of total financial investments

2

Market Opportunity

Competitive environment

PIC participates across the spectrum of UK PRT transaction size; from small (<£50m) to very large (>£2bn)

External perspectives on appetite by transaction size[1]

	Deferreds?	<£50m	£50m – £100m	£100m – £500m	£500m - £2bn	>£2bn
PIC	✓	More selective	More likely to quote	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
Legal & General	✓	More selective	More selective	More likely to quote	More likely to quote	More likely to quote
Rothesay	✓	Unlikely to quote	Unlikely to quote	More selective / More likely to quote	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
PHOENIX LIFE	✓	Unlikely to quote	More selective	More selective / More likely to quote	More likely to quote	More likely to quote

✓ Able to write
✗ Unable to write

● More likely to quote
● More selective
● Unlikely to quote

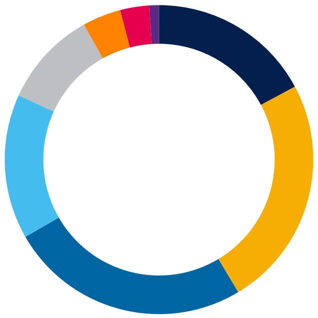
UK pension risk transfer cumulative market share (2008-2021)[2]

Over £200bn total UK PRT transactions over the period

PIC	22%
Legal and General	26%
Rothesay Life	18%
Aviva	13%
Phoenix	3%
Just Group	4%
Scottish Widows	3%
Others	10%

UK pension risk transfer cumulative market share (2019-2021)[2]

Over £100bn total UK PRT transactions over the last three years



PIC	17%
Legal and General	24%
Rothesay Life	25%
Aviva	15%
Phoenix	10%
Just Group	4%
Scottish Widows	3%
Others	1%

1. Hymans Robertson's 2022 Risk Transfer Report
2. PIC Estimates

PRT in 2021 – overview and trends

Whilst the first half of 2021 was subdued due to the impact of the pandemic in 2020, the market recovered strongly in the second half of 2021, demonstrating the huge latent demand for PRT

£2.2bn Metal Box Pension Scheme buy-in, is the largest transaction of the year

- Secures the benefits of 10,300 pensioners and 2,200 non-pensioner members
- The scheme converted to a buyout in November 2021, with each member becoming a PIC policyholder, removing the scheme liabilities from the balance sheet of the sponsor[1]

"Working alongside the Company and our respective advisors, we selected PIC based on their proven customer service standards and strong financial credentials. This has been the culmination of a successful journey over many years, supported by the Company."

Gary Fishlock,

Chair of Trustees of the Metal Box Pension Scheme

Recent repeat transactions[2]:

Additional pension buy-in with the Trustee of BAT's UK pension fund, taking the total pensioner liabilities insured from the Fund by PIC to £3.8bn

Second buy-in with MNOPF covering £400m of liabilities, and representing the benefits of close to 2,000 MNOPF pensions

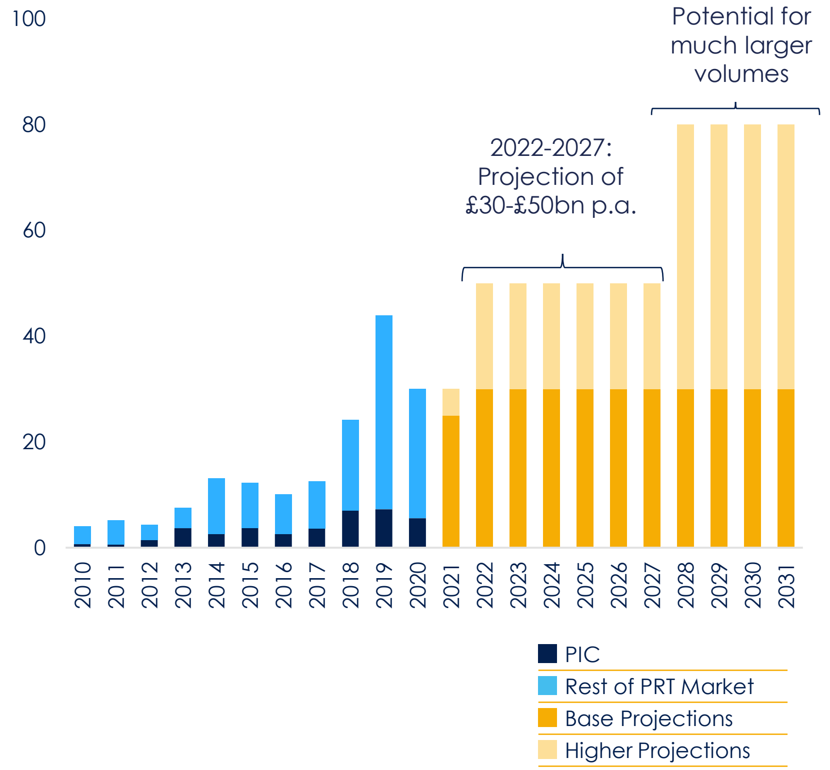
Fifth partial buy-in completed with IMI since 2016, taking total liabilities insured by PIC to £800m

1. Crown Packaging Manufacturing UK Limited, a subsidiary of Crown Holdings Inc, which is listed on the NYSE
2. British American Tobacco ("BAT") . Merchant Navy Officers Pension Fund ("MNOPF"). IMI plc ("IMI")

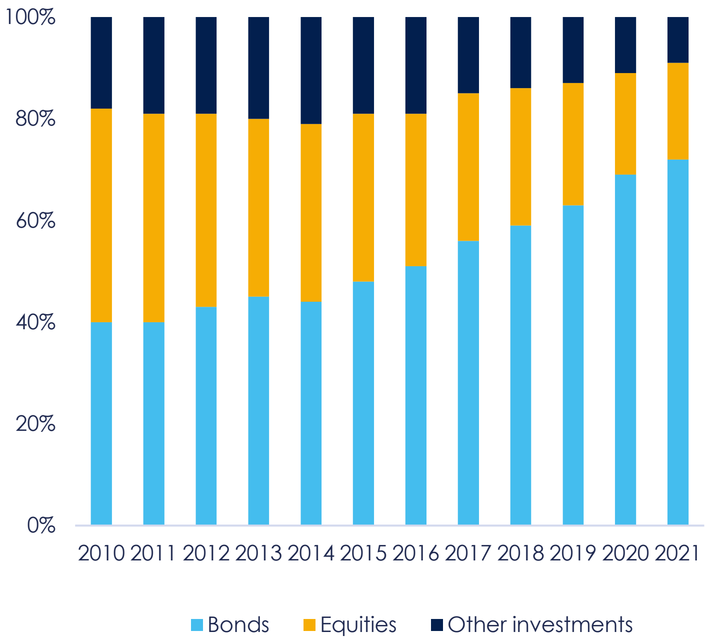
Significant UK PRT market opportunity

UK private sector defined benefit liabilities in excess of £2.3trillion providing large growth potential in UK pension risk transfer

Projected UK pension scheme transactions volumes over the next decade (£bn)[(1)]



Asset allocation of defined benefit pension schemes[(3)]



£2.3trn
UK Defined Benefit ("DB") Liabilities[(2)]

£1.7trn
Assets held within UK DB pension Schemes[(3)]

£1.2trn
Assets held in gilts and fixed income assets by UK DB Schemes[(3)]

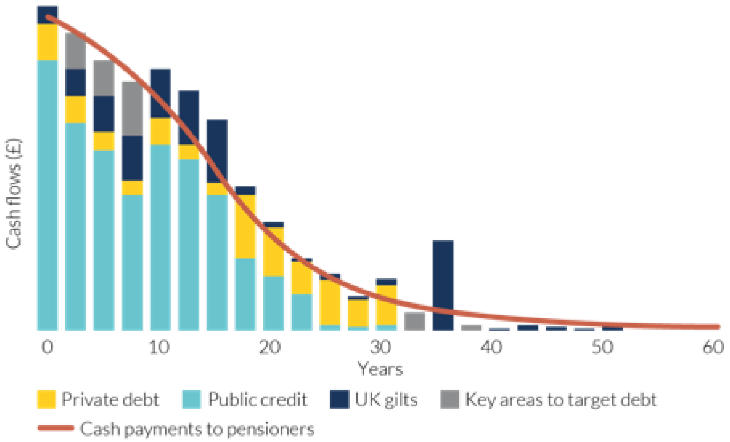
1. LCP and PIC analysis
2. Estimated total liabilities on a full buyout basis. PPF Purple Book 2021 (as at 31 March 2021)
3. PPF Purple Book 2021 (as at 31 March 2021)

Investing with purpose

PIC is a significant investor in secure long-term private debt; creating assets to match PIC's liabilities at maturities when publicly available debt is limited

Private investments

Finding cashflows in years with low levels of listed bonds in issuance



- £10bn total UK direct investments[1]

Examples of PIC's private investments (and committed capital)

Build-To-Rent ("BTR") developments

3 BTR developments over 2020 and 2021

Case study: Manchester New Victoria Development

Urban Regeneration

£500m Invested in urban regeneration

Case study: Wirral Waters One

Student Accommodation

£2.9bn Invested in the UK's education system[2]

Case study: London School of Economics student accommodation

Social Housing

£3.2bn Invested in the UK social housing sector

Case study: Livin Housing

1. From 2012 to 2021
2. Including student accommodation

Potential opportunity from regulatory reform

Reforming Solvency II to better suit UK insurers can provide the opportunity to unlock and channel billions of pounds of UK savings into projects that support the transition to net zero and the levelling-up agenda

- The UK Government's levelling up and net zero ambitions **require substantial investment** to be achieved
- This can be realised through the release of capital as a result of **Solvency II reform without compromising policyholder security or weakening balance sheets**
- HMT have announced a package of reforms[1], aiming at:
  - 60-70% reduction in the risk margin for long-term life insurers
  - Broadening the range of assets eligible for the matching adjustment
  - Significant increase in the flexibility to allow more investment in long-term assets, e.g. infrastructure
- We expect to invest **£30bn into productive finance by 2030** through our normal course of business; with appropriate reform of Solvency II, this could increase to £50bn[2]
- **Significant social value would be generated** through the creation of good jobs, environmental benefits, more urban regeneration and intergenerational equity

CITY A.M.

MONDAY 21 FEBRUARY 2022 8:00 PM

Solvency II regulations to go in first sign of post-Brexit shake-up

fn Financial News

Government fires starting gun on post-Brexit regulatory overhaul with 'bold' Solvency II change

FINANCIAL TIMES

UK rewrite of insurance rules to 'free up billions for investment'

1. Speech by John Glen MP, Economic Secretary to the Treasury, to the Association of British Insurers Annual Dinner - GOV.UK (www.gov.uk)
2. investment-unleashed-2021-211223v1.pdf (pensioncorporation.com)

3.

2021 Financial Results

Value generated from PRT new business premiums

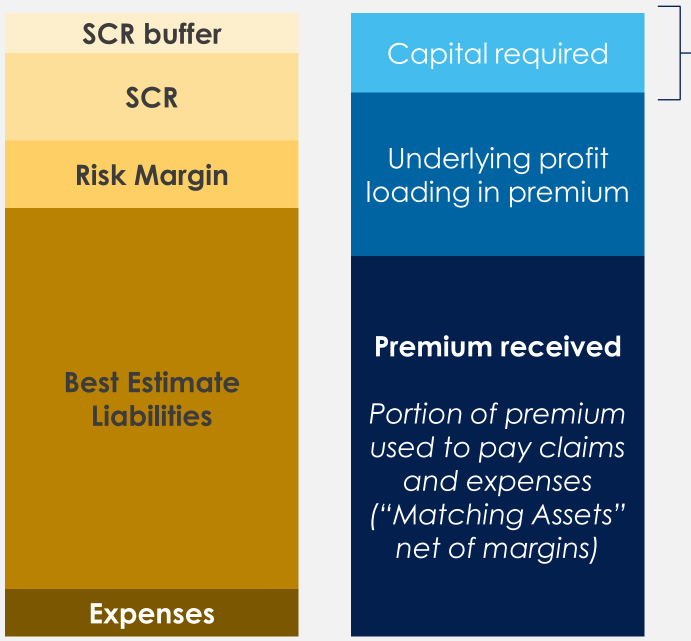
PIC generates value from new business by charging a premium in excess of that required to cover the future expenses and claims arising on transferring pension liabilities to cover the cost of capital it is required to put up against new business.

Long-term release of new business value is generated as liabilities and capital requirements run-off and profit loadings are released.

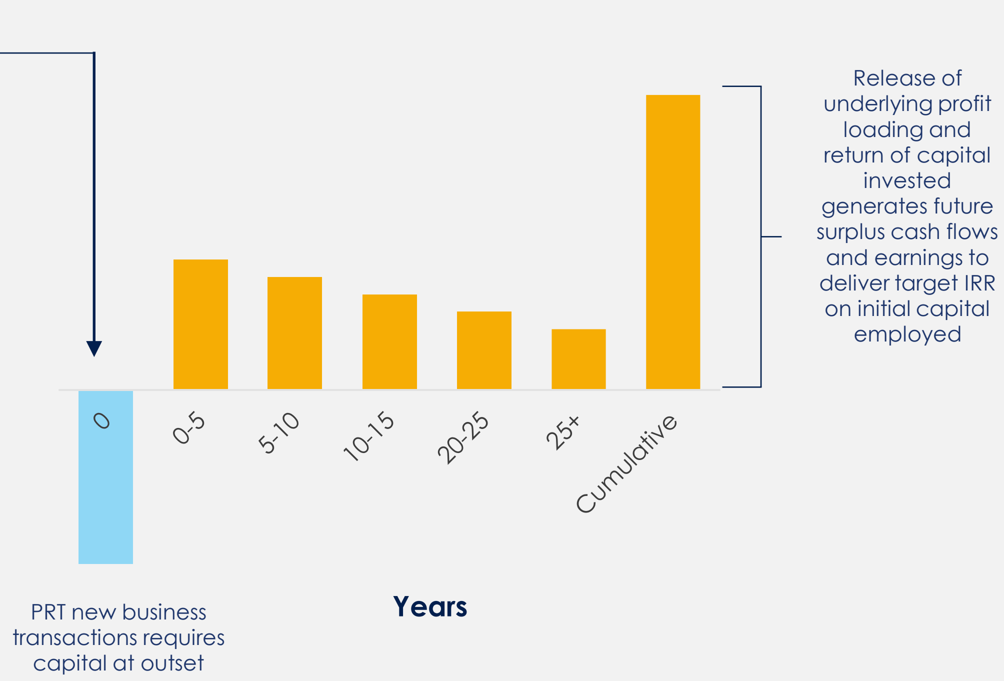
Core capabilities

1. New business capability
2. Asset sourcing and hedging ability to optimise returns on a cash flow matched and risk adjusted basis
3. Excellent risk management capabilities (liabilities are hedged on a Solvency II basis for interest, inflation and currency risks)
4. Reinsurance and underwriting capability to remove longevity risk and optimise capital deployment
5. Administration and transition capability

Transaction balance sheet at the point of sale



Illustrative cash flow profile of new business (surplus capital consumption and generation)



Long-term value generation

PIC has insured more than £28bn of pension liabilities over the last five years, doubling the size of our financial investments and maintained a strong solvency ratio. Shareholder funds have risen by almost £2bn and Embedded Value has increased by more than £2bn

Growth in policyholders insured over the last five years:

282,900 Policyholders insured

87% Increase in number of policyholders insured since 2017

As at 31 December 2021

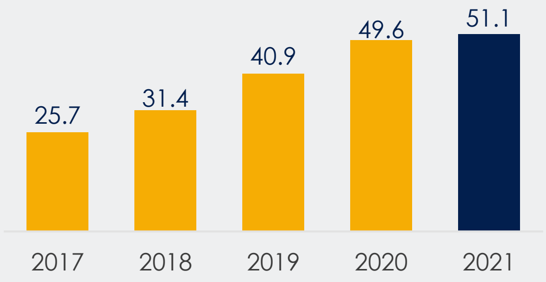
Growth in total liabilities over the last five years:

£41.5bn BEL net of reinsurance assets

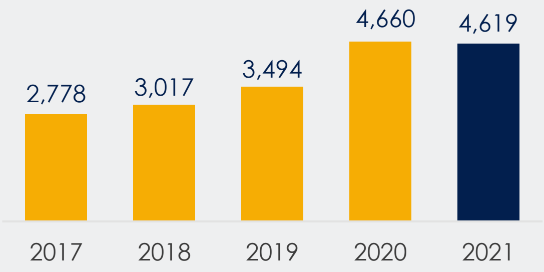
99% Increase in BEL net of reinsurance assets since 2017

As at 31 December 2021

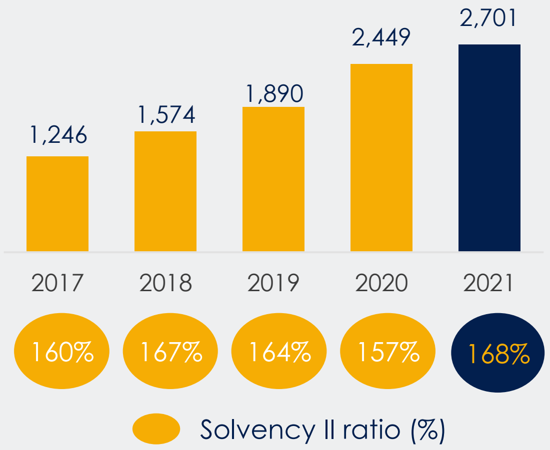
Financial investments (£bn)



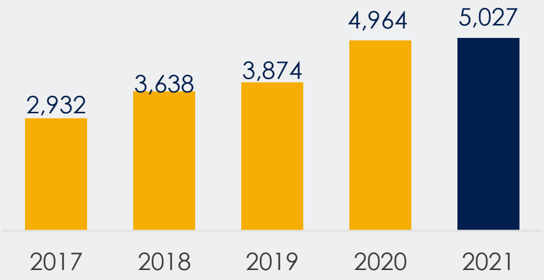
Shareholder Equity Own Funds[1] (£m)



Solvency II Surplus[1] (£m)



Embedded Value (£m)



1. Figures relates to PIC plc

2021 results: Adjusted operating profit before tax

Management actions taken to optimise value from the in-force book

	2021	2020 Restated
	£m	£m
Return from operations	288	274
New business and reinsurance profit	167	187
Net release from operations	**455**	**461**
Changes in valuation assumptions	315	292
Experience and other variances	(77)	(253)
Finance costs	(122)	(106)
Project costs	(38)	(45)
Adjusted operating profit before tax	**533**	**349**
Investment related variances	(173)	(106)
Add back: RT1 coupon	33	33
Profit before taxation	**393**	**276**

Notes:
During 2021, the definition of adjusted operating profit before tax was amended to take account of three refinements to the methodology:

1. New business profit has been redefined to align the reported new business profitability with the assumptions used in the pricing of new business. Any variance between pricing and current valuation assumptions is then recognised as an experience variance outside of underlying profit that will reverse over time. There is no change to adjusted operating profit before tax.
2. Reinsurance profit has been restated to recognise short term timing differences, and their reversal, within experience variances.
3. The cost of the Restricted Tier 1 (RT1) interest has been recognised within finance costs. This is to align the reporting across all bases and reflects the way management and rating agencies view these financing costs. The treatment for statutory IFRS statement of comprehensive income remains unchanged. The 2020 comparatives have been restated accordingly

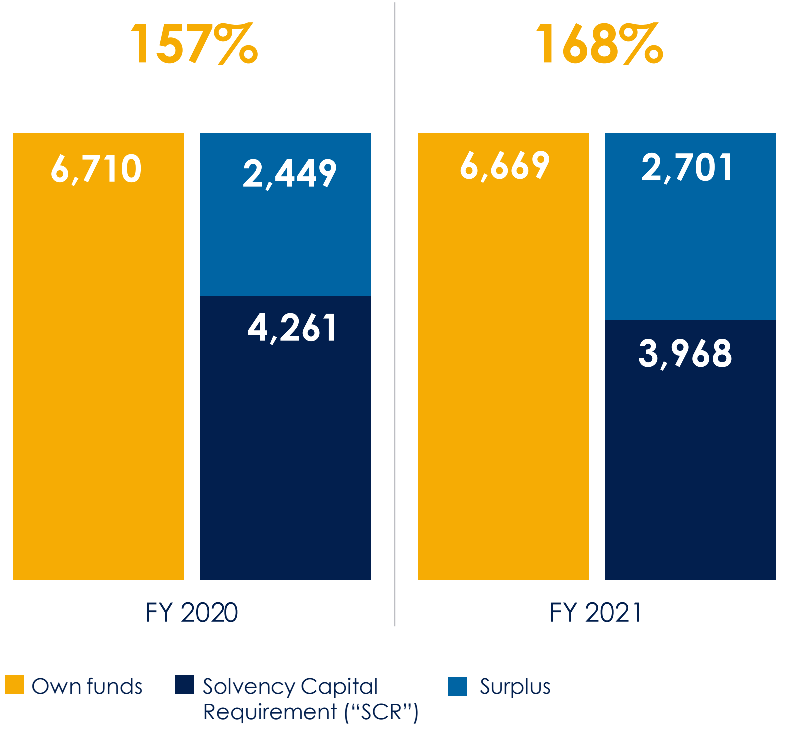
Adjusted operating profit before tax up 53% to £533m, reflecting:

- £4.7bn of UK PRT new business
- Return from operations up 5% reflecting rising interest rates offset by lower credit spreads this year
- New business and reinsurance profit was lower with higher new business profits offset by lower impact from reinsurance in the year than 2020 (£2.6bn less reinsurance transactions in 2021)
- £315m reserve release from assumption changes in respect of; credit defaults, investment management fees, inflation and IFRS liquidity premium reinvestment rate
- Less adverse experience and other variances
- £3.1bn of IFRS prudent margins as at 31 December 2021

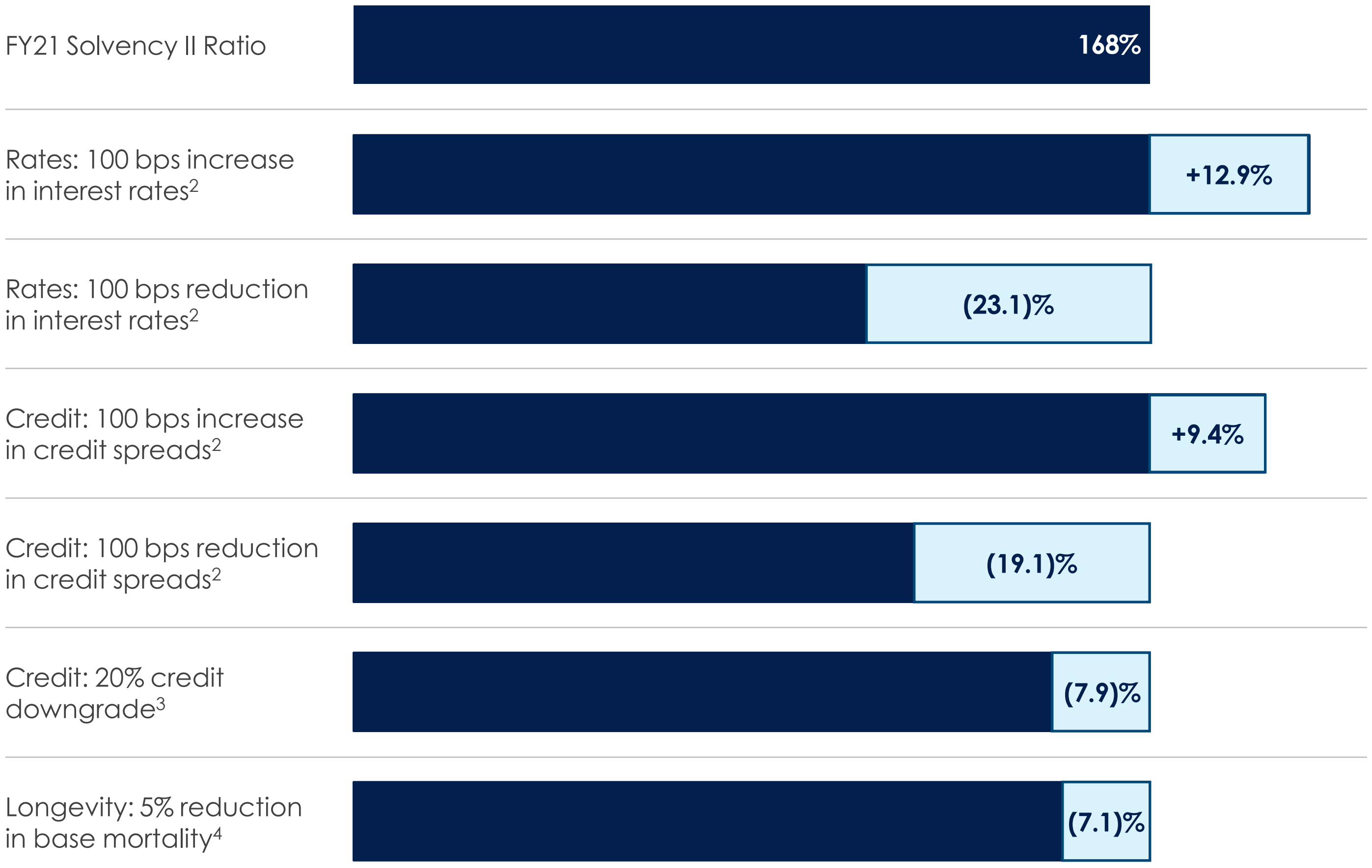
2021 results: Robust Solvency II balance sheet

Improved solvency strength over last year; positioning us well to take advantage of future market opportunities

Solvency II Balance sheet (£m)



Key Solvency II sensitivities[1]



Notes:
1. All sensitivities allow for a transitional measure for technical provisions recalculation
2. For the interest rate and credit spread sensitivities, due to the nature and the size of the impact, the recalculation of the TMTP results in a different test biting and causes asymmetry of the results
3. 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 is primarily a reduction in Own Funds from the loss of value in downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date
4. Equivalent to a 0.4-year increase in life expectancy from 22.9 years to 23.3 years for a typical male aged 65

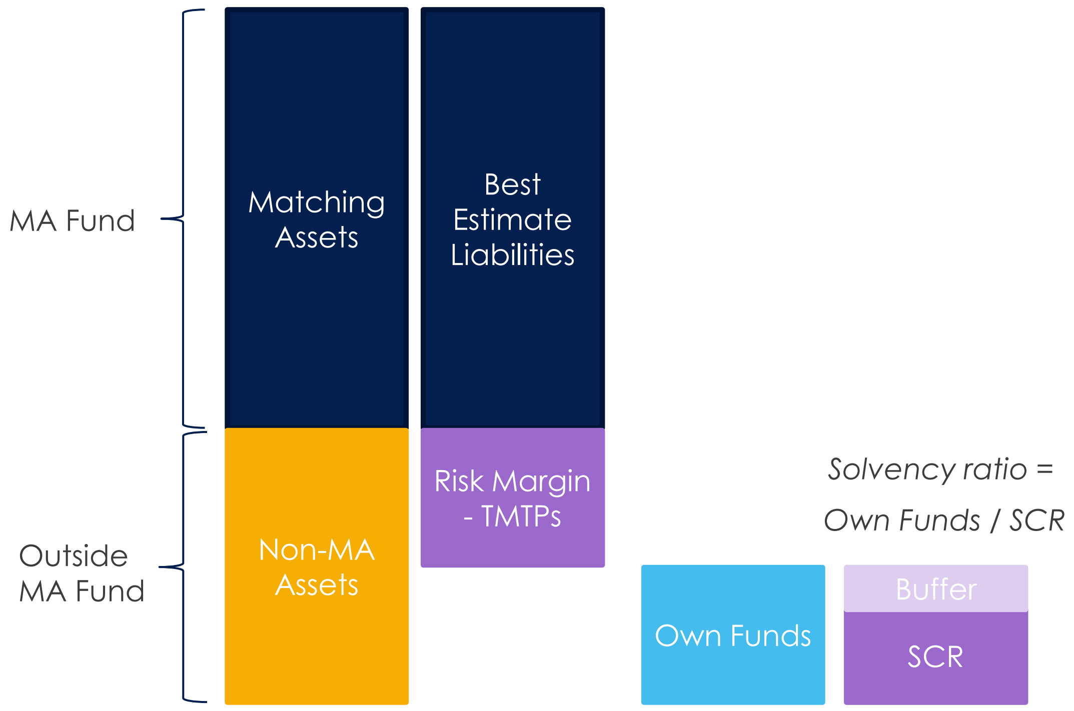
Illustrative impact of interest rate movements

PIC's balance sheet is sensitive to market movements. We use hedging to protect the Solvency II balance sheet in line with our risk framework

A rise in interest rates would reduce the value of all components of the Solvency II balance sheet

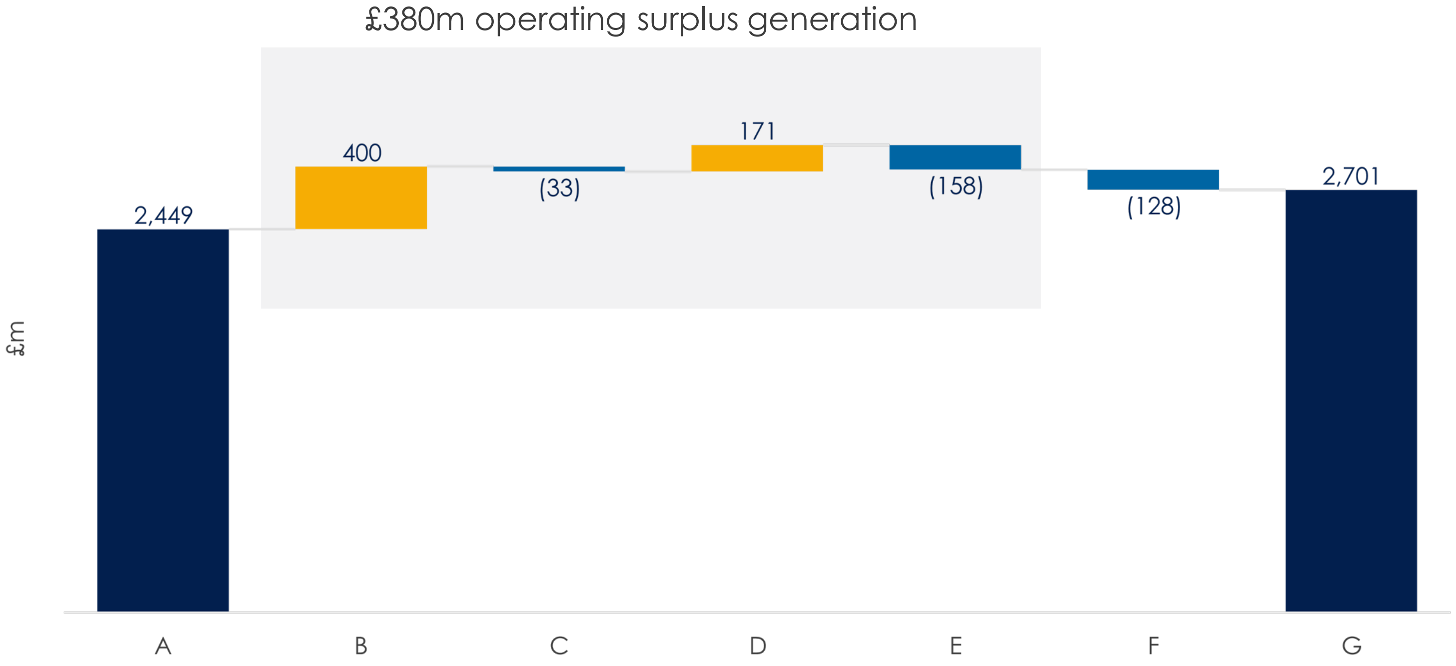
- Best estimate liabilities and matching assets will broadly move in tandem
- The movement in Own Funds is dependent on the level of hedging to meet the remaining components of the balance sheet
  - Full solvency ratio hedging would cover SCR and Risk Margin (net of TMTPs). Interest rate movements would have limited impact on solvency ratio but a bigger impact on the size of Own Funds as the fall in the SCR and Risk Margin would be offset by a fall in the asset value of the derivative providing protection
  - Whereas partial solvency ratio hedging would have less of an impact on Own Funds, as there is a smaller associated movement on the asset-side in response to changes in interest rates, but it means the solvency ratio is more volatile to those movements
- Note that large changes in interest rates can also trigger a TMTP recalculation, complicating the picture
- The impact on IFRS Equity, MCEV and Solvency II balance sheet will all be different as not all components are included on each (i.e. IFRS does not have SCR which is sensitive to interest rates movements)

Components of Solvency II Balance Sheet



2021 results: Surplus generation

The focus over 2021 has been to protect the Solvency II balance sheet in order that we can readily take advantage of opportunities as they arise, and position ourselves for long-term growth



A	Operating surplus (31 December 2020)
B	Expected surplus generation from the in-force book
C	New business (net of reinsurance)
D	Management actions and other variances
E	Financing and project costs
F	Economic and other non-operating variances
G	Closing surplus (31 December 2021)

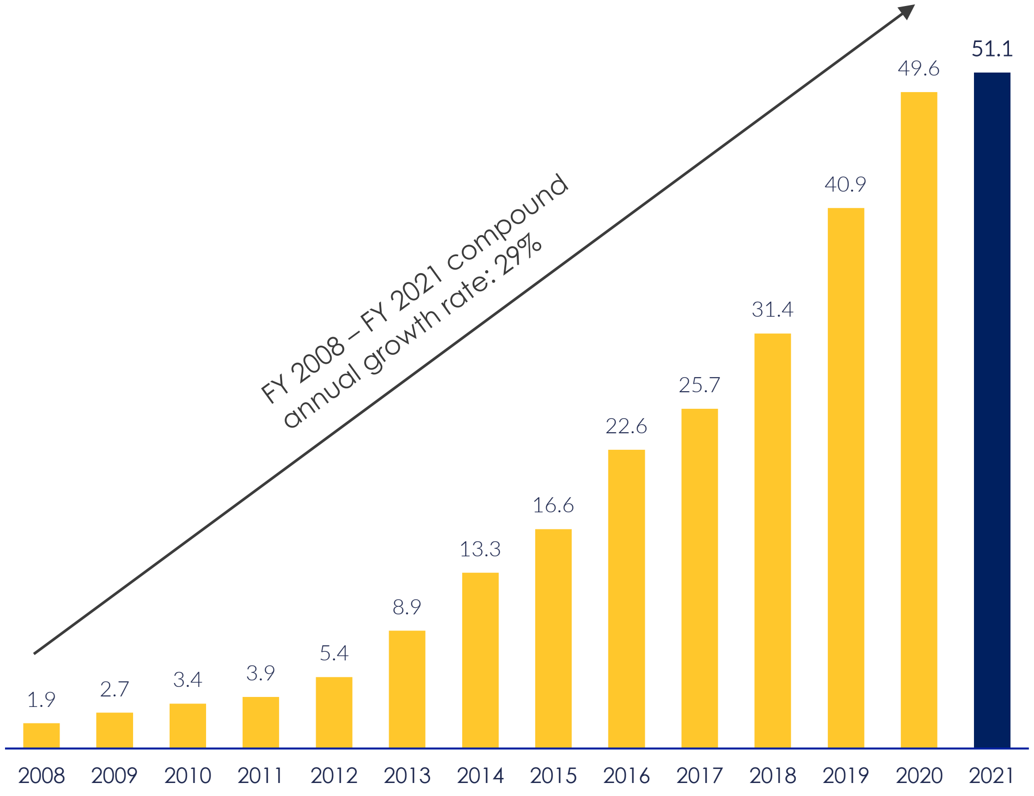
Notes:
1. Own Funds less Solvency II Capital requirements ("SCR")
2. The reduction in strain reflects a number of items, including the use of quota share reinsurance, not all of which is expected to repeat next year

Total surplus generation[1] of £252m during the period, reflecting:

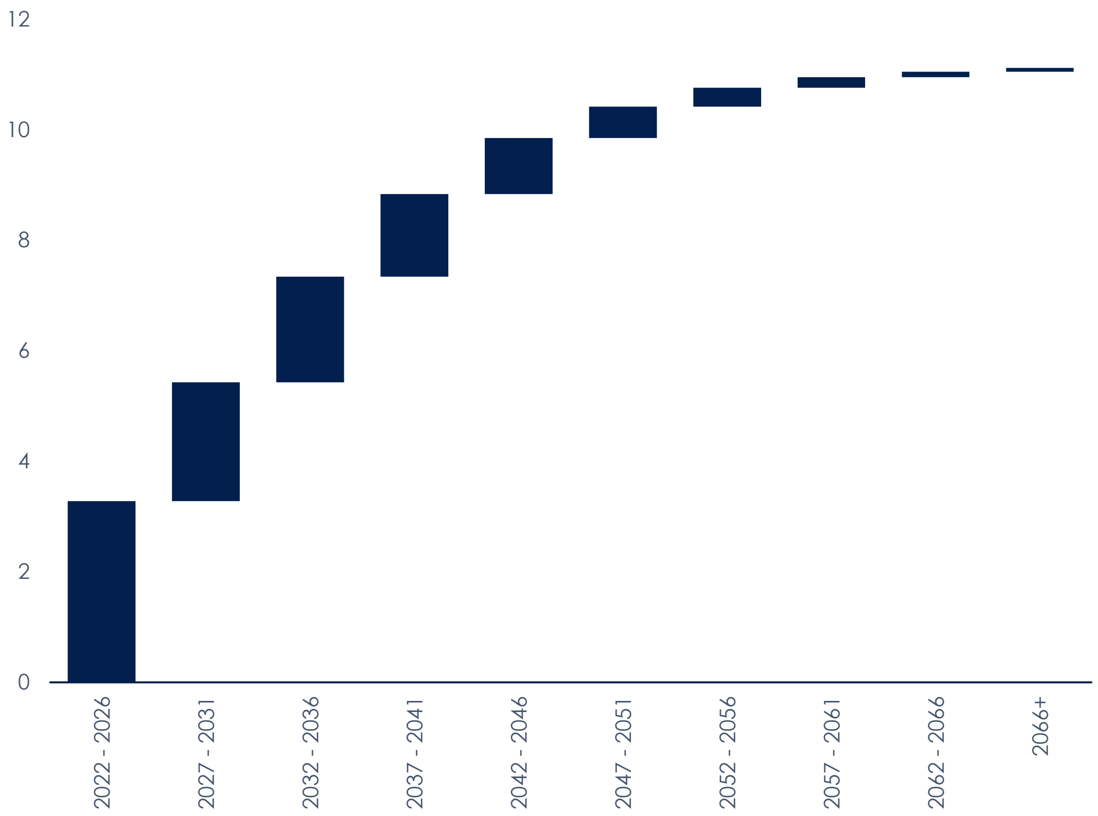
- Expected surplus generation increased to £400m, reflecting a larger in-force book and capital assets arising from new business written in 2020.
- The impact of new business, net of reinsurance, on the solvency surplus was £33m for the £4.7bn new business written in 2021; reflecting our selective approach to writing new business, and writing schemes that are less capital consumptive than last year [2].
- Management actions and operating variances increased to £171m as a result of; removing prudence in some business assumptions and review of the interaction between market and longevity risks, plus other, smaller assumption changes, partly offset by the transition of GBP risk free rates from LIBOR to SONIA.
- Financing and project costs of £158m primarily reflect interest and costs associated with PIC's debt issues, as well as costs from business-wide initiatives.
- Economic and other non-operating variances had a negative impact on capital of £128m, primarily relating to changes in inflation, risk-free rates and asset trading in the period.

Substantial store of future cashflow from the in-force business

Financial Investments (£bn)



Illustrative profile of future cash generation[1] from the current in-force business (£bn)



1. Net of tax generation (pre debt coupon and principal)

4

Wrap-up

Long-term value creation

Clear and focussed strategy

- Specialist insurer in the UK PRT market
- Defined purpose – to pay the pensions of our current and future policyholders
- Excellence in customer service

Robust balance sheet with good financial flexibility

- Strong and stable solvency ratio
- Limited sensitivity to market risks from interest rate and inflation movements, supporting stability of cash generation
- A+ Fitch Insurer Financial Strength Rating

Conservative portfolio and resilient business model

- Highly rated asset portfolio
- Excellent risk management capabilities – hedging of interest, inflation, currency risks and longevity risk
- Disciplined deployment of capital subject to strict internal economic requirements

Creation of social value

- Driving investment into urban regeneration, renewable energy and social housing across the UK, creating jobs
- Committed to be net zero across all emissions by 2050, and within the investment portfolio by 2025
- Joined the UN-convened Asset Owner Alliance

Supportive and committed long-term shareholder base

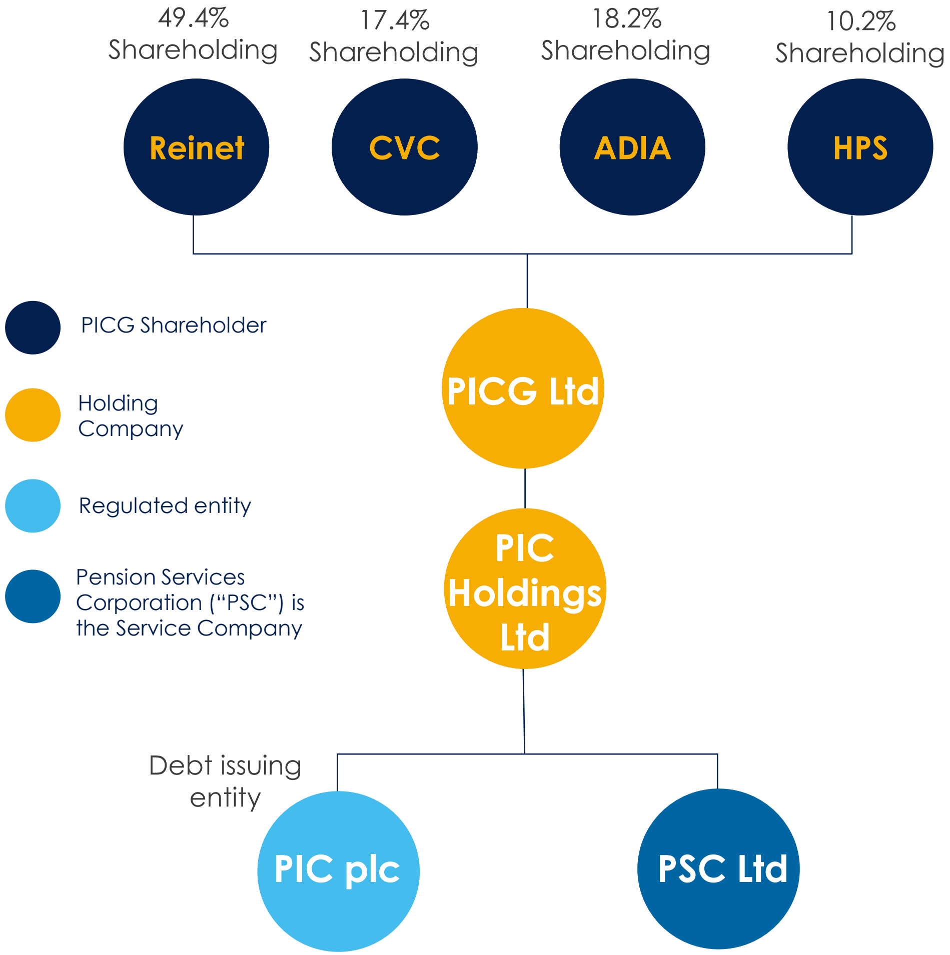
- Shareholder base aligned in supporting the long-term growth prospects of PIC

5

Appendix

Providers of capital

Extract of the Group structure[1]



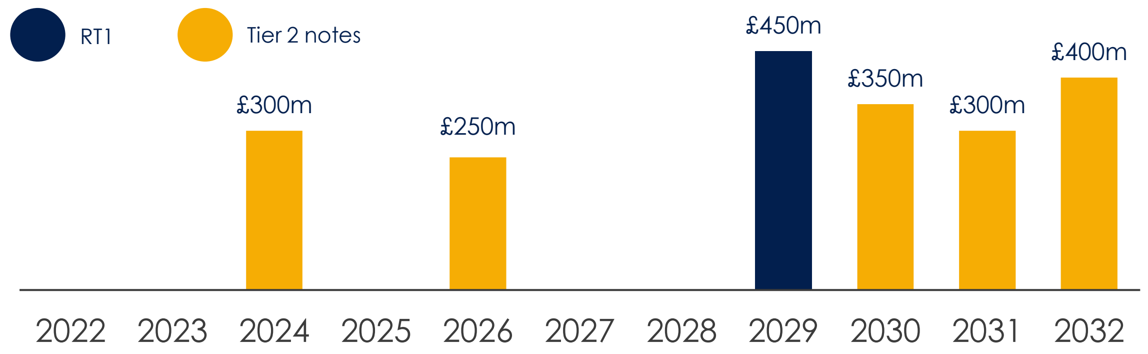
1. PICG also has a number of other corporate and private shareholders. Each shareholder is measured on a voting basis. Shareholding as at 31 December 2021.

PIC's outstanding bonds

£2,050m of outstanding debt, comprising of £450m of Restricted Tier 1 bonds and £1,600m of Tier 2 bonds

Instrument	Key terms
£300m Tier 2 Note	• Issued in 2014 / 10 year bullet / 6.500% fixed coupon
£250m Tier 2 Note	• Issued in 2016 / 10 year bullet / 8.000% fixed coupon
£350m Tier 2 Note	• Issued in 2018 / 12 year bullet / 5.625% fixed coupon
£450m RT1	• Issued in July 2019 / PerpNC2029 / 7.375% fixed coupon
£300m Tier 2 Note	• Issued in May 2020 / 11 year bullet / 4.625% fixed coupon
£400m Tier 2 Note	• Issued in October 2020 / 12 year bullet / 3.625% fixed coupon

Debt profile as at 31 December 2021[2]



2. 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. 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.

Thank you.

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