

For the future.



Pension Insurance Corporation Group plc
Annual Report and Accounts 2025



We're securing pensions for our policyholders and shaping a positive future.
We're for a future where individuals, businesses and communities flourish.
We're for infrastructure and housing, prosperous lives and a dynamic economy.
For our policyholders, their families and for communities.
For the future.

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Pension Insurance Corporation plc ("PIC" or the "Company") is registered in England and Wales under company number 05706720. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345). The registered office of PIC and its subsidiaries (the "Group") is at 22 Ropemaker Street, London EC2Y 9AR. References made to Pension Insurance Corporation plc ("PIC" or the "Group") mean PIC and its subsidiaries. References made to PICG Group mean Pension Insurance Corporation Group Limited and its subsidiaries (the "PICG Group").

Our 2025 suite of reports

You can find out more about our activities, financial performance, sustainability strategy and our progress to becoming a Net Zero business by 2050 on our website and in our reporting suite:
pensioncorporation.com/investors



-  **PIC Group Annual Report and Accounts**
-  **PIC Company Report**
-  **Investor Results Presentation**



-  **Sustainability Report**
-  **Climate Report (TCFD) - Basis of Reporting**
-  **Climate Report (TCFD)**

2025 Highlights

Solvency ratio¹

257%

2024: 236%

Gross premiums written

£6,752m

2024: £8,064m

Equity own funds¹

£5,807m

2024: £5,791m

Profit before tax

£334m

2024: £370m

Adjusted operating profit before tax^{1,2}

£880m

2024: £875m

Total invested in the UK (private and listed)

£31bn

2024: £30bn

Adjusted equity¹

£6,540m

2024: £6,490m

2025 total dividends paid

£520m

2024: £400m

Financial investments

£54.8bn

2024: £50.9bn

Total pensions paid

£2.5bn

2024: £2.2bn

Total UK direct investments (private) to FY2025³

£15.0bn

2024: £13.8bn

Total number of policyholders

438,000

2024: 397,100

Policyholder satisfaction

99.0%

2024: 99.3%

Employee pride in working for PIC

93%

2024: 93%

In August 2025, Fitch Ratings affirmed PIC's A+ (Strong) Insurer Financial Strength rating

A+

1. The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group. The definitions of the APMs are set out in the Alternative Performance Measures section on page 116.
2. Adjusted operating profit before tax ("AOPBT") has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business. The 2024 comparative has been restated to reflect this change.
3. Amount invested to date is estimated based on available historical data.

All mentions of Solvency II throughout the PIC Annual Report and Accounts 2025 refer to the UK solvency regime as modified by the PRA's 2024 reforms.

Recent awards



Our clients include



Strategic Report

for the year ended 31 December 2025

Business overview

The Directors present the Strategic Report, Directors' Report and the audited consolidated financial statements for Pension Insurance Corporation plc ("PIC" or the "Company"), registered number 05706720, for the year ended 31 December 2025. References made to Pension Insurance Corporation plc ("PIC" or the "Group") mean PIC and its subsidiaries. References made to PICG Group mean Pension Insurance Corporation Group Limited and its subsidiaries (the "PICG Group").

Principal activity

The principal activity of Pension Insurance Corporation plc and its subsidiaries (the "Group") is the provision of pension risk transfer contracts to UK defined benefit occupational pension funds and their members (also known as "pension insurance" or "bulk purchase annuities").

Business review

Background

PIC is authorised to write long-term insurance business by the Prudential Regulation Authority (the "PRA") and is regulated by the PRA and the Financial Conduct Authority (the "FCA"). Pension risk transfer products are used by pension funds to transfer the risks and liabilities arising from the benefit promises made to pension fund members to an insurance company; this is known as a "buy-in". Insurance is also used as a means by which the ultimate responsibility to pay the benefit promises is transferred to the insurance company through the issuance of an individual annuity insurance policy to the pension fund member; this is known as a "buyout".

The Company originates new business through active engagement with, and marketing to, pension fund trustees and their advisers, as well as the corporate sponsors of such funds.

PIC is the primary operating subsidiary of PIC Holdings Limited of which Pension Insurance Corporation Group Limited ("PICG") is the ultimate parent company (see page 32 for more information).

Athora acquisition

In July 2025, we announced that Athora Holding Ltd ("Athora") had agreed to acquire PICG, including its wholly owned subsidiary, Pension Insurance Corporation plc ("PIC"). The transaction received approval from the Prudential Regulation Authority ("PRA") on 6 March 2026. On completion of the transaction, expected on or around 27 March, PIC will become the UK insurance business of Athora.

PIC's purpose and strategy

The purpose of PIC is to pay the pensions of our current and future policyholders. As we secure the benefit promises made to pension fund members, one outcome is the generation of long-term shareholder returns.

PIC's corporate strategy is focused on the growth potential of the UK pension risk transfer market.

How we create and deliver value for our stakeholders:

- Capital is raised from equity and debt investors. Having paid our policyholder commitments, surplus capital is released back to the capital providers, or is reinvested. We seek to provide attractive risk-adjusted returns while retaining a healthy capital buffer in excess of regulatory requirements.
- Liabilities are taken on from defined benefit pension scheme trustees and sponsors. PIC liaises with trustees, understands the scheme, and determines a price (premium) to take on the scheme liabilities and associated risks. At the point of transaction, we receive this premium.
- We hedge the longevity, interest rate, and inflation variability to establish more certain outgoings, which we then match with purposeful public and privately sourced assets, funded by the premium paid.
- The premium received from trustees is received through the transfer of some or all of the assets of the pension scheme. Scheme assets commonly include government bonds, corporate bonds and cash. When we receive the premium, we strategically transition to assets that complement our long-term investment strategy. This can involve selling assets received as premium and buying high-quality assets that better match our liability cash flows and liquidity requirements, in line with our purposeful investment strategy.
- Through our third party management and partnership model, we maintain strong relationships with our key suppliers.
- We seek to maintain open and constructive relationships with regulators and policymakers.
- Our employees are fundamental to the successful operation of our business. Exhibiting the PIC values, we provide innovative solutions, comprehensive risk management, and deliver excellent customer service.
- We have a market-leading transition process which includes regular, Crystal Marked (for clarity) communication with members and we are one of the highest-rated companies in the country for customer service. We are proud to have maintained a customer satisfaction rating of over 97% for the 13th consecutive year.

The escalating financial costs of pension provision to pension schemes and their sponsors, volatility in asset performance and economic conditions, increases in life expectancy and the need to match assets and liabilities more closely have caused pension fund trustees and corporate sponsors to look at the benefit of transferring the risks associated with their defined benefit pension funds.

Strategic Report (continued) for the year ended 31 December 2025

Regulated insurance companies, such as PIC, are well-placed to manage and mitigate these risks and provide policyholder security over the long term. Accordingly, the pension risk transfer market in which PIC operates continues to evolve with a strong pipeline of schemes coming to market. In addition, the recent higher interest rate environment has improved the affordability of the insurance offering for a large number of pension funds.

PIC ensures that the interests of its stakeholders are embedded and intrinsic to any decisions made by the Board, Executive Committee, and senior management. Board papers include a section outlining how the interests of stakeholders are considered by the Board as part of their s.172 considerations.

This includes how they may be affected by a particular decision being considered by the Board, to assist the directors in their decision making. An illustration of where the interests of our stakeholders have had an impact on some of the Board's key decisions is covered in examples on pages 16 to 21 in the s.172 statement of this Annual Report.

Strategic objectives and key performance indicators ("KPIs")

PIC's purpose is to pay the pensions of our current and future policyholders. Our strategic objectives are the guardrails for the business as we fulfil that purpose. Maintaining a robust balance sheet is the financial foundation of our success. Our purposeful investment strategy provides the long-term, secure cash flows we need, as well as creating significant social value. Our commitment to excellence in customer service gives trustees confidence their members will be in secure hands.

PIC's three strategic objectives are:

1. To continue building a secure and sustainable business;
2. To carry on leading as a responsible corporate citizen; and
3. To keep on driving long-term value growth.

For 2026, following completion, a major focus will be on the integration with Athora Holding Ltd ("Athora") and how we work together with the wider Athora Group to continue to deliver value growth in line with our purpose.

Our key performance indicators ("KPIs") measure our progress as we pursue our strategic objectives. These are reviewed annually to ensure that they remain relevant and informative. The KPIs are set out below:

Strategic objective	To continue building a secure and sustainable business		To carry on leading as a responsible corporate citizen		To keep on driving long-term value growth	
	Key performance indicator	Fitch Insurer Financial Strength rating	Policyholder satisfaction %	Carbon intensity (tCO ₂ e per \$ million revenue)	Equity own funds ^{1,2} £m	Adjusted operating profit before tax ^{2,3} £m
2025	257%	A+	99.0%	127	5,807	880
2024	236%	A+	99.3%	155	5,791	875

PIC solvency ratio^{1,2}

The Solvency ratio is a regulatory capital measure that demonstrates the Group's financial strength. It shows the ratio of eligible capital to required capital, which is defined as our eligible Own Funds as a percentage of Solvency Capital Requirement ("SCR").

Fitch Insurer Financial Strength rating

The Fitch Insurer Financial Strength rating provides an external assessment of financial strength, which gives security to our current and future policyholders. It reflects both financial and non-financial metrics and represents the financial strength rating of PIC.

Policyholder satisfaction

Policyholders are asked to provide a satisfaction rating for PIC's customer service. This metric shows the percentage of customers surveyed who gave PIC a satisfied or very satisfied rating. We monitor this percentage to ensure we continue to deliver outstanding policyholder service.

Carbon intensity

Managing climate risk is firmly embedded into our business and the carbon intensity of our investment portfolio (defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) in emissions per \$ million revenue) is a key metric, which is monitored by PIC to ensure our externally published emissions targets and ambitions are achieved. The metric aligns with our externally published Net Zero targets.

Equity own funds^{1,2} ("EOF")

EOF is a shareholder view of the Group's Own Funds after deducting hybrid debt and aligns to the way the business is managed.

Adjusted operating profit before tax^{2,3} ("AOPBT")

AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities, which include the writing and management of pension insurance contracts and the management of risk through reinsurance. This metric reflects the value generated prior to the new business deferral and subsequent in-force release of profit via the contractual service margin ("CSM") and excludes investment-related variances.

1. Unaudited.
2. Alternative performance metrics ("APMs") are discussed in more detail on page 116.
3. AOPBT has been redefined to include the impact of investment-related managed actions to better reflect the core operating performance of the business. The impacts had previously been reported within Economic and other non-operating variances. 2024 has been restated to reflect this change.

Strategic Report (continued) for the year ended 31 December 2025

Financial review

The Group delivered another strong set of results in 2025. We generated £536 million of EOF before the payment of dividends, completed £6.8 billion of new business across 26 transactions and generated £893 million of surplus before dividends and movements in ineligible debt.

Our solvency ratio strengthened further to 257% and remains well above our long-term target range. This continues to provide security to our 438,000 policyholders and protects us against market volatility. We are well-positioned to support market demand in funding new business transactions. The strength of our balance sheet, supported by surplus generated, enabled us to pay dividends totalling £520 million during the year.

Financial highlights	2025 £m	2024 £m
Gross premiums written	6,752	8,064
Solvency ratio (unaudited) ¹	257%	236%
Equity own funds (unaudited) ¹	5,807	5,791
Equity own funds generation (unaudited) ^{1,2}	536	231
Solvency surplus (unaudited) ¹	4,836	4,691
Adjusted operating profit before tax ^{1,3}	880	875
Profit before tax	334	370
Adjusted equity ¹	6,540	6,490
Financial investments	54,793	50,932

1. The Group uses a range of APMs to assess the financial performance and position of the Group. The definitions of the following APMs are set out in the Alternative Performance Measures section on page 116.
2. Equity own funds generation is stated before dividends.
3. AOPBT has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business. The 2024 comparative year has been restated to reflect this change.

In 2025, we generated significant EOF and surplus generation, and delivered strong IFRS operating profits, all of which are underpinned by a strong balance sheet with solvency at 257% (2024: 236%).

We generated £536 million (2024: £231 million) of EOF exceeding the distributions made to our shareholders of £520 million (2024: £400 million). This included strong returns from our in-force book and surplus assets, which generated £590 million (2024: £585 million). We also took advantage of market opportunities to continue to optimise our asset portfolio, generating a further £159 million of value (2024: £156 million). These contributions were partly offset by finance and project costs alongside adverse economic impacts. After taking account of the payment of dividends, EOF ended the year at £5.8 billion, unchanged from 2024.

We completed 26 deals in 2025 (2024: 25 deals), with 18 of those deals in the second half of the year. This led to total new business volumes of £6.8 billion (2024: £8.1 billion). The market dynamics experienced in 2024 continued into 2025 with less capital-intensive strategies adopted for new business. Despite these dynamics, EOF new business value as a percentage of volumes increased to 3.6%, net of Funded Re, compared to 3.0% in 2024. This was achieved alongside a slightly lower new business strain.

Our balance sheet is extremely well capitalised with the solvency ratio increasing to 257% (2024: 236%). This increase was driven by similar factors to EOF, alongside actions taken to optimise the capital position, partly offset by the capital deployed for new business. This strength ensures the security of our policyholders and enables us to compete for the strong pipeline of new business including being one of the few companies able to quote for the largest schemes. At year end 2025, closing surplus was £4.8 billion (2024: £4.7 billion). This included surplus generated before

dividends and debt ineligibility of £893 million (2024: £677 million).

AOPBT in 2025 was £880 million, broadly in line with 2024 (2024: £875 million). This continued strong performance benefited from a higher contribution from new business and reinsurance, partly offset by a lower benefit from asset optimisation which target solvency returns, rather than IFRS profit.

The contractual service margin ("CSM") net of reinsurance and tax, a store of future profits reflecting the deferred initial profit on business that has already been written, increased to £3.0 billion (2024: £2.6 billion), primarily due to new business and reinsurance written in the year alongside assumption changes. This will be released into profit in future periods. Profit before tax which takes into account the movement in the CSM and investment-related variances was £334 million (2024: £370 million).

Adjusted equity, a measure of overall shareholder value, increased by £570 million before dividends primarily due to the profits generated in the year and the increase in the CSM. After the payment of £520 million in dividends, Adjusted equity was £6.5 billion at year end 2025 (2024: £6.5 billion).

Strategic Report (continued) for the year ended 31 December 2025

Our portfolio of financial investments increased to £54.8 billion (2024: £50.9 billion) driven by new business written in the year, partly offset by payments made to policyholders. Our low-risk investment strategy continues to perform well. We make long-term investment decisions that secure the pension payments for our policyholders whilst investing in a purposeful way to generate long-term social value. At year end, 92% of the portfolio, including gilts and corporate debt, was rated investment grade (2024: 92%) and we continue to manage exposures carefully in the light of the continued uncertain economic and geopolitical outlook.

Looking forward, the PRT market remains strong, with £400-600 billion of business forecast over the next ten years. The strong pipeline of new business, our robust capital position, and our track record of winning and onboarding large and complex schemes with a customer satisfaction score of 99%, positions us well to support market demand in funding new business transactions.

IFRS

IFRS statement of comprehensive income

Statement of comprehensive income – summarised	2025 £m	2024 £m
Insurance service result	310	193
Net financial result	370	499
Other operating expenses	(220)	(201)
Other finance costs	(126)	(121)
Profit before taxation	334	370
Tax charge	(75)	(84)
Profit after taxation	259	286

Please refer to page 6 for the additional reconciliation between AOPBT and profit before tax.

Insurance service result

The insurance service result consists of the net revenue and expenses earned from insurance and reinsurance contracts. It is comprised of the release of the CSM based on coverage provided in the period, the release of the risk adjustment ("RA"), as well as any variances between actual and expected claims and insurance-related expenses, alongside any losses and associated reversals on onerous contracts.

The insurance service result for the year was £310 million (2024: £193 million). The increase from 2024 was primarily due to a lower impact from onerous contracts in 2025 alongside a higher release of CSM and RA driven by growth in the in-force book along with more favourable experience variances.

Net financial result

The net financial result includes the net investment return from financial investments as well as finance income and expense from the Group's insurance and reinsurance contracts. Finance income and expense on insurance contracts is generated by movements in their carrying value due to the time value of money and changes in financial risk assumptions from economic factors such as changes in interest rates, inflation and credit spreads.

The net financial result for the year was £370 million (2024: £499 million). The decrease from 2024 primarily reflects a less favourable impact from financial assumption changes, a lower benefit from asset optimisation actions on an IFRS basis, and an adverse impact from non-financial assumption changes, where the impact of favourable demographic and expense assumption changes measured on locked-in economics (and deferred to the CSM in the insurance service result) is larger than the impact measured on current economics, with the balance reported in the net financial result.

Other operating expenses

Other operating expenses consist of project and shareholder costs, plus new business, maintenance and investment costs that are not directly attributable to selling and servicing insurance contracts.

Other operating expenses for 2025 were £220 million (2024: £201 million). The increase is primarily due to growth in the business and higher investment dealing costs.

Other finance costs

Other finance costs primarily represent the interest on borrowings and lease finance costs. Other finance costs of £126 million (2024: £121 million) are slightly higher compared to 2024 due to PIC's issuance of a £500 million debt instrument in May 2024. There were no debt issuances or redemptions during 2025 and at 31 December 2025, PIC, the Group's regulated insurance company, had six (2024: six) subordinated debt securities in issue.

The Restricted Tier 1 ("RT1") debt issued in July 2019 has been accounted for as equity under IFRS and as such interest on these notes is not included in finance costs and is instead recognised in the statement of changes in equity when paid.

IFRS statement of financial position

Statement of financial position - summarised	2025 £m	2024 £m
Financial Investments	54,793	50,932
Derivative and other financial assets	29,395	28,869
Reinsurance contract assets – BEL	1,861	411
Reinsurance contract assets – RA	1,162	978
Reinsurance contract assets – CSM	770	647
Insurance contract liabilities – BEL	(44,441)	(38,897)
Insurance contract liabilities – RA	(1,391)	(1,249)
Insurance contract liabilities – CSM	(4,738)	(4,157)
Derivative and other financial liabilities	(33,054)	(32,762)
Borrowings	(2,064)	(2,062)
Other net assets	1,715	1,592
Total equity	4,008	4,302
CSM net of reinsurance and tax	2,976	2,632
Exclude RT1 debt	(444)	(444)
Adjusted Equity	6,540	6,490

Strategic Report (continued) for the year ended 31 December 2025

Financial investments

At 31 December 2025, the Group had total financial investments of £54.8 billion (2024: £50.9 billion). The increase was primarily due to new business written and positive investment return, partly offset by payments made to our policyholders. Our investment strategy is to select assets that generate cash flows to match our future claims payments in both timing and amount. Therefore, the value of our assets and liabilities move broadly in tandem as factors such as interest and inflation rates change.

The credit quality of our investment portfolio is actively managed and remains strong, with over 99% of the value of our debt securities rated investment grade at 31 December 2025 (2024: 99%). Our cautious, sustainable investment strategy and our management of key risks, prioritises long-term stability to protect the pensions of our policyholders in the future. In the year, the Group did not experience any payment defaults in the portfolio and we continue to monitor our exposures carefully in the light of economic uncertainty.

Reinsurance contract assets

The increase in reinsurance contract assets during the year is driven by new Funded Re, completed in 2025. At 31 December 2025, 89% (2024: 82%) of the Group's gross longevity-related reserves had been reinsured. The Group has 14 (2024: 14) reinsurance counterparties, all of which have a credit rating of A+ or above.

Insurance contract liabilities

Insurance contract liabilities comprise three components. Our best estimate liabilities ("BEL") reflects the present value of best estimate cash flows to fulfil our insurance contracts; the RA is the compensation that the Group requires for taking on non-financial risk which is released to profit over time as the risks expire; and the CSM represents the deferred new business profit that we expect to earn from providing insurance services.

Total insurance contract liabilities have increased by £6.3 billion in the year, primarily driven by an increase in BEL due to new business written, partly offset by the release of cash flows.

Derivative and other financial assets and liabilities

The Group uses derivatives to hedge certain market risks associated with both new and existing business. Derivative exposures are collateralised which mitigates against the risk of a derivative counterparty default. Gross derivative assets and derivative liabilities remain broadly unchanged during the period.

Total equity

Total equity increased by £226 million before payment of dividends. At 31 December 2025, after dividends of £520 million, closing equity was £4.0 billion compared to 31 December 2024 (£4.3 billion). Adding back the CSM (net of reinsurance and tax) and excluding RT1 debt, Adjusted equity was £6.5 billion (2024: £6.5 billion).

Adjusted operating profit before tax

In addition to the statutory results presentation outlined above, the Group also chooses to analyse its IFRS results using an APM, AOPBT.

The Group considers this APM to be an important metric for stakeholders as it reflects the Group's operating activities that are core to our business alongside certain management choices and decisions around those activities. This includes the writing and management of pension insurance contracts and the management of risk through reinsurance. The operating performance of the Group includes the full value generated from writing new business prior to the new business deferral and subsequent in-force release of profit via the CSM, and excludes economic variances.

AOPBT for the year was £880 million (2024: £875 million). This increase was largely driven by higher reinsurance profits from prior year new business, largely offset by a reduced IFRS benefit from asset optimisation activity.

More detail on the main components of AOPBT and the reconciliation to profit before tax are set out below:

	2025 £m	2024 £m
Adjusted operating profit before tax		
Expected return from operations	571	574
New business and reinsurance profit	331	313
Underlying profit	902	887
Management actions and changes in valuation assumptions	282	359
Experience and other variances	(33)	(107)
Finance costs	(162)	(156)
Project and other costs	(109)	(108)
Adjusted operating profit before tax¹	880	875
Movement in CSM	(458)	(274)
Economic and other non-operating variances	(121)	(264)
Add back: RT1 coupon (treated as a dividend for statutory purposes)	33	33
Profit before tax	334	370

- AOPBT has been redefined to include the impact of investment-related management actions within Management actions and changes in valuation assumptions to better reflect the core operating performance of the business. The impacts had previously been reported within Economic and other non-operating variances. 2024 has been restated to reflect this change.

Strategic Report (continued) for the year ended 31 December 2025

Expected return from operations

Expected return from operations reflects the long-term expected returns arising from the management of the Group's assets and liabilities. It is based on opening economic assumptions applied to the opening assets and liabilities.

The economic assumptions used are dependent on the nature of the underlying assets and whether the assets are held to back policyholder liabilities or are shareholder assets.

1. The investment return assumption on assets held to back policyholder liabilities is calculated with reference to the one-year swap rate, to align with the unwind of the valuation discount rate for liabilities, plus a spread reflecting the nature of the assets backing the liabilities. These assets are ring-fenced and held to match payments to policyholders.
2. The investment return assumption for shareholder assets is calculated with reference to the ten-year swap rate plus a spread relating to the underlying assets held. The inclusion of the spread reflects management's long-term expectations of asset returns in excess of the long-term risk-free rate and reflects the nature of the assets held. These assets supplement the ring-fenced funds backing policyholder liabilities where required. Investment returns on these assets support distributions to debt holders and equity holders.

The opening rates used for the disclosed reporting periods are set out in the table below:

	2025	2024
One-year swap	4.5%	4.7%
Ten-year swap	4.1%	3.3%

The expected spread on fixed interest and index-linked securities held to back policyholder liabilities is set with reference to the average opening yields for the actual opening assets held less an adjustment for credit risk (assessed on a best estimate basis). Expected return also includes the expected run-off of the RA.

The impact on expected return of changes to shareholder assets or the investment portfolio backing liabilities in respect of new business or new reinsurance, capital raises or distributions in the year, and assumption changes, is calculated at the point of transaction.

Any differences between the actual return in the year and the long-term expected return due to economic fluctuations are presented in economic variances outside of AOPBT, but are included in profit before tax.

Expected returns of £571 million were broadly in line with the prior year (2024: £574 million), primarily due to the return on higher surplus assets offset by a lower release of in-force margins.

New business and reinsurance profit

New business and reinsurance profit represents the impact on profit of writing new pension risk transfer contracts and the impact of entering into new reinsurance contracts on the in-force book. The profit is calculated using the economics at the initial recognition date, expected reinsurance, pricing demographic and maintenance expense assumptions, the target asset portfolio mix assumptions and the actual acquisition expenses incurred.

New business and reinsurance profit was £331 million (2024: £313 million). This increase was largely driven by higher reinsurance profits of £43 million (2024: £25 million), reflecting the reinsurance of business written in the prior year. New business profits remained stable during the year despite lower new business premiums of £6.8 billion (2024: £8.1 billion).

Management actions and changes in valuation assumptions

Management actions comprise actions taken by the business, including the optimisation of our in-force asset portfolio.

We set assumptions in respect of the in-force liabilities and new business acquired during the year using our best estimate and applying an adjustment for non-financial risk. Under IFRS, the impact of changes to non-financial assumptions is added to the CSM and spread over the future expected duration of the contracts. We show AOPBT before this deferral. Management regularly review these assumptions to ensure that they reflect the characteristics of our book and wider market practice.

Management actions and changes in valuation assumptions in 2025 was £282 million (2024: £359 million). This reflects both a decrease in profit generated from management actions to optimise our in-force asset portfolio of £88 million (2024: £129 million), along with a lower benefit from changes in management assumptions compared to 2024.

In 2025, the benefit to AOPBT from assumption changes of £194 million mainly related to updates to our liquidity premium, expense and demographic assumptions to take account of recent experience.

Experience and other variances

Experience and other variances include the variance between the actual non-economic assumptions used in determining IFRS liabilities and the assumptions on a pricing basis which are used in the new business line.

Experience and other variances gave rise to a loss of £33 million in 2025 (2024: loss of £107 million). In 2025, the loss primarily related to the impact of differences between the expense assumptions used for pricing and reserving on new business. This is partly offset by a favourable assumption change reported in management actions and changes in valuation assumptions. Experience variances also benefited from favourable claims experience in 2025. In 2024, the loss related to the impact of not yet implementing reinsurance arrangements on business written late in the year.

Strategic Report (continued) for the year ended 31 December 2025

Finance costs

Finance costs reported as part of AOPBT reflect interest costs on both the RT1 and Tier 2 debt. The increase in finance costs in 2025 primarily reflects the additional Tier 2 debt raised in 2024.

Project and other costs

Project and other costs for the year were broadly in line with 2024 at £109 million (2024: £108 million), and include costs associated with business-wide initiatives.

Movement in CSM

The movement in CSM comprises the deferral of new business and new reinsurance profits on contracts written in the year and interest accretion on the opening CSM, alongside the impact of changes in future cash flows from non-financial assumptions and non-financial experience variances, partly offset by the amortisation of CSM in respect of in-force business.

During the year, the total increase in CSM was £458 million (2024: £274 million). The increase compared to 2024 is primarily due to the higher new business and new reinsurance profits along with the impact from non-financial assumption changes.

The following table reconciles the movement in CSM on the IFRS balance sheet.

	2025 £m	2024 £m
Movement in CSM (net of reinsurance)		
CSM balance at 1 January	3,510	3,236
New business and new reinsurance CSM	330	250
Interest accretion on CSM	123	111
Amortisation of CSM	(227)	(202)
Other movements	232	115
Movement in CSM	458	274
CSM balance at 31 December	3,968	3,510

Economic and other non-operating variances

AOPBT is based on the expected investment returns on opening surplus assets and the expected release of discount rate margins. Variances between actual and expected investment return, differences in asset and liability values due to economic movements compared to those at the start of the year, and the impact of changes in credit ratings are disclosed outside of AOPBT.

We carefully manage our risk to market and other economic factors and enter into derivative hedging contracts to manage these exposures in accordance with our risk appetite.

Our hedging strategy is primarily designed to actively manage risk over the long term in the solvency balance sheet, and there exists a mismatch between this hedging strategy and the IFRS balance sheet. This mismatch, and the resulting volatility, is included within the Economic and other non-operating variances line.

Economic and other non-operating variances resulted in a loss of £121 million in the year (2024: loss of £264 million), primarily driven by differences between actual and expected investment returns and changes in risk-free rates and inflation rates.

Capital and solvency

PIC, as a regulated insurance company, is required to comply with the Solvency II regulatory framework. Solvency II requires firms to follow either a prescribed approach to calculating required regulatory capital (the standard formula approach), or to apply to the PRA to use an "Internal Model" developed by the Company but subject to comprehensive review and approval by the regulator. PIC has PRA approval to apply an Internal Model, which is a better reflection of the risk profile of the Company's business than the standard formula approach. The Company has complied with the Solvency II Capital Requirements as set out in the relevant PRA rules throughout the year (see Note 19 of the financial statements).

The results below are reported at the consolidated Group level.

Solvency ratio

At 31 December 2025, the solvency ratio remained high at 257% (31 December 2024: 236%), with eligible surplus funds of £4.8 billion (31 December 2024: £4.7 billion) in excess of the solvency capital requirement ("SCR"). The increase in the year was primarily due to the expected return from the in-force book, management actions to optimise our in-force asset portfolio and capital position alongside favourable changes in valuation assumptions. This is partly offset by the efficient deployment of capital to write £6.8 billion of new business in the year, the payment of dividends and financing and project costs. Own funds eligible to meet the SCR have been restricted by £412 million (2024: £184 million) due to eligibility restrictions on Tier 2 debt.

	2025 £m	2024 £m
PIC solvency (unaudited)		
Own funds eligible to meet SCR	7,921	8,133
Solvency capital requirements	(3,085)	(3,442)
Solvency surplus	4,836	4,691
Solvency ratio (%)	257%	236%
Matching adjustment (%)	1.415%	1.648%

Surplus generation

	2025 £m	2024 £m
Surplus generation (unaudited)		
Opening surplus	4,691	4,320
Expected surplus generation from in-force book	729	709
New business and reinsurance	(118)	(357)
Management actions and other operating variances	512	392
Financing, project and other costs	(266)	(289)
Operating surplus generation¹	857	455
Economic and other non-operating variances	36	222
Total surplus generation	893	677
Change in Tier 2 debt, net of eligibility restrictions	(228)	92
Dividends	(520)	(400)
Closing surplus	4,836	4,691

1. Operating surplus generation has been redefined to include the impact of investment-related management actions within Management actions and other variances to better reflect the core operating performance of the business. The impacts had previously been reported within Economic and other non-operating variances. 2024 has been restated to reflect this change.

Strategic Report (continued) for the year ended 31 December 2025

Surplus generation measures the amount of surplus solvency capital generated in the year, being the excess of eligible own funds over SCR. The key components are the expected surplus generated from business written in previous periods and management actions taken in the year, which are used to fund the capital requirement of writing new business, alongside paying coupons to our debt holders and dividends to shareholders.

Operating surplus generated in the year was £857 million (2024: £455 million). The increase from 2024 was primarily due to lower capital requirements of writing new business and surplus generated from management actions and other operating variances of £512 million (2024: £392 million).

Economic and other non-operating variances include the impacts of market movements and variances between the actual asset mix on new business compared to that which was assumed at pricing.

Total surplus generated amounted to £893 million, an increase on prior year (2024: £677 million). This was primarily due to the operating impacts outlined above, partially offset by less favourable impacts from economic variances. The payment of dividends in the year, along with an increase in ineligible capital further reduced surplus by £748 million in 2025.

Expected surplus generated from the in-force book

Expected surplus generation comprises the:

- Expected investment return on shareholder assets (non-matching fund assets);
- Expected margins earned on the matching fund assets;
- Expected release of the in-force risk margin and SCR; and
- Amortisation of the Transitional Measure on Technical Provisions ("TMTP").

In 2025, the expected surplus generation of £729 million was higher than the prior year (2024: £709 million) primarily due to higher opening surplus assets.

New business and reinsurance

New business (net of reinsurance) is the expected impact on surplus of writing new business based on pricing assumptions and target asset mix, and the impact of entering into new reinsurance contracts on the in-force book. Any differences between actual reserving assumptions and the pricing basis, including the timing of reinsurance, are reported as experience variances within management actions and other operating variances.

New business (net of reinsurance) consumed surplus of

£118 million in 2025 (2024: £357 million), which was lower than last year due to lower new business volumes and higher surplus generation from the completion of longevity reinsurance deals on the in-force book of £124 million (2024: £41 million).

Management actions and other operating variances

Management actions and other operating variances comprise actions taken by the business, including the optimisation of our in-force asset portfolio, assumption changes and operating variances. Operating variances represent the difference between actual non-economic experience and the assumptions in expected surplus generation, plus the difference between pricing and reserving assumptions.

Management actions and other operating variances generated a surplus of £512 million in the year (2024: £392 million). The 2025 result reflects the benefit from management actions to optimise our in-force asset portfolio and favourable changes in valuation assumptions and methodology. The 2024 result was largely driven by surplus generated from an update to the property and hedging risk SCR modules.

Financing, project and other costs

Financing, project and other costs reflect the interest, on an accruals basis, on RT1 and Tier 2 debt issues, coupled with shareholder expenses and project costs, which include business-wide initiatives and other regulatory costs. Financing costs were £161 million (2024: £159 million), whilst project and other costs of £105 million¹ decreased in 2025 (2024: £130 million) reflecting a lower spend on costs relating to 22 Ropemaker.

Economic and other non-operating variances

Economic and other non-operating variances include the difference between actual economic movements and the economic assumptions within expected surplus generation, alongside variances between the actual asset mix on new business compared to that which was assumed in pricing, and tax impacts.

Economic and other non-operating variances generated a surplus of £36 million in 2025 (2024: surplus of £222 million). This was predominantly due to surplus generated from variances between the actual asset mix on new business compared to that assumed in pricing alongside movements in risk-free rates and foreign exchange rates. In 2024, surplus was generated from variances between the actual asset mix on new business compared to that assumed in pricing, alongside surplus generated from higher interest rates.

1. Project costs in relation to 22 Ropemaker are accounted for differently under Solvency II and IFRS. Under Solvency II, costs are expensed in the year, whereas under IFRS, some costs are capitalised and depreciated over their useful life.

Strategic Report (continued) for the year ended 31 December 2025

Equity own funds ("EOF")

Equity own funds/Adjusted equity own funds	2025 £m	2024 £m
Own funds eligible to meet SCR	7,921	8,133
Add back: Ineligible capital	412	184
Own funds available to meet SCR	8,333	8,317
Deduct notional RT1 and Tier 2 debt	(2,526)	(2,526)
Equity own funds	5,807	5,791
Add risk margin ("RM") net of TMTP	324	378
Adjusted equity own funds	6,131	6,169

EOF, a KPI of the Group, is defined as Solvency II own funds available to meet the SCR less the notional value of RT1 and Tier 2 debt.

EOF increased by £536 million before the payment of £520 million of dividends. This increase was primarily driven by profits emerging from the in-force book, alongside management actions to optimise our in-force asset portfolio. Additional contributions came from new business written in the year and favourable assumption changes. This was partly offset by the impact of finance and project costs, along with economic variances. After the payment of the dividends, EOF was £5.8 billion (2024: £5.8 billion).

Adjusted equity own funds ("AEOF") removes the impact of the risk margin and TMTP from EOF. At 31 December 2025, AEOF, before the payment of dividends, increased to £6.7 billion in line with the movement in EOF. After accounting for the impact of dividends, closing AEOF is £6.1 billion at 31 December 2025 (2024: £6.2 billion).

The value of the risk margin net of TMTP decreased to £324 million at 31 December 2025 (2024: £378 million) mainly reflecting the impact of movements in risk-free rates.

Key solvency sensitivities

The key sensitivities to which the Group's regulatory solvency balance sheet are exposed, and their impact on the reported solvency ratio, are shown below.

The sensitivities have been calculated using own funds available to meet the SCR, to better reflect the long-term impact.

PIC solvency ratio sensitivities (unaudited)	2025	2024
As reported	257%	236%
100 bps increase in interest rates ¹	19%	20%
100 bps reduction in interest rates ¹	(23%)	(23%)
100 bps increase in credit spreads ¹	11%	12%
100 bps reduction in credit spreads ¹	(13%)	(14%)
20% credit downgrade ²	(5%)	(5%)
5% reduction in base mortality ³	(4%)	(3%)

The impact on the solvency ratio to a 10% increase or decrease in the house price index is nil (2024: nil).

Notes

- For the interest rate and credit spread sensitivities, the continued strong solvency position results in a relatively high sensitivity in ratio terms. Sensitivities are impacted by the positioning of the hedging portfolio at the respective balance sheet dates.
- 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 immediately traded back to the original credit rating, so the impact is primarily a reduction in own funds from the loss of value on downgrade. The impact of the sensitivity depends on the market levels of spreads at the balance sheet date; the difference between spreads by letter has narrowed over the year, slightly reducing the sensitivity.
- Equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

Athora acquisition

On 3 July 2025, Athora Holding Ltd entered into an agreement to acquire the Group's ultimate parent company, PICG. Completion of the transaction is expected on or around 27 March 2026. Upon completion, PICG will become a wholly owned subsidiary of Athora, a leading pan-European savings and retirement services group with €76 billion of assets under management and administration at 30 June 2025. The acquisition does not impact the financial position reported at 31 December 2025, but upon completion will represent a significant change in the ownership structure of the Group.

Strategic Report (continued) for the year ended 31 December 2025

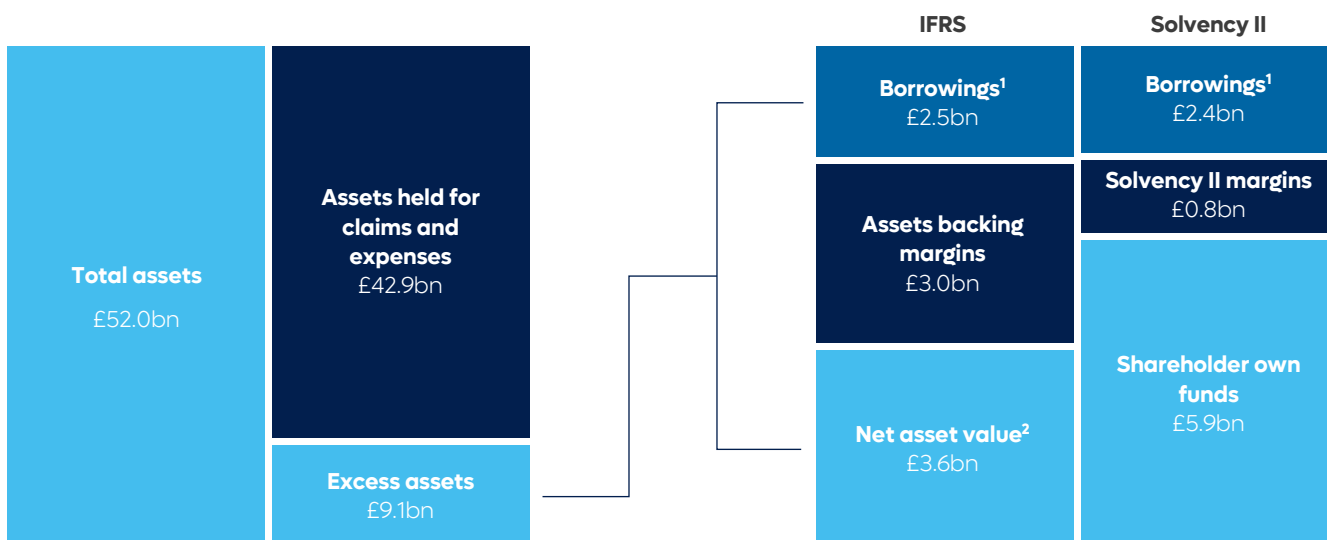
IFRS reconciliation to Solvency II (unaudited) – PIC

IFRS Reconciliation to Solvency II	2025 £m	2024 £m
IFRS net assets	4,008	4,302
Add amortised cost value of Tier 2 subordinated debt and related accrued interest	2,093	2,091
Differences in accrued interest on RT1 notes	(15)	(15)
Add back CSM (net of reinsurance)	3,968	3,510
Difference in BEL (net of reinsurance)	(811)	(745)
Removal of RA	229	271
Add risk margin net of TMTP	(324)	(378)
Differences in deferred tax	(790)	(703)
Differences in other asset values	(25)	(16)
Own Funds - Available	8,333	8,317
Ineligible capital	(412)	(184)
Own Funds - Eligible	7,921	8,133

Own Funds - Available reconciliation to Equity Own Funds	2025 £m	2024 £m
Own Funds - Available	8,333	8,317
Deduct notional RT1 and Tier 2 debt	(2,526)	(2,526)
Equity own funds	5,807	5,791

PIC Solvency II (unaudited) and IFRS excess assets

The following table shows the excess assets held to meet solvency and risk margins.



- Under IFRS, borrowings are valued at amortised cost. Under Solvency II, borrowings are valued at fair value, excluding any post issuance changes in own credit standing.
- RT1 debt is excluded from the net asset value and is included in the borrowings number.

Stakeholder engagement

Balancing the needs of our stakeholders.

PIC is careful to balance the needs and requirements of our stakeholders as we seek to fulfil our purpose. Our long-term success and the ultimate sustainability of the business depend on us reviewing and balancing stakeholder outcomes appropriately. Our key stakeholder relationships are overseen by the Board, which maintains close oversight and takes an active role in engaging with them.

Policyholders

Our purpose is to pay the pensions of our current and future policyholders.

Why we engage

- Our policyholders are central to our business, but they did not buy their annuity from us – the trustees of their defined benefit pension scheme entered into the transaction
- Given the demographic of our policyholders there is an increased likelihood of them having vulnerable circumstances
- The foundation of our relationship with our policyholders is built on exceptional customer service and delivering the right customer outcomes

What matters to them

- That they can rely on us
- Security of their pension benefits
- Timely, accurate pension payment process
- Jargon-free communications
- Accessible and accountable senior management
- Accessible customer service focused on achieving the right outcomes
- Proactive management of policyholders with vulnerable circumstances
- PIC's reputation as a company that creates significant social value

How we engage at Board level

- The Chair of the Board Customer Committee provides an update on the Committee's activities and key discussions and decisions to each Board meeting
- The Chair of the Board Customer Committee also acts as the Consumer Duty Board Champion, overseeing policyholder outcomes
- Board members attended several policyholder events in 2025, meeting and engaging with policyholders

How we engage across the Company

- PIC's purpose, culture, and values ensure employees understand the importance of our policyholders to the business
- More than 280 PIC employees attended a policyholder event in 2025
- PIC employees are interviewed on our customer focus as part of the ICS accreditation process for ServiceMark with Distinction

Outcomes from our engagement

- PIC is one of the most highly rated companies in the country for quality of customer service (Institute of Customer Service ("ICS") Survey)
- PIC won the Institute of Customer Service's Best Customer Service Partnership award in 2025
- Board members who have attended policyholder events have shared their feedback with the wider Board, including that they are a helpful method for the Board to engage with our policyholders and understand their needs

Defined benefit pension scheme trustees, their corporate sponsors, and their advisers

Our business growth depends on transacting buyouts and buy-ins with DB pension scheme trustees and their corporate sponsors.

Why we engage

- These stakeholder groups are responsible for the derisking flight paths of their schemes, and ultimately as to whether to seek a buyout or buy-in within the pension risk transfer ("PRT") market
- Trustees are ultimately responsible for concluding a buyout or buy-in with PIC

What matters to them

- Competitive bid process
- Track record of delivering on our promises
- Excellence in customer service
- A partnership approach, especially where there is an existing relationship
- Flexibility and innovative thinking during the transaction
- The creation of social value by PIC as we reinvest the assets we take on
- A smooth, well-managed transition process

How we engage at Board level

- Our relationship with, and the expectations of, the trustees are discussed alongside each deal considered by the Board
- Feedback received from the trustees and consultants is factored into the Board's strategic discussions around new business and underpins the Board's approval of the business plan

- We are responsive to the evolving needs of trustee boards and to market trends
- Every transaction and transition process is handled by a dedicated team
- We tailor transactions to meet the particular needs of the client
- Our focus on high levels of customer service includes every trustee client
- PIC has a partnership approach with our long-term trustee clients (buy-ins)

Outcomes from our engagement

- PIC has insured the benefits of 438,000 pension scheme members to date
- PIC has paid £19.3 billion in pensions to date, with a 99.0% customer satisfaction rating
- Total liabilities covered by repeat transactions to date are £20 billion, covering the benefits of 115,000 scheme members

How we engage across the Company

Stakeholder engagement (continued)

Regulators and policymakers

Our business and the wider market operate under the close regulatory scrutiny of the Prudential Regulation Authority and the Financial Conduct Authority. Pensions and housing/infrastructure investment are both high on the political agenda.

Why we engage

- In order to fulfil PIC's purpose we engage closely with our regulators
- Engagement with Government departments, Ministers, and MPs is important as we manage political risk and seek to help create conditions which allow more investment in UK housing and infrastructure

What matters to them

- The Prudential Regulation Authority ("PRA") is PIC's primary regulator. It has two main objectives: to promote the safety and soundness of the firms it regulates, and protection for insurance policyholders
- The Financial Conduct Authority ("FCA") is focused on policyholder outcomes and customer service
- Policymakers want to see continued investment in UK housing and infrastructure and the creation of long-term social value

How we engage at Board level

- The Board maintains a constructive and open relationship with our regulators. The Directors and senior management meet regularly with the PRA
- The Board and the Board Risk Committee review and challenge regulatory responses and submissions to the PRA and FCA, prepared by management
- A report is presented at each Board meeting and Board Risk Committee meeting with an update on the priorities and concerns of the regulators that affect the Group

How we engage across the Company

- We proactively manage our relationships with our regulators and seek to maintain an open, constructive dialogue
- PIC is a member of the Chancellor's British Infrastructure Taskforce and the Sterling 20. We maintain an active dialogue across Whitehall on pension policy, as well as on infrastructure and housing investment
- PIC chairs the Purposeful Finance Commission ("PFC") and the Social Value Commission

Outcomes from our engagement

- PIC is working closely with the members of the British Infrastructure Taskforce and HMT on regulatory reform, and addressing the "viability gap" in housing and infrastructure
- The PFC published a well-received report on how to speed up delivery of reservoirs, which is being actively considered by the Government
- PIC published a ground-breaking report on the creation of social value within infrastructure and housing development

Employees

Our employees are crucial for the overall success of the business and PIC's purpose and culture provide the framework within which our high-performing teams operate.

Why we engage

- PIC's success hinges on having an open, engaging culture as we seek to fulfil our purpose
- We encourage cross-company collaboration and respectful challenge

What matters to them

- A simple corporate purpose and working for a company that creates social value
 - A culture focused on excellence of outcome and a growth mindset
 - An open environment which values respectful challenge irrespective of background
 - A competitive rewards and benefits package

How we engage at Board level

- The senior leadership team hold regular internal events to facilitate an ongoing dialogue with employees, from which feedback is communicated to the Board
- The Board receives regular updates from management. The views and feedback from the annual employee survey are considered by the Board as part of its deliberations on culture and employee welfare

How we engage across the Company

- Strong leadership from our Executive Committee ("ExCo") as we seek to fulfil PIC's purpose
- High levels of ExCo engagement with employees, including Town Halls and more informal employee lunches
- Feedback from our employees is important, and this is captured throughout the year, including by Investors in People, the Institute of Customer Service, and our own employee survey

Outcomes from our engagement

- In 2025, PIC was awarded 'Investors in People - Gold' an improvement on our previous silver level status. We also received the 'Investors in People - Wellbeing' accreditation
- 72% 2025 employee survey completion rate, with 93% saying they are proud to work for PIC

Stakeholder engagement (continued)

Key suppliers

It is vital that we build and maintain strong working relationships with our suppliers as we seek to fulfil our purpose.

Why we engage

- We favour partners who share our focus on great customer service
- Having strong working relationships helps us to manage our key business risks

What matters to them

- Long-term partnership approach
- Proactive management of risks
- Timely settlement of invoices

How we engage at Board level

- The Board and its Committees regularly discuss the commercial performance of PIC's suppliers, investment managers and key outsourcers, and this includes updates on key supplier relationships
- The Audit Committee and the Board Risk Committee regularly review and challenge the updates on the status of PIC's third party and outsourcing arrangements and due diligence
- An annual risk assessment is carried out on PIC's key suppliers. This process is integral to any Board decision in respect of critical suppliers and outsourcers

How we engage across the Company

- We work closely and collaboratively with our key suppliers
- We are committed to paying invoices within 30 business days

Outcomes from our engagement

- 87% of invoices received during the year from suppliers were paid within 30 business days (FY2024: 93%)
- The Third Party & Outsourcing ("TP&O") team reviews and enhances the third-party control framework to ensure alignment with internal policies, industry good practice and regulatory requirements are adhered to by working closely with PIC assurance functions
- TP&O supports the business with the delivery of their objectives by fostering a partnership model for the selection and ongoing management of suppliers that meet PIC's expectations and standards

Shareholders and debt holders

The entire share capital of the Company is held by PIC Holdings Limited, which in turn is wholly owned by PICG. The majority of shares in PICG are held by a small group of institutional shareholders. In July 2025, our shareholders accepted an offer from Athora Holding Ltd ("Athora") to acquire the total outstanding shares in PICG. Following completion, expected on or around 27 March 2026, Athora will become the sole shareholder of PIC. The Company has £2,508 million of Tier 2 and Tier 1 debt currently outstanding, respectively listed on the London Stock Exchange and Euronext Dublin.

Why we engage

- Our shareholders and debt holders provide the capital that allows us to complete new pension risk transfer transactions

What matters to them

- A market-leading, purposeful business, demonstrating sustainable growth and strong risk management, leading to long-term value creation
- A robust balance sheet
- A clear risk management framework
- Transparent communication and management accountability
- Engagement on key business issues

How we engage at Board level

- The Board and the Audit Committee review and approve financial or regulatory disclosures to the market. As part of the process, they ensure this information is accurate, fair, balanced and accessible to our stakeholders
- Major shareholders' views are shared with the Board and management through their nominated Board Directors
- The Board has ongoing interactions with employees, who are the largest group by number of shareholders

How we engage across the Company

- We are responsive to requests from our debt holders, and have regular meetings with them
- We communicate clearly and comprehensively through our annual and half year reports and accompanying documents, including our sustainability report. These detail how we achieve our strategic objectives
- Regular business updates include market announcements via the Regulatory News Service ("RNS"), in-person events and meetings and updates with PIC's Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer
- Our major shareholders (see page 133 of the PICG Annual Report and Accounts for details) all have Board representation

Outcomes from our engagement

- At year end 2025, PIC's solvency ratio stood at 257%, with customer satisfaction of 99.0% on £2.5 billion of pensions paid in the year
- PICG had an Adjusted operating profit before tax of £880 million
- In 2025, the Board paid dividends totalling £520 million to the Company's shareholders
- On 3 July 2025, the shareholders of PICG and Athora reached an agreement pursuant to which Athora agreed to purchase the entire share capital of the Group, subject to regulatory approval, which has now been received

Stakeholder engagement (continued)

Privately sourced debt counterparties and investment partners

We have invested £15.0 billion in UK housing, infrastructure and other assets. This includes social and affordable housing, urban regeneration, and the UK's universities. We prefer to form long-term partnerships with our debt counterparties

Why we engage

- In order to source the secure, long-term cash flows that will back our pension liabilities over coming decades
- Privately sourced debt investments help us provide trustees with competitive pricing for PRT transactions
- Privately sourced debt investments increase asset diversification and overall portfolio security

What matters to them

- Ability to tailor transactions that meet their funding needs, including deferred drawdown
- A long-term partnership approach
- A purposeful investment partner that seeks to create social value

How we engage at Board level

- The Investment and Origination Committee reviewed and challenged management on new investment strategies and proposals
- The Board approves any new strategies and continues oversight of our direct investment portfolio

How we engage across the Company

- We work with counterparties to shape transactions that meet everyone's needs
- Ongoing engagement as part of a long-term partnership helps bring forward repeat investments

Outcomes from our engagement

- £2.0 billion of privately sourced debt investments, including in social housing, utilities, and infrastructure
- In 2025, 33% of our privately sourced debt investments were to our existing partners

Section 172 statement

Promoting the long-term success of the Company.

The Board of Directors, individually and collectively, make the following statement in relation to the year ended 31 December 2025, in compliance with sections 172 ('s.172') and 414CZA of the Companies Act 2006.

The Directors and the Board confirm that during the year, they have acted in a way they consider, in good faith, is likely to promote the success of the Company for the benefit of its members as a whole, while having due regard for the matters set out in s.172(a)-(f) of the Companies Act 2006 being:

- (a) the likely consequences of any decision in the long term;**
- (b) the interests of the Company's employees;**
- (c) the need to foster the Company's business relationships with suppliers, customers and others;**
- (d) the impact of the Company's operations on the community and the environment;**
- (e) maintaining a reputation for high standards of business conduct; and**
- (f) the need to act fairly between members of the Company.**

These statements summarise how the Board promotes the long-term success of the Company by ensuring it adheres to the highest standards of business conduct, understanding the long-term implications of its decisions and ensuring that all stakeholders are treated fairly.

How the Board has fulfilled its s.172 duties

The information below explains how the Board is supported in carefully considering the relevant s.172 factors and how these lead to its selection of the best course of action to ensure the long-term success of the Company.

Board information

- Board papers include a summary of the s.172 factors.
- Our Board continually engages with key stakeholders and key stakeholder activity is recorded and included in the Board papers where applicable.

Board strategic discussion

- The Group's culture ensures that there is proper consideration of the potential impacts of decisions on stakeholders.
- s.172 factors are considered in the Board's discussions on strategy, including how they underpin long-term value creation.
- The Executive team provides information to the Board on a timely basis and assurance to the Board where appropriate.
- Our Chairman ensures that there is proper consideration of the potential impacts of the Board's decision making.
- The Board ensures that s.172 factors are sufficiently taken into consideration in its decision making.

Board decision making

- The Board is provided with updates and information on the outcomes of its decisions.
- Actions are taken as a result of Board engagement and dialogue with key stakeholders.

Engagement by the Board with stakeholders

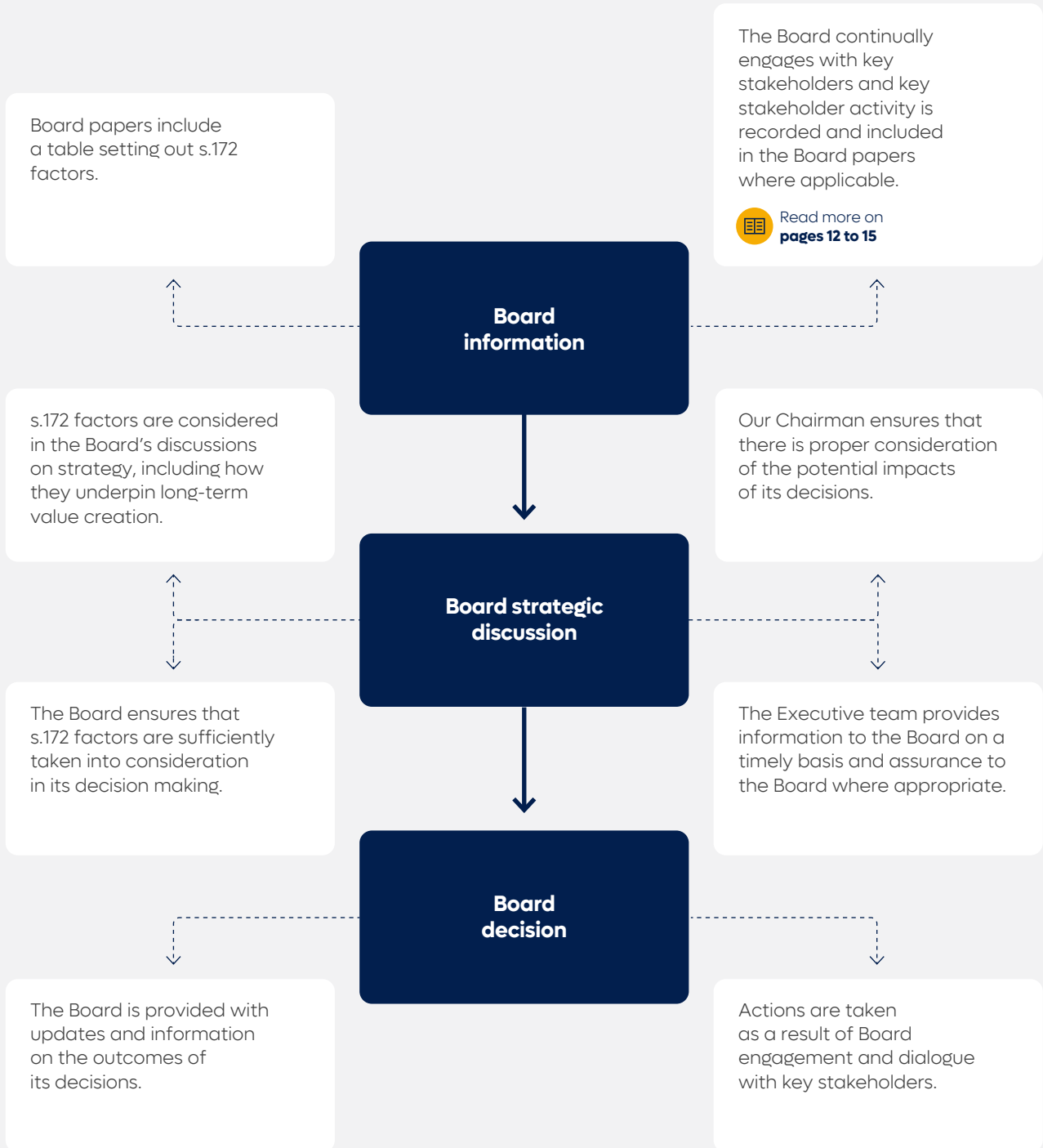
The Board recognises that engagement is essential to understand what matters most to our stakeholders and the likely impact of our key decisions. The Board must balance the sometimes conflicting needs and priorities of our stakeholders, while ensuring they promote the long-term success of the Company; therefore, relevant stakeholder considerations are integral to Board discussions and its decision-making process.

Understanding the needs of our different stakeholders enables the Board to take proper account of stakeholder impacts and interests in decision making. The Board recognises that considering the impact of decisions on each stakeholder group will help the Directors to deliver the Company's strategy in line with the wider PIC Group and will promote the long-term sustainable success of the Company.

The Stakeholder engagement section on pages 12 to 15 sets out how the interests of each of these key stakeholders is embedded into the long-term strategy of the business.

Section 172 statement (continued)

The Board has a duty under s.172 of the Companies Act 2006 to promote the success of the Company and, in doing so, the Board must have regard to a number of key matters in its decision making.



Section 172 statement (continued)

Our Strategic objectives



To continue building a secure and sustainable business









To carry on leading as a responsible corporate citizen









To keep on driving long-term value growth

The following sections demonstrate how the Directors fulfilled their duties in respect of these obligations by addressing some of the key areas of focus for the Board.

S.172 factor	Our engagement and consideration of stakeholders
<p>(a) The likely consequences of any decisions in the long term</p> <p>Link to strategic objectives:</p> 	<p>The Board carefully considered and assessed the likely consequences of its decisions, and it challenged management, where necessary, to ensure that any decisions taken were likely to promote the long-term success of PIC.</p> <p>The Board received updates from the Chief Strategy Officer throughout the year and it questioned and challenged progress of PIC's strategy and the strategic objectives. These updates covered a range of topics, including the PIC and PICG business plan, the final and interim dividend proposals and the PICG share valuation for awards under the Company's share schemes.</p> <p> Further details on our strategy and how the Directors considered the likely consequence of any decision in the long term can be found on pages 20-21 and in the Stakeholder engagement section on pages 12-15</p>
<p>(b) The interests of the Company's employees</p> <p>Link to strategic objectives:</p> 	<p>The Board had oversight of the formulation and delivery of PIC's culture and values in line with the People Policy. The Chief Executive Officer has responsibility for overseeing the adoption of PIC's culture into its day-to-day activities.</p> <p>The Board and its Committees understand the strategic importance of PIC's employees and the Board had regard to the interests of employees when making decisions. The Board considered employee wellbeing and engagement, diversity and inclusion ambitions and the overall organisational culture at PIC.</p> <p>The Board is supportive of management's actions to keep employees informed of the Company's plans, vision, purpose and culture. The Chief Executive Officer, Chief Financial Officer and members of the Executive team hold regular Town Halls with all employees to facilitate a two-way dialogue between the Executives and PIC's workforce, and with feedback being provided to the Board. This has been particularly important in keeping employees up to date on the progress of the proposed acquisition of the PICG Group by Athora, which is expected to complete on or around 27 March 2026.</p> <p>The Board receives regular updates from the Chief People Officer, which include any employee issues as well as updates on the results of the annual employee engagement survey. Views and feedback are taken into account by the Board in decisions affecting employees.</p> <p> Further details about our engagement with employees can be found in the Our People and Culture section on pages 56-60 of the PICG Annual Report and Accounts and in the Stakeholder engagement section of this report on pages 12-15</p>
<p>(c) The need to foster the Company's business relationships with suppliers, customers and others</p> <p>Link to strategic objectives:</p> 	<p>The Board understands the need for PIC to continue to develop and maintain strong relationships with its suppliers, customers and various stakeholders. PIC takes proactive steps to engage with its suppliers through a long-term partnership approach, and PIC carefully selects suppliers who share its focus on customer outcomes and who have the capabilities to provide business-critical services.</p> <p>For example, PIC contracts out elements of its pension administration and customer contact to third party administrators and also needs to maintain strong relationships with pension advisers and trustees who engage with PIC in respect of potential new business.</p> <p>Throughout 2025, the Board Committees have received updates on the risk status and assurance of PIC's critical and material third parties and outsourcers.</p> <p> Further details on engagement with our stakeholders can be found on pages 12-15</p>

Section 172 statement (continued)

S.172 factor	Our engagement and consideration of stakeholders
<p>(d) The impact of the Company's operations on the community and the environment</p> <p>Link to strategic objectives:</p> 	<p>The Board understands the importance of ensuring that PIC's operations have a positive impact on the wider community and the environment. PIC is committed to building a long-term, sustainable business, based on the Company's purpose. Delivery of PIC's strategy is intended to provide employment across the economy and generate wider benefits in an environmentally and socially responsible manner.</p> <p>The Board has considered the progress of PIC's sustainability strategy and objectives during the year and the Investment and Origination Committee received updates on Responsible Investing and the summary of live construction scheme performance across the PIC Capital property portfolio.</p> <p>PIC's approach to climate change is incorporated into the Group's wider ESG strategy and is overseen at Board-level. PIC's Climate Report (TCFD) contains insights into PIC's climate-specific strategy, risk management and governance, as well as how climate is integrated within the PIC investment portfolio. The Board receives updates on PIC's climate-related targets and the plan to reach these, including the target to be carbon neutral within its own operations by 2025 which has now been achieved.</p> <p>PIC has been a significant investor for over a decade in areas such as social housing, renewable energy and the UK's universities.</p> <p> Further information can be found in the Sustainability section on page 22 and within the Sustainability section of the PICG Annual Report and Accounts on pages 61-70 and the Mandatory financial climate-related disclosures section on pages 92-93 of the PICG Annual Report and Accounts</p>
<p>(e) Desirability of the Company maintaining a reputation for high standards of business conduct</p> <p>Link to strategic objectives:</p> 	<p>The Board is committed to ensuring that the Group operates with the highest standards of integrity and continually reviews and tests the compliance arrangements in place to manage the Group's principal risks and ensures that PIC fulfils its purpose of paying the pensions of its current and future policyholders. PIC identifies conduct risk as one of its principal risks whereby business practices, culture or behaviours could lead to unfair or poor outcomes for customers.</p> <p>The Board ensures that an appropriate framework, including relevant policies and codes of conduct are in place, and reporting and governance channels are clear and well understood and the Board is promptly made aware of any issues that may have a material impact on PIC's reputation and operations.</p> <p>The Board also acknowledges its responsibility for setting and monitoring the culture, values and reputation of PIC and its Committees receive regular Compliance and Data Protection updates, including a summary of remedial actions taken in respect of any breaches reported in the period, any incidents of fraud, data protection incidents and data subject access requests. The Audit Committee also receives an annual report from the Money Laundering Reporting Officer on the operation and effectiveness of these systems and controls.</p> <p>All employees are required to complete mandatory e-learning in respect of matters such as financial crime, whistleblowing and the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") conduct rules.</p> <p>The Group maintains an intranet hub where all key policies are available to employees and this is governed by a formal policy framework.</p> <p> Further details can be found in the Stakeholder engagement section on pages 12-15 and the Directors' report on pages 32-45</p>
<p>(f) The need to act fairly between members of the Company</p> <p>Link to strategic objectives:</p> 	<p>The Company focuses on positive engagement with its shareholders and other investors including debt holders. There are shareholder nominated directors for PICG's four largest shareholders. The Company maintains contact with other investors through regular reporting on its corporate website and through the Strategy function.</p> <p>During the year, the Board approved the payment of final, special, and interim dividends to the Company's shareholder.</p> <p> Further details can be found in the Stakeholder engagement section on pages 12-15, the Corporate Governance report on pages 102-115 of the PICG Annual Report and Accounts and the Directors' report on pages 32-45</p>

Section 172 statement (continued)

Principal decisions made during the year

The following describes some of the key decisions made by the Board in 2025 and demonstrates how s.172 matters have been considered as part of the Board discussions and decision making.

Acquisition of the PICG Group by Athora

s.172 factors considered - (a), (b) and (f)

- The PICG Board approved the acquisition of the PICG Group by Athora. The acquisition reinforces PIC's strategy of providing very high customer service levels and increases its ability to invest in UK housing and infrastructure as Athora supports PIC through the next phase of its growth. This will allow PIC to provide its best pricing across a large number of pension risk transfer deals.

Continuing actions

- The Board will continue to engage with management on the integration activity.
- The Audit Committee will oversee and monitor the integration of financial reporting with a focus on understanding the requirements to meet the day one acquisition balance sheet and the subsequent reporting to the new Group parent.
- Policyholder interests were considered as part of the Board's decision-making process. Key to maintaining policyholder protections is the requirement to maintain robust regulatory capital levels, a Board approved risk appetite, as well as governance processes overseen by the PRA including having a majority of independent directors on the Board.

Where to find out more

Introduction to Athora in the PICG Annual Report and Accounts **p12-13**

Culture statement and dashboard

s.172 factors considered – (a) and (b)

- The Chief People Officer ("CPO") provides updates to the Board on the activities to embed culture throughout PIC and management developed and presented for approval, a dashboard of definitions of behaviours being encouraged and metrics to monitor compliance.
- The Board approved the culture dashboard, which is organised into five key areas, Leadership, Employees, Customers, Society and Risk, each reflecting critical cultural dimensions and are linked to the business' strategic objectives. Indicators are used to measure and assess maturity and promote continuous improvement and the Board receives regular updates on emerging themes or trends.

Continuing actions

- The Board will continue to receive regular updates on the embedding of PIC's desired culture into the business.
- The Board will continue to engage with management on the culture dashboard and monitor emerging themes or trends.

Where to find out more

Board activities in the Corporate Governance report in the PICG Annual Report and Accounts **p114-115**

Consumer Duty compliance

s.172 factors considered – (c) and (e)

- The Board and the Board Customer Committee considered and discussed the activities in respect of the embedding of the Consumer Duty within PIC.
- The Board Customer Committee thoroughly reviewed and challenged the second Consumer Duty Board Report ("CDBR") and recommended it to the PIC Board for approval and the PIC Board accordingly approved the final report.

Continuing actions

- Management will address any key actions identified in the CDBR, that need to be taken to ensure that PIC continues to deliver good outcomes for policyholders.
- The Board Customer Committee will continue to monitor reporting provided against the Consumer Duty outcomes, the continued development of the Consumer Duty metrics, the narrative alongside these metrics and the progress on completion of the actions identified in the CDBR.

Where to find out more

Corporate governance report of the PICG Annual Report and Accounts **p102-115**

Section 172 statement (continued)

Sustainability Reporting

s.172 factors considered – (d)

- The Investment and Origination Committee reviewed and approved the Stewardship Policy.
- The Audit Committee reviewed the Climate (“TCFD”) Report and Sustainability Report and recommended them to the Boards for approval.

Continuing actions

- The Investment and Origination Committee will continue to monitor PIC’s investment portfolio ESG risk exposure, Responsible Investing Strategic Initiatives, Net Zero progress and Stewardship actions.

Where to find out more

Sustainability section of the PICG Annual Report and Accounts	p61-70
Environment/TCFD summary in the PICG Annual Report and Accounts	p69
Investment and Origination Committee report of the PICG Annual Report and Accounts	p120-121

Appointment of critical suppliers

s.172 factors considered – (c)

- The Board and its Committees have considered the Group’s relationship with critical third parties, with a particular focus on key third party administrators and how these relationships continue to be managed to align with PIC’s future strategy and growth ambitions.

Continuing actions

- The Board and its Committees will continue to receive regular updates on the status of material and critical third-party suppliers and administrators.

Where to find out more

Strategic objectives in the PICG Annual Report and Accounts	p16-17
Origination, reinsurance and transitions section in the PICG Annual Report and Accounts	p34-37

Dividend payments

s.172 factors considered – (f)

- The Board considered the Group’s financial position and whether the Company had sufficient distributable reserves to pay the proposed final, interim and special dividends. The Board considered the Group’s solvency position and the 2025 Business Plan, and it was comfortable that the Company could meet the requirements of the Dividend Framework, which takes into account a range of stress and scenario testing.
- As required by the Companies Act 2006 and the Company’s Articles of Association, the Company’s sole shareholders approved the ordinary resolution authorising the payment of the final dividend for the year ended 31 December 2024.
- During the year, the Board approved the total dividends of c. £520 million to the Company’s shareholder, made up of: (i) the payment of the 2024 final dividend of £160 million paid in May 2025, (ii) the payment of a special dividend of £200 million also paid in May 2025, and (iii) an interim dividend of £160 million paid in September 2025.

Continuing actions

- The Board will consider the appropriateness of the payment of future dividends, pursuant to the dividend policy and framework.

Where to find out more

Strategic objectives in the PICG Annual Report and Accounts	p16-17
Chief Financial Officer’s review in the PICG Annual Report and Accounts	p71-79
Chairman’s introduction to corporate governance in the PICG Annual Report and Accounts	p95

Our sustainability strategy

Our sustainability strategy's overarching objective is to ensure we fulfil our purpose by managing long-term risks and helping create significant long-term social value. Ultimately, this creates sustainable benefits for individuals and communities, the environment and the economy.

Our strategy positively impacts all our stakeholders, including the people who rely on us to pay their pensions. It enables us to achieve our strategic objectives in a responsible manner.

The strategy has four distinct pillars: being a long-term sustainable business, being a responsible investor, protecting the environment and making communities sustainable, safe and inclusive.

Summary of our TCFD disclosures

PIC's TCFD disclosures are compliant with the requirements under Chapter 2 of the FCA ESG Handbook. We have made our detailed disclosures in a separate Climate Report (TCFD) due to the granular nature of the metrics disclosed

This year we have successfully achieved both of our 2025 decarbonisation targets and we remain focused and committed to meeting our 2030 and 2050 targets.

This progress continues to be driven by our long-term approach: engaging with our existing borrowers to encourage decarbonisation of their business, and focusing on low carbon investments where available for our new investments.

 For more information see our **Climate Report (TCFD) 2025** for more detail on our approach to climate change

PIC's climate targets

2019

2019 Base year

for our portfolio decarbonisation targets

2025

Carbon neutral as a business by 2025

We committed to being operationally carbon neutral (Scope 1 and 2) by year-end 2025



Target achieved

Portfolio emissions target 25% decrease by 2025 from 2019 levels

PIC set an interim target of decreasing the WACI of investments in publicly listed corporate credit by 25% from 2019 levels by year-end 2025



Target achieved

2030

Portfolio emissions target 50% decrease by 2030 from 2019 levels

PIC is committed to decreasing the WACI of the investment portfolio by 50% from 2019 levels by year-end 2030

2050

Net Zero across all emissions by 2050

We have committed to being Net Zero across all emissions (Scope 1, 2 and 3) by 2050

PIC's climate achievements

Reduced Scope 1 and 2 emissions by

43%

We have met our 2025 target to be operationally carbon neutral by reducing our Scope 1 and 2 location-based emissions by 43%, with residual emissions offset using high-quality

Investment Portfolio WACI

127 tCO₂e/
\$m revenue¹

The Weighted Average Carbon Intensity ("WACI") of PIC's portfolio has reduced by 18% in 2025, based on portfolio data coverage of 77% (FY24: 77%)

Reduced Scope 1 and 2 emissions intensity by

47%

During 2025 PIC reduced its Scope 1 and 2 carbon emissions per FTE by 47%, driven by our move to 22 Ropemaker Street and growing headcount

Public Corporate Credit WACI

137 tCO₂e/
\$m revenue

We have successfully met our 2025 target of 216 tCO₂e/\$ revenue, which reflected a 25% reduction from a 2019 baseline

1. This metric has been subject to independent limited assurance under ISAE (UK) 3000 and ISAE 3410. The limited assurance report provided by KPMG can be found in Appendix 2 of our Climate Report (TCFD).

Risk management







Managing our key risks

The key risks to the business, and its strategy for managing those risks, are set out below (to page 29). More details are also included in Note 15 to the financial statements.

Key

 Increased
  Decreased
  Stable





 To continue building a secure and sustainable business
  To carry on leading as a responsible corporate citizen
  To keep on driving long-term value growth

Key risk	Change in year	Outlook	How we are managing this
Market Risk			
<p>Interest, inflation and exchange rates</p> <p>Risks associated with balance sheet volatility due to change in interest, inflation, or exchange rates.</p> <p>Risk preference Minimise</p> <p>Impacted strategic objectives</p>  	<p>The global economic outlook continued to be volatile in 2025, with uncertainty stemming from new trade tariffs and geopolitical tensions. There were also concerns regarding fiscal dynamics, for example in the US and UK. Nominal interest rates broadly edged downwards, with cautious rate cuts enacted in the US, UK and Eurozone. The main trend in exchange rates was a weakening of the US dollar relating to concerns regarding institutional independence.</p> <p>Change in year</p> 	<p>Although interest rates have reduced and inflation has generally declined since 2023, uncertainty remains regarding the future pace of interest rate reduction. In the US, the appointment of a new Federal Reserve Chair in May 2026 could potentially lead to accelerated rate cuts, although this is not the core scenario. Meanwhile, various geopolitical hotspots (e.g. Russia/Ukraine, Israel/Gaza, US/China) have potential to affect interest rates and exchange rates.</p>	<p>Exposure to interest rate, inflation and exchange rate risks are managed through our hedging strategy and framework. This includes monitoring market conditions and our exposures relative to our hedging benchmarks and risk appetite limits.</p>
<p>Liquidity</p> <p>Risk associated with meeting financial obligations on time due to lack of cash or liquid assets or increasing liquidity requirements.</p> <p>Risk preference Minimise</p> <p>Impacted strategic objectives</p>  	<p>Real interest rates continued to rise in 2025, which drove changes in the amount of liquid assets PIC needed to post to its derivative counterparties. However, PIC maintained strong liquidity throughout the year. PIC has established a dedicated project to deliver the new PRA liquidity reporting requirements due from 30 September 2026.</p> <p>Change in year</p> 	<p>In the UK, expectations around interest rates continue to be influenced by inflation trends and wider macro-economic factors. Although inflation has eased from earlier peaks, it remains above target and subject to ongoing volatility. Persistent services inflation means interest rate expectations continue to be shaped by inflation dynamics and wider macro-economic conditions.</p>	<p>PIC has a range of risk appetite metrics to ensure it can meet its financial obligations as they fall due, including:</p> <ul style="list-style-type: none"> The close matching of asset and liability cash flows A cash buffer to cover at least three months of policyholder and expense payments Sufficient liquid assets to cover the collateral postings in a 1-in-200 stress <p>This results in a material portion of the portfolio being held in high-quality liquid assets. This strategy ensures that PIC can meet its financial obligations, including collateral postings, during extreme market movements and market-wide liquidity events. We undertake extensive market and liquidity risk stress testing, alongside frequent monitoring of the liquidity position against liquidity risk appetite. PIC also maintains a plan of management actions which can be taken to generate further liquidity if extreme events do occur.</p>

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Market Risk			
<p>Spread</p> <p>Potential for financial loss arising from changes in the spread between two financial instruments specifically gilts and credit assets.</p> <p>Risk preference</p> <p>Seek</p> <p>Impacted strategic objectives</p> 	<p>In 2025, global and UK credit spreads remained historically tight, with both investment-grade and high-yield bonds near record lows except for brief spikes from geopolitical or policy events. However, sectors facing tariffs and economic uncertainty saw some spread-widening, indicating the potential for underlying risks. The main risk identified is that a change in the relationship between pricing and the cost of assets - specifically, if spreads remain persistently tight - could make it more challenging to acquire long-dated, higher-yielding assets that meet return targets.</p> <p>Change in year</p> <p>New risk</p>	<p>Outlook for the spread environment in 2026 suggests a continuation of the themes observed in 2025, with credit spreads expected to remain relatively tight. Although spreads are expected to normalise in the future, there is uncertainty around when. Some modest widening, particularly in US investment grade and high yield markets, is anticipated as increased supply and late-cycle dynamics emerge. While there is potential for some widening should global uncertainty increase or policy shifts occur, the prevailing trend points towards resilience in both investment-grade and high-yield markets.</p>	<p>PIC manages spread risk using a disciplined and proactive approach that aligns with its investment strategy and risk management framework (including risk metrics developed to limit the risk of pricing in asset spread widening which may not be achievable). It uses risk appetite metrics to gauge underlying risk, monitoring it monthly and when new business is taken on. This approach helps ensure PIC does not become overexposed to credit spreads. Spread risk management is further supported by active portfolio management, continuous oversight, and strong governance.</p>
Credit and Counterparty Risk			
<p>Credit default and downgrade</p> <p>Risks associated with changes in the value, capital intensity, or rating of credit risk sensitive instruments resulting from downgrades or defaults.</p> <p>Risk preference</p> <p>Accept</p> <p>Impacted strategic objectives</p> 	<p>Credit default and downgrade risk arises from exposure to a diversified asset portfolio and may be driven by economic, sector-specific or issuer-level pressures, adversely affecting asset values and capital requirements.</p> <p>In 2025, proactive de-risking strengthened the portfolio's average credit rating, reducing overall credit risk and enhancing resilience to market volatility, with limited capital impact even under severe downgrade scenarios.</p> <p>Change in year</p> 	<p>Default and downgrade risks are expected to remain low in 2026, supported by strong corporate fundamentals and resilient earnings. While risks could increase following a severe macroeconomic shock or higher leverage, the overall credit outlook remains well contained.</p> <p>Looking ahead to 2026, inflation is expected to remain broadly stable at its currently reduced levels, although financial markets may continue to react to evolving inflationary and fiscal pressures. The portfolio is well-positioned to withstand potential adverse developments, with risk appetite metrics projected to remain comfortably within approved thresholds. Overall, the outlook is for continued resilience over the coming year, supported by the portfolio's robust positioning and risk management framework.</p>	<p>PIC manages credit default and downgrade risks through a disciplined, multi-layered approach focused on high-quality, investment-grade assets, strong due diligence and diversification across issuers, sectors and asset classes within its Risk Appetite Framework.</p> <p>Credit exposures are subject to ongoing monitoring, regular reviews and stress testing to identify and respond promptly to any deterioration and assess impacts on capital and solvency.</p> <p>PIC maintains a clearly defined risk appetite, accepting limited downgrade risk while keeping default tolerance low, supported by robust governance, committee oversight and adherence to ESG standards.</p>

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Credit and Counterparty Risk			
<p>Counterparty default and downgrade</p> <p>Risks associated with loss caused by the downgrade or default of counterparties, including banks, derivative counterparties and reinsurers.</p> <p>Risk preference Accept</p> <p>Impacted strategic objectives</p> 	<p>A ratings downgrade or failure of one of PIC's counterparties could result in financial loss and an increase in required capital, weakening PIC's balance sheet. PIC's counterparties are large multi-national banks and reinsurers who continue to demonstrate strong ratings profile, solid capital positioning and diverse business lines, with resilient balance sheets.</p> <p>Change in year</p> 	<p>Given the strong credit profile of PIC's counterparties and the robust assessments conducted during onboarding and on an ongoing basis, we expect their credit ratings to remain stable. While the macro-economic climate and geopolitical uncertainties present ongoing challenges, and catastrophe losses continue to pose a risk for some of PIC's reinsurance counterparties, the overall counterparty portfolio is well-positioned to withstand these pressures. Strong liquidity and capital buffers alongside robust collateral arrangements will help absorb potential losses, supporting continued resilience within the portfolio.</p>	<p>PIC has a robust Risk Appetite Framework for counterparties, which restricts both individual and aggregate exposures. This framework is designed to minimise potential losses arising from defaults or credit downgrades. We monitor the strength of our counterparties on a daily basis, and can limit or reduce exposure if their risk profile increases. Approval through PIC's governance committees is required before we transact with any new banking or reinsurance counterparty. We also hold capital and have robust collateral arrangements to protect the business against counterparty defaults.</p>
Operational Risk			
<p>Processes</p> <p>Risks associated with the adequacy of the design and implementation of PIC's business processes and controls.</p> <p>Risk preference Minimise</p> <p>Impacted strategic objectives</p> 	<p>This risk relates to PIC's internal processes and controls failing or not scaling effectively as the business grows in line with our strategic plan. Throughout 2025, we made significant upgrades to our control environment, and these changes are already showing promising results. As we complete these enhancements, the overall level of risk will continue to decrease. This progress will enable us to continue managing business process risks effectively as our Company grows. During 2025, we enhanced our focus on our key end-to-end processes, ensuring risks and compensating controls were identified, assessed and operating as designed. Actions are currently underway to reduce the number of manual controls in place through several change projects.</p> <p>Change in year</p> 	<p>Whilst PIC continues to take on larger, more complex deals, this risk will continue to be appropriately managed due to the existing control framework and the implementation of continuous control enhancements. We have continued to improve our operational resilience processes, having recently refreshed our Recovery and Resolution plan. Further enhancements to our risk appetite and supporting key risk indicators are in train to allow us to continue to provide focused oversight of our risk profile.</p>	<p>As part of our Risk and Control Self Assessment process, we actively monitor the design, operation, and effectiveness of controls in place, mitigating risks associated with key processes and making enhancements where necessary. We have successfully identified our Important Business Services ("IBS") and the key processes that underpin them, ensuring a comprehensive understanding of our operational priorities. Each of these processes is subject to dedicated executive ownership, providing clear accountability and oversight from end to end. In addition, robust management information ("MI") and regular reporting mechanisms are in place to monitor performance and support informed decision making. This approach enhances our ability to maintain service resilience and respond effectively to emerging risks.</p>

Key





 Increased
  Decreased
  Stable


To continue building a secure and sustainable business






To carry on leading as a responsible corporate citizen


To keep on driving long-term value growth

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Operational Risk			
<p>People</p> <p>Risks associated with a failure to attract, train and retain knowledgeable and skilled staff.</p> <p>Risk preference</p> <p>Minimise</p> <p>Impacted strategic objectives</p> 	<p>The employee market over 2025 remained competitive amid growing deal flow, with new BPA market entrants also vying for talent.</p> <p>People risk was stable for most of the year, supported by our strategy and growth opportunities, which continue to make PIC an attractive place to work in the life insurance market.</p> <p>We do continue to face specific challenges in sourcing appropriate candidates with niche skills and/or product knowledge, but generally across PIC our ability to attract and retain staff remains strong.</p> <p>We recognise that people risk has increased following the Athora announcement and the retirement of the CEO. However, there were no concerning trends during 2025, with strong acceptance rates of roles offered externally and stable attrition levels of PIC employees—both these metrics and others that PIC monitor have remained in line with typical levels. The annual employee engagement survey results have also remained strong.</p> <p>Change in year</p> 	<p>The recruitment market is expected to continue to be challenging, as the sector is experiencing significant growth.</p> <p>The anticipated change in Company ownership and the change in Chief Executive Officer introduces a degree of uncertainty for both current employees and prospective job candidates.</p>	<p>The PIC team is focused on strategic workforce planning to ensure we remain equipped for the future.</p> <p>We carefully monitor staff turnover and continue to focus on and invest in staff development and wellbeing.</p> <p>We are actively monitoring people risk following the announcement of the Athora acquisition and during the transition to a new permanent CEO.</p> <p>Having a clear purpose, a Company culture aligned to the purpose, which we actively monitor, and reviewing the market to ensure our remuneration packages are competitive, also help to manage this risk.</p>
<p>Third party and outsourcing</p> <p>Risks associated with the outsourcing of key business activities to third parties.</p> <p>Risk preference</p> <p>Minimise</p> <p>Impacted strategic objectives</p> 	<p>PIC relies on third parties to deliver a portion of its critical operations. These third parties are essential for various functions, including policy administration, investment management, and IT services.</p> <p>As PIC continues to grow, the number of suppliers we work with has increased. This expansion brings greater responsibility, since any failures by third parties could result in financial losses, harm to policyholders, regulatory breaches or reputational damage. To address these risks, PIC has strengthened its oversight and monitoring frameworks, maintaining a strong commitment to customer protection and operational efficiency.</p> <p>The third party and outsourcing operating model continues to be enhanced in content and scope, with comprehensive training provided in the ownership and management of third-party relationships.</p> <p>Change in year</p> 	<p>Third parties continue to be important to the nature and delivery of PIC's strategy, policyholder solutions and other related activities, particularly as our business grows.</p> <p>The future planned enhancements to our operational processes will further improve our ability to effectively manage our risk profile and deliver services to our policyholders.</p>	<p>We closely monitor performance of existing third-party relationships and actively ensure that alternative supplier options are always identified should the need to move to another supplier occur.</p> <p>We continue to run scenario assessments to ensure our operational resilience and safety and soundness, acting where we identify any gaps in processes.</p> <p>PIC uses a comprehensive framework to manage outsourced service providers, including a rating system that matches oversight to each provider's risk level. Higher-risk partners get more scrutiny, while lower-risk ones are managed appropriately. PIC also has clear exit strategies for key outsourcers and robust business continuity plans to ensure operations continue if services are disrupted.</p>

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Operational Risk			
<p>Information security and cyber</p> <p>Risk arising from unauthorised access to PIC's information systems and data (including sensitive data).</p> <p>Risk preference Minimise</p> <p>Impacted strategic objectives</p> 	<p>A cyber attack on PIC's information systems and data (or our third parties) could result in financial loss, operational disruption and/or reputational damage.</p> <p>The external cyber threat landscape continues to pose a significant risk, driven by geopolitical shifts and access to better technology. This has influenced the bad threat actors' approach to cyber attacks, especially with communications and social media.</p> <p>As stated by the National Cyber Security Centre's annual review, "Many nation-state threat actors and cyber criminals are already using artificial intelligence ("AI") to increase the volume and heighten the impact of cyber attacks." This continues to be experienced by the information security industry, in particular through the use of higher-quality phishing emails and employee imitation.</p> <p>Change in year</p> 	<p>Looking ahead, our cyber risk programme will continue to evolve in response to the ever-changing external cyber security landscape. As PIC grows and further embraces cloud services and third-party partnerships, we anticipate ongoing maturation of our Information security and cyber controls. This proactive approach should help to reduce the risk of unauthorised access to PIC's infrastructure, and we expect the information security and cyber risk profile to remain at similar levels over the coming year. Whilst we have improved our control environment, developments in the external environment will lead to more rapid progression of activity as AI is increasingly used as a tool to carry out cyber attacks.</p>	<p>We are ISO 27001:2022 certified, the globally recognised standard for information security management. This demonstrates our commitment to strong controls and oversight in relation to information security.</p> <p>We have a range of cyber risk appetite metrics used to measure and monitor the level of risk we run on an ongoing basis.</p> <p>We maintain a robust IT environment to ensure protection of our data and security of our systems and we assess potential impact of risk from our third parties.</p> <p>The IT environment undergoes regular testing both internally by the Information Security and Security Operations teams, and externally by trusted security providers. This testing ensures the effectiveness of security controls, including our perimeter through penetration testing and incident response capability.</p>
<p>Regulatory</p> <p>Risk associated with the regulatory environment in which PIC operates, including the ability of PIC to keep pace with changes in these environments.</p> <p>Risk preference Minimise</p> <p>Impacted strategic objectives</p> 	<p>PIC's regulators take an active role in protecting policyholders and ensuring that financial markets are safe and secure. Regulatory changes may influence PIC's value proposition or business model.</p> <p>Therefore, we note that while the risks associated with the regulatory environment have been stable, there have been areas that have evolved throughout the year.</p> <p>Change in year</p> 	<p>We expect regulatory risk to remain stable over the next 12 months, with continued scrutiny over key areas of focus, namely funded reinsurance, implementation of liquidity risk reporting, as well as ongoing regulatory developments and the potential for continued legislative reform.</p>	<p>We have a clear framework and approach to managing regulatory change, including risk appetites to monitor regulatory risk as well as a proactive relationship with the regulators and policymakers.</p>

Key





 Increased
  Decreased
  Stable

 To continue building a secure and sustainable business



 To carry on leading as a responsible corporate citizen

 To keep on driving long-term value growth

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Insurance Risk			
<p>Longevity</p> <p>Risks associated with pension payments that PIC makes being greater than expected due to policyholders living longer than assumed.</p> <p>Risk preference</p> <p>Limit</p> <p>Impacted strategic objectives</p> 	<p>If PIC's policyholders live longer than was originally assumed when pricing new business, PIC's liabilities will increase.</p> <p>Mortality rates during 2024 broadly returned to the levels seen before the pandemic, and early signs for 2025 show a continuation of these more stable patterns. While the direct impact of Covid-19 has now largely subsided, some indirect effects are still visible across the population, contributing to ongoing uncertainty in overall life expectancy trends. PIC has reflected this evolving picture in its assessment of longevity risk across the business.</p> <p>Change in year</p> 	<p>Uncertainty remains around how life expectancy will develop in the years ahead. People are generally living longer, and advances in medical treatment, including therapies for obesity and age-related conditions, may lead to further improvements over time. PIC continues to monitor developments in population health, healthcare access and medical innovation, updating its view of longevity as appropriate.</p>	<p>PIC typically transfers longevity risk through reinsurance contracts, significantly reducing its exposure if policyholders outlive expectations, as increased liabilities are shared with reinsurers. PIC also maintains strong capital requirements to safeguard the business against unexpected increases in longevity. Additionally, PIC regularly reviews life expectancy trends to keep its assumptions up to date, including monitoring the Continuous Mortality Investigation ("CMI"). This year, PIC adopted the latest CMI_2024 model for mortality projections, strengthening its longevity modelling.</p>
Conduct Risk			
<p>Policyholder interactions risk</p> <p>The risk that at any point in the policyholder lifecycle, PIC's actions and/or behaviours (either as individuals or as a company) could lead to poor customer outcomes which is inconsistent with the Consumer Duty. This could lead to regulatory scrutiny, reputational damage, and financial losses.</p> <p>Risk preference</p> <p>Minimise</p> <p>Impacted strategic objectives</p> 	<p>Securing good outcomes for retail customers continues to be the core area of regulatory focus under the Consumer Duty.</p> <p>This risk could materialise by PIC failing to pay policyholders correctly or on time, or communications to policyholders being difficult to understand, or through not providing our customers with sufficient support. There is also a risk of vulnerable customers not receiving as good an outcome as other customers.</p> <p>Change in year</p> 	<p>The outlook for this risk is stable, and is likely to remain a key area of regulatory focus.</p>	<p>We have extensive metrics and risk limits in place to monitor this risk.</p> <p>Our Customer Committee provides oversight and advice to the Boards in relation to our Consumer Duty requirements.</p> <p>We equip our staff with tools and training to help them service our customers' needs, including those customers with characteristics of vulnerability.</p> <p>Also, we continue to refresh customer communications with new layouts and tone of voice to make our letters easier to read and understand.</p>

Risk management (continued)

Key risk	Change in year	Outlook	How we are managing this
Franchise Value Risk			
<p>Climate change</p> <p>The potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate-driven events, and transitional risks arising from the process of adjustment to a low-carbon economy.</p> <p>Risk preference</p> <p>Minimise</p> <p>Impacted strategic objectives</p> 	<p>Climate change continues to be an area of focus for the public, insurers and regulators alike. Climate change may reduce the value of PIC's assets, increase the cost of capital, affect new business volumes, cause operational disruption and have a negative reputational impact. Shifts in government climate policies - such as recent reversals or strengthened commitments seen in 2025 - may also heighten the risk of stranded assets that PIC may be unable to sell.</p> <p>Change in year</p> 	<p>The focus on climate change and related sustainability risk will remain high given the continued focus from key stakeholders in the UK.</p> <p>Climate change is likely to lead to increasingly acute weather catastrophes. Longer-term changes to natural resource availability and societal changes could lead to potential reductions in the value and availability of assets PIC invests in (e.g. property and infrastructure), and disruption to PIC's operations and counterparties. Increased weather catastrophes would also lead to increased fixed costs for PIC on the built assets it manages (e.g. cost of insurance).</p>	<p>We continue to monitor the risk appetite metrics set for climate change risk, helping identify PIC's performance against published Net Zero targets. We continue to perform stress and scenario testing, focusing on specific sector transition pathways to identify the risks to which we are exposed.</p> <p>We also continue to monitor regulatory and policy developments in the UK and the key markets in which we operate to ensure we remain compliant.</p>

Key

 Increased
  Decreased
  Stable

 To continue building a secure and sustainable business
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  To keep on driving long-term value growth

Longer-term viability statement

1. The assessment process

The longer-term viability process is primarily carried out through strategic and financial planning. The Company's strategy (see page 2) and year-on-year activities, combined with a focus on material factors which may impact the Company in the foreseeable future, are central to the assessment that the Company can be reasonably expected to continue in operation and meet its liabilities as they fall due. The Company's business plan is prepared annually and covers a five-year period on a rolling basis. The plan covers projected performance and related profitability, cash and value generation and the capital position of the Company over the period. The plan is tested against the risk appetites set for the Company by the Board. This includes a number of stresses and scenarios to test the Company's resilience and capacity to respond to relevant stresses and shock events, which may potentially impact the Company. The Company also evaluates various management actions designed to maintain and restore key capital and liquidity metrics to within the Company's approved risk appetite over the planning period and takes into account the cost of these actions to the Company's Solvency Surplus and their potential impact on the Company's IFRS profits.

2. The assessment period

The Directors have assessed the viability of the Company by reference to the five-year planning period to December 2030, which has been chosen as appropriate because it reflects the Company's business model and the dynamics of the pension risk transfer market as covered by the Company's five-year business plan.

3. Assessment of viability

In considering the viability of the Company, the Directors have assessed the key factors relating to the Company's business model, strategy and the stress and scenario tests carried out. This has included, but not been limited to, consideration of the uncertainty surrounding the macro-economic environment and its potential impact on the Company, as well as the potential impact of climate change related risks. The Directors have also carried out an assessment with reference to the Company's business plan which contained financial forecasts from December 2025 to December 2030. The Directors discussed the business strategy, market opportunity and potential future strategic objectives. They considered the business plan which was supported by the assessment of key risks to the successful execution of the business plan. The Directors also considered the Company's principal risks and how these are managed, as detailed on pages 23 to 29.

The risk assessment of the business plan included sensitivity testing relating to key assumptions, and horizon scanning to consider the key risks to the business over the business planning period and the potential impact of these on the business plan objectives. The key risks considered in assessing the business plan were:

- PIC's ability to source high-quality assets with appropriate yields to support PIC's pricing model;
- the risk that credit spreads fail to widen, denting the profitability of new business;
- the risks to PIC's operations if the plan is achieved, focusing on the adequacy of PIC's systems, processes and controls (including technology and cyber security);
- the risks relating to recruiting and retaining the staff required to grow the business in line with the plan;

- access to capital and reinsurance; and
- the risks arising from the external environment, including technological advances and changes in government policy.

This year, the Board completed their annual review of solvency and liquidity risk appetites, and reviewed a range of updates to the risk preferences, risk appetites and associated limits. The Board discussed reports on the progress of stress and scenario testing and management incorporated these considerations into the business planning. The Board also continued to assess management actions available to mitigate risks arising from those adverse scenarios and the actions to ensure the Company remained resilient and robust, and fed these into associated processes such as Recovery and Resolution planning.

As well as risks arising from the macro-economic environment, a number of operational scenarios were performed during 2025. These included "failure to correctly manage a large deal" and "malicious employee actions". The Directors have also assessed the proposed purchase of the Group by Athora, which received regulatory approval on 6 March 2026 and is expected to complete on or around 27 March 2026. While the Directors cannot be certain of the actions of Athora post-completion, it is not expected that there will be any adverse impact on the ongoing prospects and viability of the Group within the timeframe under consideration.

4. Viability statement

Based on the results of the assessment of the Company's prospects and viability, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due in the five-year assessment period.

The Strategic Report on pages 1 to 30 was approved by the Board and signed on its behalf by:



David Weymouth

Chairman
22 Ropemaker Street,
London EC2Y 9AR

17 March 2026

Directors' Report.

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Directors' Report

Corporate Governance statement

References made to Pension Insurance Corporation plc ("PIC", the "Group", or the "Company") mean PIC and its subsidiaries. References made to PICG Group mean Pension Insurance Corporation Group Limited and its subsidiaries (the "PICG Group"). The Company has listed securities in issue and complies with its ongoing obligations, including as regards governance, under the FCA's Disclosure and Transparency Rules and Listing Rules and the Global Exchange Market's Listing and Admission to Trading Rules for Debt Securities.

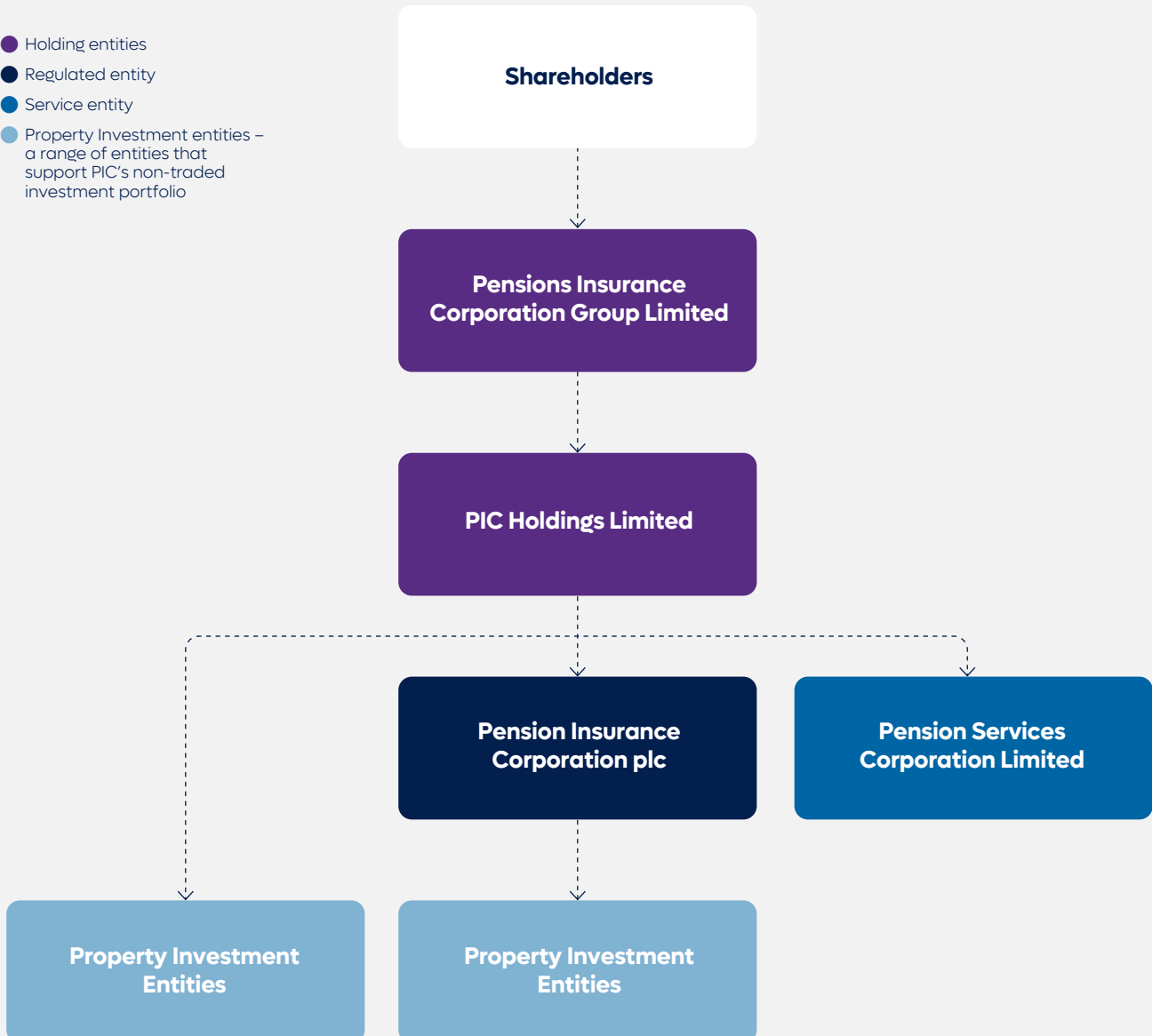
The Company does not have a Premium Listing and therefore is not required to adopt the UK Corporate Governance Code 2024 (the "Code"). However, the Board is committed to high standards of corporate governance

and supports the principles laid down in the Code, as issued by the Financial Reporting Council and which is available at www.frc.org.uk.

During the financial year ended 31 December 2025, the Company applied all of the Principles of the Code, but it does not apply a number of the provisions of the Code because they are not relevant in the context of the Company's business. Detailed disclosures on how the PICG Group applied the Code and information about the provisions that the PICG Group does not apply is included in the Pension Insurance Corporation Group Limited 2025 Annual Report and Accounts (the "PICG Annual Report and Accounts").

Simplified PICG Group structure

- Holding entities
- Regulated entity
- Service entity
- Property Investment entities – a range of entities that support PIC's non-traded investment portfolio



Directors' Report (continued)

Leadership and Company purpose

The Company is led by a Board of Directors (the "Board") who are appointed pursuant to the relevant Articles of Association. The PICG Group continues to benefit from a simple corporate structure, as depicted on page 32. The composition of the PIC and PICG Boards is designed to ensure that there is an overlap of Directors between the Boards, as shown in the attendance table on page 38 and that both Boards are aware of relevant matters which affect either PICG or PIC. Any mention of the Board in this report refers to the PIC Board, unless stated otherwise. The Directors have the benefit of the Group's Directors' and Officers' indemnity and insurance policy.

The current Board members, details of their experience and the date of their appointment are set out on pages 96 to 101 of the PICG Annual Report and Accounts.

The Board believes that good governance, strong values and the right culture enable the Company and the Group to do what is right for our policyholders, employees, shareholders and other stakeholders. The Board considers and applies the principles of the Code as the basis of how the Company and the Group should be governed.

Role of the Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. In order to achieve that long-term sustainable success and fulfil the Group's purpose, the Board ensures that the Group operates within a framework of prudent and effective controls, which enable risks to be assessed and managed. The Board also plays a key role in setting the Group's culture and monitoring how it is being embedded so that it is aligned with the Group's values and purpose. The right culture enables the delivery of the Group's strategy and business model by promoting attitudes and behaviours of high ethical standards and integrity, as set out in the Group's values. The Board sets the tone through ongoing dialogue with management and employees, and holds senior management to account where there is a misalignment of the existing culture with the Group's purpose and values.

The Board has collective responsibility for setting the Group's strategic goals and providing leadership to put them into effect through the management of the Group's business within the Group's governance framework. It does this by setting Group strategy, ensuring appropriate standards and controls, and monitoring and reviewing management's performance. Part of this process is ensuring that the right resources are in place to enable the Group to deliver on its strategic goals and to meet its obligations. This includes both financial and human resources, ensuring the right levels of capital are held, and an appropriate team of people is in place to run a growing business whilst managing the risks.

In 2026, the Board will build on the work carried out to date and ensure that Directors and executive management have the relevant skills and experience to continue to provide strong direction and leadership to the Group as it continues to grow and evolve.

Conflicts of interest

The Board has established procedures to deal with Directors' conflicts of interest which complies with the PICG and PIC Articles of Association and the provisions in s.175 of the Companies Act 2006. A schedule of each Director's actual or potential conflicts is compiled based on the disclosures made by the Director, and these are reviewed on an annual basis. Additionally, any conflicts or potential conflicts are considered at the beginning of each Board and Board Committee meeting.

Accountability

The Board, through the Audit and Board Risk Committees, receives reports regarding the Group's risk management and internal control systems. These reports comprise a verbal update from all Chairs of the Board Committees and are supported by the Co-ordinated Assurance Report and an annual attestation process. Collectively, these lead to an annual opinion and written assessment on controls, risk management, governance and culture which allow the Board to assess the effectiveness of the Group's systems of risk management and internal control. The Audit Committee facilitates the review of the Group's relationship with its auditor, on behalf of the Board, and the details are set out in the Audit Committee report on pages 116 to 119 of the PICG Annual Report and Accounts. The Board also reviews financial and business reporting at each scheduled meeting.

Modern Slavery Act 2015

The Group has a Modern Slavery Statement, which is reviewed and approved by the PIC Board annually. The Modern Slavery Statement is available on the Group's website: www.pensioncorporation.com/about-us/modern-slavery-statement.

The Group fully supports the aims of the Modern Slavery Act 2015, and seeks to ensure that modern slavery and human trafficking do not feature in any part of its business or supply chains. The Group is committed to protecting the human rights of its employees and contractors and it has a zero-tolerance approach to any form of slavery and human trafficking within the Group or its suppliers, and acts responsibly and ethically in business relationships to ensure human trafficking and slavery do not appear anywhere in its business operations.

While not having a specific human rights policy, the Group has a range of policies on Anti-Bribery, and Anti-Fraud, and Whistleblowing ("Speak Up") which are well embedded across the Group. The Board and senior management know that modern slavery is a growing global issue which is why PIC remains fully committed to protect against modern slavery in its business, supply chain, and within the investment process.

There were no instances of modern slavery reported during the year. The Group continued to manage its suppliers through a third-party management process and the implementation of internal policies. The Group expects the same high standards from all of its contractors, suppliers, and other business partners. PIC undertakes ongoing due diligence to identify potential risk areas in its supply chains and ways to mitigate the risks. Modern slavery and other human rights issues are also considered as part of PIC's investment process.

Directors' Report (continued)

Anti-bribery and anti-corruption

The Group operates an Anti-Bribery and Anti-Corruption Policy, in line with the Bribery Act 2010. The Group will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf, and no such incidents occurred in the financial year ended 31 December 2025. Senior management are committed to implementing effective measures to prevent, monitor, and eliminate bribery. The policy covers:

- the main areas of liability under the Bribery Act 2010;
- the responsibilities of employees and associated persons acting for, or on behalf of, the Group; and
- the consequences of any breaches of the policy.

Whistleblowing arrangements

The Group has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters. The Chair of the Audit Committee is PIC's Whistleblowing Champion and he guards the independence, autonomy, and effectiveness of the Group's policies and procedures on whistleblowing.

Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee can be found on pages 125 to 129 of the PICG Annual Report and Accounts.

Culture and the Board

Having a high performance, collaborative culture helps PIC achieve its purpose and strategic objectives. PIC's focus on its culture means that we value our stakeholders and work hard to provide exceptional service to them all, including policyholders, trustees, long-term investment partners, colleagues, and our other stakeholders. Our culture, underpinned by our values – resilient, adaptable, and loyal – encourages diverse perspectives and a leadership mentality amongst our talented employees.

PIC has continued to make progress in a number of areas regarding its culture and in 2025, the Boards approved a Culture Dashboard which is organised into five key areas: Leadership; Employees; Customers; Society; and Risk, each reflecting critical cultural dimensions and linked to the business' strategic objectives.

Activities to further embed PIC's culture have included our "TyPICally Us" staff events, employee engagement surveys, and greater empowerment across the business.

Culture is a standing Board agenda item twice a year, and the Board recognises the importance of maintaining and evolving our culture as it influences our ability to achieve good outcomes.

Read more in our People and Culture section on pages 56 to 60 of the PICG Annual Report and Accounts.

Stakeholders and the Board

The Company's formal s.172 statement can be found on pages 16 to 21 of this Annual Report. Pages 12 to 15 of the Strategic Report also set out who our stakeholders are, how we have engaged with them as a business, and how stakeholder needs are at the core of our decision making.

PIC's purpose is to pay the pensions of its current and future policyholders, and this is through best-in-class customer service, comprehensive risk management, and excellence in asset and liability management. The Board recognises that the needs and relevance of different groups of stakeholders can vary over time and, when making decisions, the Board has regard to the needs and priorities of each of its stakeholders, as well as its broader duties under s.172 of the Companies Act 2006. This can only be achieved through engagement with, and consideration of, all stakeholders, including our suppliers, employees, policyholders, shareholders, and debt holders, trustees, investment counterparties, and regulators.

Division of responsibilities

The Board is able to deliver its strategy through the strong governance framework that PIC has in place and, in doing so, provides strong, sustainable financial and operational performance for our shareholders and wider stakeholders.

Directors' Report (continued)

Matters reserved for the Board

The Board maintains a formal schedule of matters specifically reserved for its decision, to ensure there is a clear division of responsibilities between the Board and executive management.

These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement; remuneration of the Board and senior executives; material corporate transactions; and any changes to the schedule of reserved matters.

The schedule of reserved matters ensures that decisions are made at the right level and that stakeholder impacts are a fundamental part of the decision-making process. The Board is supported in its work by Board Committees, whose responsibilities are delegated by the Board. The reports from the Audit, Investment and Origination, Nomination, Remuneration and Board Risk Committees are set out on pages 116 to 132 of the PICG Annual Report and Accounts.

On 1 February 2026, the Board Conflicts Committee was established. More information on the remit of the Committee can be found on page 123 of the PICG Annual Report and Accounts.

The Directors who served during the period and up to the approval of these financial statements are listed in the table below. Details of their experience can be found in their biographies in the PICG Annual Report and Accounts.

Director	Position	Executive/Non-Executive	Date of appointment
David Weymouth	Chairman of the Board	Independent Non-Executive	1 October 2022
Tracy Blackwell CBE ¹	Chief Executive Officer	Executive	7 July 2011
Dom Veney ²	Interim Chief Executive Officer	Executive	10 December 2021
Jake Blair		Non-Executive	7 June 2021
Sally Bridgeland		Independent Non-Executive	28 January 2021
Judith Eden		Independent Non-Executive	1 August 2019
Julia Goh		Independent Non-Executive	1 October 2021
Tracey Graham	Senior Independent Director	Independent Non-Executive	1 January 2025
Stuart King		Independent Non-Executive	1 January 2019
Arno Kitts ³		Independent Non-Executive	1 July 2016
Andy Moss		Independent Non-Executive	1 September 2023
Jérôme Mourgue D'Algue		Non-Executive	20 November 2018
Martin Pike ⁴		Independent Non-Executive	1 January 2025
Peter Rutland		Non-Executive	5 May 2017
Wilhelm Van Zyl		Non-Executive	1 May 2015

1. Tracy Blackwell retired as Chief Executive Officer and stepped down from the PIC and PICG Boards on 31 December 2025.

2. Dom Veney was appointed as Interim Chief Executive Officer and joined the PICG Board on 1 January 2026.

3. Arno Kitts stepped down from the PIC and PICG Boards on 30 June 2025.

4. Martin Pike was appointed to the PICG Board on 1 July 2025.

Directors' Report (continued)

Governance and control framework

Our Board and Committee framework supports the development of the highest standards of governance practices across the Group, which is integral to the successful delivery of our strategy. The below shows the Group's governance structure. The structure is reviewed as part of the annual review of the governance processes; to make sure that it is fit for purpose, and remains as such in the context of the Group's growth prospects.

The membership of the Committees is carefully determined by the Board on recommendation of the Nomination Committee to ensure there are the right skills, experience, and knowledge on each Committee and that there is cross-Committee membership. This approach facilitates appropriate oversight of the entire business and ensures a good information flow between the Committees.

Board

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board also plays a key role in establishing the Group's purpose, which is to pay the pensions of its current and future policyholders. Matters reserved for the Board are described on page 105 of the PICG Annual Report and Accounts.

Audit Committee

Assists the Board in its oversight of the financial reporting process, the internal and external audit process, the system of internal controls, and compliance with law and regulations.

Conflicts Committee

Responsible for reviewing, evaluating and if appropriate, confirming a Proposed Related Party Transaction as being arm's length with regard to the Related Party, as well as annually reviewing and approving the business' new Related Party Transaction Policy.

Board Customer Committee

Assists the Board with oversight and advice in relation to PIC's strategic customer objectives and regulatory responsibilities, including embedding Consumer Duty ("CD") requirements in PIC's processes and business activities and ensuring a continued focus on the delivery of good customer outcomes.

Investment & Origination Committee

Assists the Board with oversight of the investment policy and strategy, operation of PIC's investment portfolio and new business and reinsurance origination.

Nomination Committee

Assists the Board with a review of the Board and Board Committee composition as well as succession planning for the Board and executive management.

Board Risk Committee

Provides oversight and advice to the Boards in relation to the current, emerging and potential risk exposure, risk tolerance, and future risk strategy of PIC and PICG. Recommends the overall risk appetite to the Boards and provides oversight of the Internal Model.

Remuneration Committee

Recommends to the Board the framework and policy for the remuneration of the Executive Directors and other members of the executive management. The Committee also provides oversight of certain People matters.

Chief Executive Officer

Under authority delegated from the Board, responsible for management of the Group.

Executive Committee

Assists the Chief Executive Officer in the overall management of the Group. Proposes the strategy and business plans to the Board and ensures that there are sufficient resources to deliver them. Implements the Board-approved strategy, operational plans, policies, procedures and budgets. Ensures the Group has appropriate systems and controls in place. Monitors operating and financial performance of the Group.

Management and Operating Committees

Specialist committees assisting executive management in discharging their responsibilities.

Directors' Report (continued)

Delegation of responsibilities

The Board has delegated certain aspects of its responsibilities to its Board Committees to assist in providing effective oversight and leadership:

- Audit Committee;
- Board Customer Committee;
- Investment and Origination Committee;
- Nomination Committee;
- Remuneration Committee; and
- Board Risk Committee.

In anticipation of the acquisition of the Group by Athora, a new Board-level Conflicts Committee was established on 1 February 2026. This Committee is made up of independent Non-Executive Directors only and is responsible for reviewing, evaluating, and if appropriate, confirming a proposed Related Party Transaction as being arm's length with regard to the Related Party, as well as annually reviewing and approving the Related Party Transaction Policy.

The terms of reference for each of its Committees have been approved by the Board and are reviewed annually.

The reports for the Audit, Investment and Origination, Nomination, Remuneration and Board Risk Committees are set out on pages 116 to 132 of the PICG Annual Report and Accounts.

The Investment and Origination Committee and the Board Customer Committee consider matters specific to PIC. The other Committees consider matters concerning both PICG and PIC, as per the delegations in their terms of reference. Members of the Committees are appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Committee Chairs.

In addition to the Board Committees, there are also a number of management and operating committees that assist senior management with business management and oversight of the Group in relation to: the day-to-day management of the business; investment matters; risk management frameworks and input into the development of the risk strategy; projects and major change initiatives to maximise PIC's project investment return; all new business deals and interaction with policyholders, including the requirements of the Consumer Duty, and overall conduct.

Cross-committee membership

As shown on page 38 Committee membership is constituted in a way that ensures that there is cross-Committee membership, which allows items of importance to be managed between Committees in a coordinated and efficient manner. This complements the Committee briefings that the Board receives.

Board and Committee meetings

The Board meets formally on a regular basis and it also attends to various matters by way of written resolution. There is also regular communication and interaction with management, including monthly updates. Prior to each meeting, the Chairman and Company Secretary ensure that the Directors receive accurate, clear, and timely information, to facilitate focused, robust, and informed discussions and to aid the decision-making process.

Board meetings follow a clear agenda that is agreed in advance by the Chairman, in conjunction with the Chief Executive Officer and Company Secretary. At each meeting, the Board receives updates from the Chief Executive Officer and Chief Financial Officer, as well as from other members of senior management. These reports cover how the Group is executing the business plan, policyholder administration, including details of how we meet our obligations to policyholders, the new business pipeline and associated investments, and the Risk function's review of current and emerging risks. The Chairs of each Board Committee also report to the Board on the recent activities of each Committee. The Board has regular dialogue with senior management outside of formal meetings and, in addition to regular matters, the Board and Committees also discuss other topics that require their attention.

Directors' Report (continued)

Attendance by Directors at Board and Committee meetings

In 2025, there were seven scheduled PICG and PIC Board meetings and five ad hoc meetings.

The table below shows the attendance by Directors of both the PICG and PIC Boards, as well as the attendance at Board Committees, for all scheduled meetings.

Director	PICG Board		PIC Board		Audit Committee	Customer Committee	Investment and Origination Committee	Nomination Committee	Remuneration Committee	Board Risk Committee				
David Weymouth	7	7	7	7	–	–	4	4	2	2	7	7	–	
Tracy Blackwell CBE	7	7	7	7	–	–	–	–	–	–	–	–	–	
Dom Veney	–	–	7	7	–	–	–	–	–	–	–	–	–	
Jake Blair	7	7	7	7	–	–	4	4	–	–	–	–	–	
Sally Bridgeland	–	–	7	7	4	5	–	–	–	–	5	5	–	
Judith Eden	7	7	7	7	–	3	4	–	2	2	7	7	4	5
Tim Gallico	7	7	–	–	–	–	–	–	–	–	–	–	–	
Tracey Graham	7	7	7	7	5	5	2	4	–	1	2	–	–	
Julia Goh	7	7	7	7	–	4	4	4	4	–	–	–	–	
Stuart King	6	7	6	7	5	5	4	4	–	–	6	7	5	5
Arno Kitts ¹	5	5	5	5	–	–	2	2	–	–	–	3	3	
Josua Malherbe	5	7	–	–	–	–	–	2	2	6	7	–	–	
Andy Moss	6	7	6	7	5	5	–	–	–	7	7	5	5	
Jérôme Mourgue D'Algue	6	7	6	7	–	–	3	4	2	2	–	–	–	
Martin Pike ²	7	7	7	7	5	5	4	4	–	–	–	5	5	
Peter Rutland	–	–	6	7	–	–	3	4	–	6	7	–	–	
Wilhelm Van Zyl	7	7	7	7	–	–	4	4	–	–	–	5	5	

1. Arno Kitts retired from the PICG and PIC Boards on 30 June 2025.

2. Martin Pike joined the PICG Board on 1 July 2025 but attended all scheduled PICG Board meetings in 2025.

● Meetings attended ● Scheduled meetings

Directors' Report (continued)

Board composition, succession and performance

Board composition

The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code. The Nomination Committee reviews the size, structure and composition of the Board and its Committees, and makes appropriate recommendations to the Board. The Board is structured to provide the Group with an appropriate balance of skills, experience, knowledge, and independence to enable it to discharge its duties and responsibilities effectively. Given the nature of the Group's business, insurance, actuarial, accounting, and financial services sector experience is clearly of benefit, and this is reflected in the composition of the Board and its Committees.

As at 31 December 2025, the PIC Board had 14 Directors, eight were independent Non-Executive Directors, including the Chairman, four were nominated by major shareholders, and two of were Executive Directors. Tracey Graham and Martin Pike were appointed on 1 January 2025. Tracy Blackwell stepped down on 31 December 2025.

During the year, the Chairman and the NEDs met without the Executive Directors, and the NEDs met without the Chairman present. The Board as at 31 December 2025 met the targets it has set in the Board Diversity Policy. The Board is aware of best practice initiatives regarding the percentage of women on the Board in the FTSE350 and the industry more generally. The Board will continue to take steps where possible to increase its diversity.

Board independence

The independence of the NEDs is reviewed annually by the Nomination Committee in accordance with the criteria set out within the Code.

Jake Blair, Jérôme Mourgue D'Algue, Peter Rutland, and Wilhelm Van Zyl are not considered independent because they are nominated by major shareholders of the Group.

For the financial year ended 31 December 2025, the PIC Board is satisfied that they met the requirement under the Code, for at least half of the Board (excluding the Chair) to comprise independent NEDs.

Board diversity and skills and succession planning

The Board believes that its success is rooted in the diverse nature of the environment in which it operates and is dependent on the Group's ability to leverage differences, collective experiences, variety of backgrounds, talents, skills, and knowledge.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense, as this is crucial to provide a range of perspectives, insights, and challenge that are needed to support good decision making and successful delivery of the Group's business strategy. The Board's belief in having a suitably diverse membership is in line with the Board Diversity Policy, which is reviewed by the Board annually.

The Nomination Committee supports the Board by reviewing and considering the diversity of the Board as part of the annual Board performance review and ongoing succession planning when recommending the appointment of new Board members. The review of Board diversity takes into account the challenges and opportunities facing the Group, the balance of skills, knowledge, experience and diversity of the Board, as well as time commitments needed on the Board in the future.

Further information about the work of the Nomination Committee for non-executive and executive succession planning is included in the Nomination Committee report on pages 122 to 124 of the PICG Annual Report and Accounts.

Directors' Report (continued)

Time commitments

As part of the appointment process and their annual review by the Nomination Committee, each NED confirms that they are able to allocate sufficient time to the Group to discharge their duties and responsibilities effectively. The external commitments of the Chairman and the other Directors are stated in their profiles on pages 96 to 101 of the PICG Annual Report and Accounts, and the Company Secretary maintains a record of all external appointments held by the Directors. In addition, the Directors are required to consult with the Chairman as early as possible on any new external appointment. The Board is satisfied that the Chairman and all the NEDs are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Induction

Following appointment, all Board members receive a tailored induction programme, which is monitored by the Chairman and is the responsibility of the Company Secretary. The programme is bespoke and takes into account the new Director's qualifications and experience. It includes presentations, briefings, and meetings with Board members, senior management and external advisers. Specific training that has been identified during the induction process is then provided to new Directors to enable them to properly challenge the Executive Directors and senior management.

Development and ongoing training

The ongoing professional development of the Directors is regularly reviewed by the Board and its Committees. As part of the Board and Board Committee performance reviews, the Directors have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development and are encouraged to continue their own professional development through attendance at seminars and conferences.

It is important that the Board remains aware of upcoming developments and the Directors refresh their skills and knowledge so they can continue to contribute to technical discussions and provide effective challenge. The Directors attend training sessions, which are typically at each round of Board and Committee meetings. Directors confirm annually that they have received sufficient training to fulfil their duties.

Ongoing learning of the Board and Committees

February 2025	Operational Resilience Information Session	
February 2025	ORSA Report training session	
March 2025	UK Corporate Governance Code 2024	
June 2025	Investment Portfolio Optimisation	
September 2025	Discounted Cash Flow Portfolio Deep Dive	
September 2025	Artificial Intelligence in the Pensions Risk Transfer Market	
November 2025	Senior Managers & Certification Regime ("SMCR")	
November 2025	Sustainability matters related to Consumer Duty expectations	
November 2025	Cyber Security	



Board



Board Customer
Committee



Investment and
Origination Committee



Board Risk
Committee

Directors' Report (continued)

Board performance review

The Board conducts an annual review of its performance and its effectiveness in order to identify areas for development. Every three years, the performance review is conducted by an external consultant. The last external Board performance review was completed in 2023 by Independent Audit Limited; therefore the next external review is due to take place in 2026. In light of the impending changes to the Boards following the completion of the acquisition of the Group by Athora, it was agreed that a full Board evaluation would take place in 2026, with the focus for 2025 being on the Board Committees, with that review being undertaken internally.

The internal committee performance review was implemented by way of a survey, which in 2025 covered three areas of consideration: 1. Committee Responsibilities and Remit; 2. How the Committee Operates; and 3. Effectiveness of the Chair.

The Committee members and standing attendees were asked to answer questions, using the scale: 1. Strongly Disagree; 2. Disagree; 3. Agree; 4. Strongly Agree; and 5. Cannot Judge.

In addition to using the scale, each section offered respondents an opportunity to provide additional "free-text" commentary on any other issues.

Internal review process

1. Planning the review

The Corporate Secretariat proposes the content of the survey under the headings of:

1. Committee Responsibilities and Remit;
2. How the Committee operates; and
3. Effectiveness of the Chair.

2. Sharing the survey and reporting on the findings

Following review of the Board Committee surveys by the Chairman, the surveys are circulated by the Corporate Secretariat to the members of the Committees and regular standing attendees for completion.

The results are collated by the Corporate Secretariat who analyse the key themes and propose actions and recommendations. The results are shared with the Chairman of the Board and the Chair of each Committee.

3. Evaluation of the findings at Board level

Each of the Committees and the Nomination Committee consider the results and recommend the proposed actions to the Boards.

The Boards discuss the outcomes of the performance review and agree the proposed actions.

4. Oversight of progress

Work begins on the proposed actions. Regular updates on the progress of actions will be presented to the Boards.

Key observations from the 2025 internal Board Committee performance review

The review concluded that the Board Committees continued to operate effectively, although some areas for further development were identified. These will be addressed in 2026. Further detail on the outcome of the Committee reviews can be found within the individual Committee reports within the PICG Annual Report and Accounts.

Directors' Report (continued)

Update on areas for development from the 2024 internal Board performance review

2024 performance review recommendation

Progress made in 2025

Board reports

Continue to improve the quality and consistency of Board reporting.

The Corporate Secretariat function has continued to work with colleagues to improve Board reporting, ensuring that the new reporting template continues to be used effectively and working with the Chairman and the Chairs of the Board Committees to provide feedback. As improvement of reporting has been identified as a continued area for development through the 2025 review, more formal Board paper training is intended to be provided in 2026.

Culture

Continue to spend time on the cultural aspects of the business.

Following the approval of the updated Culture Statement by the Board in late 2024, the Boards approved the first Culture Dashboard in March 2025 and continue to receive regular updates on culture from the Chief People Officer.

Board agendas

Continue to consider the structuring of Board and Committee agendas to ensure that sufficient time is given to topics requiring more debate and discussion.

The Corporate Secretariat function continues to work with the Chairman and the Chairs of the Board Committees on the structure of agendas to ensure that there is appropriate time available to discuss items and ensure clarity on what is being asked of the Board and its Committees. Annual planners are in place for the Board and its committees to ensure that matters reserved are considered. In addition, the Chair's agenda review meetings continue to be held to ensure consistency and minimise duplication across the Board and its Committees.

Sustainability and ESG

Further consideration to be given as to how the Board and its Committees consider sustainability and ESG matters that fall within its remit.

The Corporate Secretariat function worked with the Head of Sustainability to review the sustainability and ESG matters that fall within the remit of each of the Board Committees and provided a summary to the Nomination Committee and the Boards. A 'Sustainability Matters Related to the Consumer Duty' training session was delivered to the members of the Board Customer Committee in November 2025, with training also having been provided to the Remuneration Committee in September 2024 on the links between sustainability and remuneration and the potential challenges and limitations of, including ESG, specific metrics in remuneration scorecards. The updated risk taxonomy also includes a Board-level Sustainability Risk with sustainability risks also included in the Franchise Value risk category.

Directors' Report (continued)

Each year the Board approves an annual Board calendar of matters which it considers important to oversee, debate and review. The Board, in its considerations, took into account its obligations arising from s.172 of the Companies Act 2006 as outlined on pages 16 to 21.

Routine matters considered in the Board calendar Strategy

- Approval of the 2025 Business Plan.
- The Group's strategy and further opportunities for growth.
- New business transactions above a defined threshold, requiring Board approval.
- Continued to discuss the Group's culture in the context of the resources and activities required to ensure the success of the Group's strategy over a five-year period and reviewed and approved the Culture Dashboard and metrics.
- Progress of the Investment Platform Programme.
- Regular updates on sustainability and sustainability reporting.
- Regular updates on the investment data projects and initiatives.

Customers/Policyholders

- Approval of PIC's 2025 Operational Resilience Self-Assessment including Important Business Services and Impact Tolerances in respect of PRA PS6/21 and FCA PS21/3.
- Monitoring of various customer initiatives into an overarching Customer Programme which covers: Consumer Duty, policyholder communications, and vulnerable customers.
- Closely overseeing PIC's operations with a particular focus on outsourced administration services to ensure excellent service is provided to PIC's policyholders.

Risk management and Internal Model

- Approval of the 2024 PIC Own Risk and Solvency Assessment.
- Review and approval of the risk appetite preferences, statements and metrics.
- Review and approval of the risk taxonomy.
- Reports on the progress of regulatory stress and scenario testing to ensure the business remained resilient and robust in challenging times and there was no adverse impact on policyholders, employees and stakeholders.
- Received an annual report on the Internal Model validation and reviewed and approved the Internal Model Policy.
- Approval of the updated Recovery and Solvent Exit Plan and Playbook.

Employees and remuneration

- Collaboration with the Nomination Committee on Chief Executive Officer succession.
- Five-year review of remuneration carried out by the Remuneration Committee.
- Approval of the annual bonus and Long Term Incentive Plan scorecards, metrics and ranges.
- Regular updates from the Chief Executive Officer and Chief People Officer on resourcing and wellbeing of staff, and evolving working arrangements.
- Approval of the launch of the Group's share schemes for the year and consideration of the impacts of the Athora acquisition.
- Discussions on the Group's culture and strategy.
- Approval of annual remuneration parameters and Non-Executive Director and senior management remuneration, taking into account all stakeholders' interests and business priorities.

Financial reporting and controls

- Approval of the PIC Annual Report and Accounts.
- Reviewing the Group's performance reports.
- Review and approval of the Co-ordinated Assurance Plan and noted updates against the plan.
- Review of the Whistleblowing Report.
- Approval of the Modern Slavery Statement.
- Review of the Annual Opinion from the Chief Internal Audit Officer on the effectiveness of the Group controls, risk management and governance processes, and culture.

Corporate governance

- With assistance from the Nomination Committee, the Board commenced a search for a new Independent Non-Executive Director ("INED").
- Review and approval of the composition of the Board and its Committees and approved changes to their composition on completion of the acquisition of the Group by Athora.
- Approval of the Board Diversity Policy.
- Approval of the updated Board and Board Committee terms of reference.
- Monitoring of any governance actions which had arisen from the 2024 Board performance review.
- Considered the results from the 2025 internal Board Committee performance review as disclosed in this report.
- Establishment of a new Board-level Conflicts Committee.

Directors' interests

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Directors' Report (continued)

Qualifying third party indemnities

The Articles of Association of the Company provide for the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. The Company also provides certain forms of protection for its Directors and senior managers of companies within the Group against personal financial exposure that they may incur in their capacity as such. During the year and at the time the Directors' report was approved under section 234 of the Companies Act 2006, this protection included qualifying third-party indemnity provisions (as defined under section 234 of the Companies Act 2006) in force for the benefit of the Company's Directors.

Issue of shares and debt

The Company had 1,226,385,310 ordinary shares of £1 each in issue and these were subscribed by PIC Holdings Limited, the immediate parent company.

At year end 2025, the Company had £450 million of Restricted Tier 1 bonds and £2,076 million of Tier 2 bonds outstanding. During the year, the Company did not issue any subordinated debt.

Dividends

The Directors of the Company proposed dividends for the year totalling c. £520 million to its sole member, PIC Holdings Limited (2024: £400 million). This comprised the payment of: (i) a final dividend of £160 million paid in May 2025; (ii) a special dividend of £200 million also paid in May 2025, and (iii) an interim dividend of £160 million paid in September 2025. Payment of these dividends by the Company to PIC Holdings Limited supported the ultimate dividend from PICG to the PICG Group's shareholders.

Statement on the Company's business relationships with suppliers, customers and others

Information on how the Directors have had regard to the need to foster effective business relationships with suppliers, customers and others, including detail on how they have discharged their duty under s.172 of the Companies Act 2006, is included in the Strategic Report on pages 16 to 21.

Any payments to suppliers are made through the service company, Pension Services Corporation Limited ("PSC") and the required disclosures on policy and practice on payment of creditors are included in the PSC Annual Report and Accounts.

Material contracts

During the year, PSC, a UK limited company that is an indirect subsidiary of Pension Insurance Corporation Group Limited, continued to provide management, staff, IT and office services to the Group under a defined service agreement.

Future developments

The information that fulfils the reporting requirements relating to the likely future developments in the business of the Company is included in the Strategic Report, which is separate to this Directors' report.

Financial instruments

The information relating to the Company's financial instruments is included in Note 10 to the financial statements.

Auditor

In accordance with section 489 of the Companies Act 2006, KPMG were reappointed as auditor for the financial year ending 31 December 2025 at the Annual General Meeting (the "AGM") of the Company held on 24 March 2025.

As a result of the Company's current auditor being required to rotate following completion of the 2025 year-end audit, the Board has approved the appointment of Deloitte LLP as external auditor for the financial year ending 31 December 2026, subject to approval by the Company's sole shareholder in a General Meeting.

More information on the appointment of the external auditor can be found on pages 116 to 119 of the PICG Annual Report and Accounts.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Internal controls and risk management system

Section 4 of the Code sets out the requirements in relation to audit, risk and internal controls. The Board has overall responsibility for the system of risk management and internal controls, and for reviewing its effectiveness. The Board has delegated responsibility for monitoring this system and reporting on its effectiveness to the Board to the Audit Committee and the Board Risk Committee. Throughout the year, the Audit Committee and Board Risk Committee received and reviewed regular management reports in relation to internal controls and risk management to assure themselves that the processes in place remain effective.

Each year, the Board approves a Coordinated Assurance Plan which is intended to provide the Board with assurance that the internal controls and risk management systems work effectively. The plan is devised by the Internal Audit, Compliance, Risk and Actuarial functions within the Group and is overseen by the Audit and Board Risk Committees as part of their delegated authority from the Board. The overlap in membership of those two committees ensures that all areas of the system are adequately covered.

The Board Risk Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management ("ERM") Framework and makes recommendations to the Board. The Audit Committee is responsible for oversight and giving advice to the Board on matters relating to financial reporting and it will review the Group's internal controls, including internal financial controls.

The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Directors' Report (continued)

Internal controls

The Group's risk management and internal controls system is designed to manage rather than eliminate the risk of failure to achieve business objectives. An internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee reviews the Group's internal control systems and both the Audit Committee and the Board Risk Committee receive updates on the findings of Internal Audit's investigations. Any significant matters are reported to the Board, which retains overall responsibility for the effectiveness of the full scope of internal controls across the Group. A description of the key activities in respect of internal controls covered by the Audit Committee can be found on pages 116 to 119 of the PICG Annual Report and Accounts.

The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The Chief Internal Audit Officer reports regularly to the Audit Committee and the Board Risk Committee.

The Chief Internal Audit Officer has reporting lines to the Chair of the Audit Committee, the Audit Committee, the Executive Committee and the Board and directly reports to the Chief Executive Officer.

The Board is fully committed to ensuring that the Group's internal controls and risk management systems are in line with best practice and address any new requirements within the expected time frames.

Risk management

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective Risk Management Framework in place. It has delegated responsibility for review of the risk management methodology and system to the Board Risk Committee.

Risk management is integrated into the Group via the ERM Framework. This framework comprises PIC's system of governance, policies, the Risk Appetite Framework and the application of the risk management system. The ERM Framework provides a robust assessment of all of the principal risks, topical and emerging risks, and integrated risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board Risk Committee reviews the processes for, and outputs from, the Group's ERM activity, through which the Group's key risks and related controls are identified, evaluated and managed. It also reviews the effectiveness of the risk management system on behalf of the Board and keeps under review ways in which the control and assurance arrangements can be enhanced.

A Management Risk Committee assists the Board Risk Committee in reviewing the risk management system and undertaking reviews of assurance risk reports prior to Audit and Board Risk Committee meetings.

In 2025, the Board Risk Committee approved a new risk taxonomy and also reviewed PIC's Risk Appetite Framework and made recommendations to the Board on its continued evolution. The Board Risk Committee continued to discuss emerging risks and their potential systemic impact, and reviewed and suggested further refinements to the Group's emerging risks dashboard.

Further details of the Group's risk management systems and controls in place to manage its key risks can be found in the Strategic Report on pages 23 to 29. Additionally, the Board Risk Committee report describes the main activities undertaken in respect of risk strategy, appetite, policy, and risk oversight and monitoring, and these are outlined on pages 130 to 132 of the PICG Annual Report and Accounts.

Conclusion on internal controls and risk management

The Audit Committee and Board Risk Committee are pleased to confirm that they were able to provide the Board with assurance that the Group's internal controls systems and risk management procedures remain effective.

The Board has reviewed the effectiveness of the system of internal controls and risk management, for the year ended 31 December 2025 and up to the date of signing of these financial statements and the Annual Report. The Board believes that the internal control and risk management systems of the Company remain effective and it has not identified any weaknesses sufficient to cause material misstatement or loss which requires disclosure in the financial statements.

Other disclosures

Political donations

The Company made no political donations during the year (2024: £nil).

Overseas branches

PIC does not have any branches outside the United Kingdom.

Greenhouse gas emissions

In accordance with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and Companies Act 2006 (Strategic Report and Directors' Report) Regulations the required information is reported at PICG Group level and can be found in the PICG Annual Report and Accounts.

Going concern and viability

After making enquiries, including specific consideration of regulatory solvency, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have also given consideration to the proposed purchase of the PICG Group by Athora and do not believe that this will have an adverse impact on the ongoing operations of the Company. Following the transaction, the Company will continue to be the main UK operating business and only UK regulated insurance entity within the Athora Group. The regulatory nature of the Company is such that no change to its operations could be implemented within the 12 month going concern assessment period. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

More details on the transaction can be found in the PICG Annual Report and Accounts on page 12 (Introduction to Athora) or the going concern assessment on page 61 (Note 1 "Accounting Policies").

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report, the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, they have elected to prepare the Group and the Company financial statements in accordance with UK-adopted international accounting standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under provision 27 of the UK Corporate Governance Code, the Directors are responsible for preparing the Annual Report and accounts and consider them, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



David Weymouth
Chairman
22 Ropemaker Street, London EC2Y 9AR

17 March 2026

Financial Statements.

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Independent Auditor's Report

To the members of Pension Insurance Corporation plc

1 Our opinion is unmodified

We have audited the financial statements of Pension Insurance Corporation plc ("the Company") for the year ended 31 December 2025 which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company statements of cash flows, and the related notes, including the accounting policies in Note 1, except for the information marked as unaudited.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders in 2006. The period of total uninterrupted engagement is for the 20 financial years ended 31 December 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2024), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

Valuation of Insurance Contract Liabilities £50,570 million (Group and Company); 2024: £44,303 million

(The risk is same as prior year.)

Refer to page 60 (accounting policy) and pages 80 to 93 (financial disclosures).

The risk

The Group has significant insurance contract liabilities representing 59% (2024: 56%) of the Group's total liabilities. This is in regard to Liabilities for Remaining Coverage ("LRC").

The key estimates and judgements are as noted within Note 1.

Subjective valuation

This is an area that involves significant judgement over uncertain future outcomes, due to financial and non-financial assumptions which feed into the ultimate total settlement value of these liabilities. Management is required to use judgement in the selection of key assumptions covering both financial assumptions and non-financial assumptions.

We also identified a risk of potential bias given the degree of subjectivity.

Our response

We used our own actuarial specialists to assist us in performing our procedures in this area over methodology choice, historical comparison, benchmarking and assumptions.

Controls design and implementation:

- We tested the design and implementation of key controls over the significant risk assumptions.
- We performed the tests as noted below rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Methodology choice:

We have assessed the methodology for setting assumptions and calculating the liabilities. This included:

- Assessing the methodology adopted for selecting assumptions by applying our industry knowledge and experience and comparing the methodology used against industry standard actuarial practices.
- Evaluating the analysis of the movements in insurance contract liabilities during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted or updated during the year.
- Comparing methodology to our expectations derived from market experience including the impact of Covid-19 on the observed policyholder experience.
- Assessing the allocation of expenses between maintenance and non-maintenance to test the completeness of costs that have been attributed to the fulfilment cashflows ("FCF") as required by IFRS 17.
- Assessing whether management's proposed methodology for determining the credit deduction and reference portfolios is consistent with the requirements of IFRS 17.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

The risk

Assumptions

The key non-financial assumptions include base mortality and future longevity improvement rates and maintenance expenses.

Mortality and future longevity improvement rates require a high degree of judgement due to the number of factors which may influence future mortality experience.

The judgements over base mortality and future longevity improvement rates, are set based on the Group's own experience, the Directors' and industry expected level of future rate of mortality improvement and other external factors arising from developments in the annuity market and potential impact from Covid-19.

Maintenance expense assumptions require significant judgement to set the per policy cost based on the expected future costs for administering the underlying policies, as well as the consideration as to which costs are directly attributable to the FCF.

A small change in these assumptions can have a significant impact on the liabilities.

The key financial assumption is the discount rate. The Group discounts the fulfilment cash flows in order to calculate the FCFs at the balance sheet date (using current discount rates) to calculate remaining future liabilities, and at the inception of an insurance contract (using inception discount rates) in order to determine the contractual service margin ("CSM") recognised. The Group's current and inception discount rates are derived by adjusting a reference portfolio of assets for risks not present in the related insurance liabilities, in particular credit risk, such that the discount rate includes a yield above the risk-free rate that appropriately reflects the risks in the liabilities, in particular their illiquid nature. The credit risk assumption for the current discount rates is judgemental and small changes in this can have a significant impact on the valuation of insurance liabilities.

Our response

Historical comparisons:

- We evaluated the Company's mortality base assumptions used in the calculation of insurance contract liabilities by comparing to the Company's historic mortality assumptions to actual experience in order to assess whether the results of this analysis support the year end assumption adopted, taking into consideration the residual impact of Covid-19 on policyholder experience.
- To assess the reasonableness of maintenance expense assumptions, we performed a retrospective review of the 2025 budgeted costs to 2025 actual expenses and assessed movements in the budget required for 2026.

Benchmarking assumptions, sector experience:

- We compared mortality assumptions to industry data on current mortality and expectations of future mortality improvements, including assessing management's choice of Continuous Mortality Investigation ("CMI") data whilst considering the residual impact of Covid-19 or any other adjustments from this data by comparing to industry practice and our expectations derived from market experience.
- We assessed the appropriateness of the credit risk assumption by evaluating management's rationale behind the assumption and their supporting analysis using our professional judgement and supplemented by internal benchmarking to compare the overall default allowance and against the market.
- We utilised the results of KPMG benchmarking of assumptions and actuarial market practice to inform our challenge of management's assumptions.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

The risk

Estimation uncertainty

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements note 15 discloses the sensitivities estimated by the Group.

Our response

Tests of Detail:

- For base mortality, we tested the accuracy of the model used in setting the assumption by re-performing management's Actual vs Expected ("AvE") analysis results.
- For future longevity improvement, we re-calculated the improvement assumptions by applying management's parameters to an independent instance of the CMI model, with assessment of the judgements involved in setting those parameters.
- For credit default risk deduction, we independently validated Moody's market data and re-calculate the credit risk deduction by applying management's assumptions.

Assessing transparency:

We assessed whether the disclosures in relation to the assumptions used in the valuation of insurance contract liabilities and calculation of the CSM are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Our results

- We found the valuation of insurance contract liabilities to be acceptable (2024: acceptable).

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

Valuation of private investments (2025: £3,135 million (Group and Company); 2024: £3,716 million)

(The risk is same as prior year.)

Refer to page 60 (accounting policy) and pages 70 to 78 (financial disclosures).

The risk	Our response
<p>The investment portfolio contains private investments, which are harder to value due to the higher level of judgement involved in the valuation.</p> <p>Subjective valuation</p> <p>Level 3 private investments make up 3.5% (2024: 4.4%) of the Group's total assets (by value) as at year end 2025. For these investments, application of expert judgement in the valuation is required. For these positions a reliable third-party price from a recent market transaction is not readily available and therefore the application of expert judgement from management in the valuations adopted is required.</p> <p>The Group uses financial modelling to ascertain the fair value of private investments. The key inputs into the valuation which require significant judgement are the internally generated credit rating and any adjustment for idiosyncratic risks applied to the spread on comparable bonds to determine the total spread over risk-free rates.</p> <p>We also identified a risk of potential bias given the degree of subjectivity in these valuations.</p> <p>Estimation uncertainty</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of private investments held at fair value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements Note 10 discloses the sensitivities estimated by the Group.</p>	<p>We used valuation specialists in order to assist us in performing our procedures in this area.</p> <p>Controls Testing:</p> <ul style="list-style-type: none"> We evaluated and tested the design and implementation of key controls associated with the valuation process of private investments. We tested the operating effectiveness of controls over the selection of the internally assigned credit ratings. <p>Methodology choice:</p> <ul style="list-style-type: none"> We assessed the appropriateness of the methodologies used to determine internally assigned credit ratings with reference to relevant external rating agency methodologies, as well as industry practice for private investments. <p>Test of details:</p> <ul style="list-style-type: none"> We performed independent price checks using our own pricing services to assess the total spread over risk free rates for private investments. Credit ratings specialists assessed the appropriateness of the internally assigned credit rating for a sample of private investments. <p>Assessing transparency</p> <ul style="list-style-type: none"> We assessed whether the disclosures in relation to the private investments are compliant with the relevant accounting requirements and that the sensitivities of the valuation to alternative assumptions are appropriately presented. <p>Our results</p> <ul style="list-style-type: none"> We found the valuation of private investments to be acceptable (2024: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £90 million (2024: £69 million) and Company financial statements at £89 million (2024: £67.3 million), determined with reference to a benchmark of adjusted equity for the current period audit of which it represents 1.4% of adjusted equity (2024: 1.6% of net assets). The materiality benchmark has been updated from Net Assets in the prior year to adjusted equity in the current year. We consider adjusted equity (defined as total equity plus CSM net of reinsurance and tax, less the value of Restricted Tier 1 debt) to be the most appropriate benchmark as it acts as a more relevant metric to stakeholders than net assets and provides a more stable measure year-on-year than profit before tax.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2024: 75%) of materiality for the financial statements, which equates to £67.5 million (2024: £51.7 million) for the Group and £66.7 million (2024: £50.8 million) for the Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4.5 million (2024: £3.5 million) for Group and £4.4 million (2024: £3.5 million) for the Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

The Group team has performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality as set out as above. PIC group scoping is straightforward with the majority of revenue, profit before tax and net assets in one entity only. The work on the audit of Company was performed by the Group team.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group and Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The impact of the Athora transaction on the future structure and operations of the business.
- The impact of changes in inflation and movements in foreign exchange or interest rates on regulatory capital solvency margins and liquidity.

We also considered less predictable but realistic second order impacts, such as failure of counterparties who have transactions with the Group (such as reinsurers) to meet commitments that could give rise to a negative impact on the Group's financial position and increased liquidity.

We considered whether these risks could plausibly affect the liquidity or solvency in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group and Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in Note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, Board Risk Committee, Investment Committee, Credit Rating Committee, and Models and Assumption Committee minutes.
- Considering remuneration incentive schemes and performance targets for management/Directors.
- Assessing the effect of the share purchase agreement with Athora Holding Ltd on the preparation of the financial statements.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries.

We also identified a fraud risk related to valuation of insurance contract liabilities and valuation of private investments in response to the possible pressures on management to meet the financial targets. Details in respect of the procedures performed to address these risks are set out in the audit response to the risks associated with the key audit matters in section 2 of this report. We have rebutted the presumed fraud risk in relation to revenue recognition on the basis that, under IFRS 17, any judgement is in the choice of coverage unit methodology used to unwind the CSM, which is unchanged from that found to be appropriate in prior periods.

To address the fraud risk as it relates to management override, we also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those including specific words based on our risk criteria, those posted to seldom used accounts, those entries containing significant estimates posted at the end of the period (period-end adjustments).
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and regulatory capital, solvency and liquidity regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, Fraud, corruption and bribery legislation, Misrepresentation Act, data protection laws, anti-bribery, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report (continued)

To the members of Pension Insurance Corporation plc

6 We have nothing to report on the Strategic Report and the Directors' report

The Directors are responsible for the Strategic Report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the Strategic Report and the Directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 46, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica S. S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP, 15 Canada Square, London, E14 5GL

17 March 2026

Statement of comprehensive income for the Group

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Insurance revenue	2	2,804	2,382
Insurance service expense	2	(2,355)	(2,131)
Net expense from reinsurance contracts held	2	(139)	(58)
Insurance service result		310	193
Total investment return/(loss)	3	2,789	(1,166)
Net finance (expense)/income from insurance contracts	3	(2,729)	1,918
Net finance income/(expense) from reinsurance contracts	3	310	(253)
Net financial result		370	499
Other operating expenses	4	(220)	(201)
Other finance costs		(126)	(121)
Profit before taxation		334	370
Tax charge	7	(75)	(84)
Profit and total comprehensive income for the year		259	286

The amounts shown above are in respect of continuing operations.



The accounting policies and notes on **pages 60 to 109** form an integral part of these financial statements.

Statement of financial position for the Group

as at 31 December 2025

	Note	31 December 2025 £m	31 December 2024 £m
Assets			
Investment properties	9	900	805
<i>Financial investments</i>	10	45,677	43,095
<i>Pledged financial investments</i>	10	9,116	7,837
Total financial investments		54,793	50,932
Derivative and other financial assets	11	29,395	28,869
Deferred tax assets	14	248	283
Current tax assets		3	13
Reinsurance contract assets	12	3,793	2,036
Prepayments		2	1
Receivables	10	130	42
Cash and cash equivalents	10	640	616
Total Assets		89,904	83,597
Equity			
Share capital	16	1,226	1,226
Share premium	18	524	524
Other reserves	18	60	60
Retained profit	18	1,754	2,048
Total Equity attributable to shareholders		3,564	3,858
Tier 1 notes	17	444	444
Total Equity		4,008	4,302
Liabilities			
Insurance contract liabilities	12	50,570	44,303
Borrowings	13	2,064	2,062
Derivative and other financial liabilities	11	33,054	32,762
Other payables	10	171	124
Accruals	10	37	44
Total Liabilities		85,896	79,295
Total Equity and Liabilities		89,904	83,597



The accounting policies and notes on **pages 60 to 109** form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 March 2026 and were signed on its behalf by:

Dominic Veney

Director

Registered number: 05706720

Statement of changes in equity for the Group

for the year ended 31 December 2025

31 December 2025		Share capital	Share premium	Other reserve ¹	Retained profit	Total shareholders' equity	Tier 1 notes	Total Equity
		£m	£m	£m	£m	£m	£m	£m
	Note							
At beginning of year		1,226	524	60	2,048	3,858	444	4,302
<i>Total comprehensive income</i>								
Profit for the year		—	—	—	259	259	—	259
<i>Transactions with owners</i>								
Dividend	8	—	—	—	(520)	(520)	—	(520)
Tier 1 note coupon	17	—	—	—	(33)	(33)	—	(33)
At end of year		1,226	524	60	1,754	3,564	444	4,008

31 December 2024		Share capital	Share premium	Other reserve ¹	Retained profit	Total shareholders' equity	Tier 1 notes	Total Equity
		£m	£m	£m	£m	£m	£m	£m
	Note							
At beginning of year		1,226	524	60	2,195	4,005	444	4,449
<i>Total comprehensive income</i>								
Profit for the year		—	—	—	286	286	—	286
<i>Transactions with owners</i>								
Dividend	8	—	—	—	(400)	(400)	—	(400)
Tier 1 note coupon	17	—	—	—	(33)	(33)	—	(33)
At end of year		1,226	524	60	2,048	3,858	444	4,302

1. As at 31 December 2025, other reserve includes a capital contribution reserve of £60 million (2024: £60 million). Refer to note 18 for further details.



The accounting policies and notes on **pages 60 to 109** form an integral part of these financial statements.

Group statement of cash flows

for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Cash flows from operating activities			
Profit for the year		259	286
Adjustments for:			
Interest income		(1,690)	(1,550)
Other investment income		(757)	(510)
Loss on redemption of subordinated debt	3	—	1
Finance costs		126	121
Tax expense	7	75	84
		(2,246)	(1,854)
Changes in operating assets and liabilities			
Increase in investment properties	9	(95)	(142)
Increase in financial investments	10	(3,861)	(4,083)
Increase in derivative and other financial assets	10	(526)	(892)
(Increase)/decrease in reinsurance contract assets	12	(1,757)	285
Increase in prepayments		(1)	(1)
(Increase)/decrease in receivables		(88)	5
Decrease in accruals		(7)	(20)
Increase in insurance contract liabilities	12	6,267	3,096
Increase in derivative and other financial liabilities		292	1,932
Increase/(decrease) in other payables		47	(15)
		271	165
Cash outflow from operating activities		(1,716)	(1,403)
Interest income received		1,690	1,550
Other investment income		757	510
Taxation paid		(29)	(61)
Net inflow from operating activities		702	596
Cash flows from financing activities			
Interest paid on subordinated debt		(125)	(120)
Coupon on tier 1 notes	17	(33)	(33)
Issuance of subordinated debt	13	—	495
Redemption of subordinated debt	13	—	(225)
Dividends paid	8	(520)	(400)
Net outflow from financing activities		(678)	(283)
Net increase in cash and cash equivalents		24	313
Cash and cash equivalents at beginning of year		616	303
Cash and cash equivalents at end of year		640	616



The accounting policies and notes on pages 60 to 109 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2025

1. Accounting policies

Basis of preparation

Pension Insurance Corporation plc is a public limited company incorporated and domiciled in the United Kingdom. Both the Company's financial statements and the Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In publishing its own financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual Statement of comprehensive income and related notes that form a part of these financial statements.

The Group has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2025.

Management consider that the Group consists of one operating segment, which operates in one geographical location (the United Kingdom) and has one line of business (the provision of insurance annuity products to UK defined benefit occupational pension funds and their members).

In preparing the financial statements, climate change has not been a significant area of accounting judgement or estimation; please refer to Note 15(f) for further details.

The financial statements have been prepared on a going concern basis. The Directors have conducted a detailed assessment of the Group's going concern status based on its current position and forecast results and have concluded that the Group and Company have adequate resources to operate for at least the next 12 months from the date of approval of these financial statements.

In making the going concern assessment, the Directors reviewed the forecast solvency and liquidity positions, undertook stress and scenario testing of key assumptions, and considered the implications of the acquisition of the Group by Athora (refer to note 23). Mitigating actions were also considered and are set out in the "Risk Management" section of the Strategic Report on pages 23 to 29.

The key stress tests, scenarios and sensitivities include a change in interest rates, an increase in inflation, widening of credit spreads, downgrades and defaults, liquidity stresses, and reinsurance and capital availability. The principal sources of forecast information were the 2026 business plan and the Group's Own Risk and Solvency Assessment ("ORSA"). Details of the Group's financial position and solvency can be found in the Strategic Report on pages 4 to 11.

On 3 July 2025, the shareholders of the Group's ultimate parent company, PICG, and Athora Holding Ltd ("Athora") reached an agreement pursuant to which Athora agreed to purchase the entire share capital of the PICG. The acquisition has been approved by the PRA and is expected to complete on or around 27 March 2026. Whilst the Directors cannot be certain about the actions of Athora post-completion, their assessment is that due to the regulated nature of the business there will be no impact on the going concern of PIC, as, following the transaction, it will continue to be the main UK operating business and only UK regulated insurance entity within the Group.

Basis of consolidation

The consolidated financial statements comprise those of the Company and its subsidiary companies. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Intra-group transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and any non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity.

The functional currency of the Group and its subsidiaries is GBP sterling. These financial statements have been presented in millions of GBP sterling (£m) unless otherwise stated. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the foreign exchange rate ruling at the end of the financial year. Non-monetary assets and liabilities are translated into the functional currency using the historical rate. All revenue and expense items are reflected in the Statement of comprehensive income for the Group at the rate effective at the date the transaction took place.

Critical estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies and selecting estimation techniques. The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the consolidated financial statements, are set out below and in more detail in the related notes. Insurance contract liabilities and financial instruments are the areas where there is more risk of a material adjustment to the carrying amounts within the next financial year.

Judgements

Insurance/reinsurance contract liabilities/assets

The valuation approach applied involves the following key judgements:

- The method adopted to measure coverage units for the release of the contractual service margin ("CSM").
- The method adopted to measure the risk adjustment.
- Assessing which internal expenses and overheads of the Group are directly related to the acquisition and fulfilment of an insurance contract.
- The method adopted for the release of the loss component for onerous contracts and the loss recovery component for related reinsurance contracts.

Please refer to Note 12(e) for further details in relation to these judgements.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Estimates

Present value of future cash flows

Future cash flows are valued based on the present value of the unbiased probability weighted projected cash flows of future benefit payments to policyholders and the cost of administering payments to policyholders. The key assumptions relate to future mortality, expenses, discount rates and inflation. Please refer to Note 12(e) for further details.

Risk adjustment

The risk adjustment for non-financial risk ("RA") is estimated using a selected confidence interval ("value at risk"), applied to probability distributions and risk correlations underlying the Group's Solvency II Internal Model. Please refer to Note 12(e) for further details.

Financial instruments

Where an active market does not exist for a financial instrument, the Group uses financial modelling to ascertain fair value. The models consider the anticipated future cash flows expected to be derived from the assets or paid in respect of the liabilities and discount them to reflect the timing of payments and, for debt assets, the likelihood of default given the relative seniority of the holding in order of repayment. For equity release mortgages ("ERMs"), key inputs also include assumptions relating to property prices. Where an instrument is neither traded on an active market or internally modelled, the Group uses valuations provided by independent fund managers, along with other available market information. The relevant fair value disclosures are set out in Note 10.

Investment properties

The market value of the investment properties held at fair value are generally determined based on a valuation approach which applies an investment yield to the rental income. For properties with long-term leases, a discounted cash flow approach is used for the valuation of the lease. Please refer to Note 9 for further details.

Changes in accounting policies

2025

The Group has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2025. The amendments have been issued and endorsed by the UK and have had no significant impact on the Group's financial statements.

- Amendments to IAS 21 Lack of exchangeability: Requires companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

With the exception of the change above, the Group has consistently applied its accounting policies to all periods presented in these financial statements.

Significant new standards or amendments to standards which are not yet effective

Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)

The amendments to IFRS 9 and IFRS 7 will apply from 1 January 2026. These clarify that financial liabilities are derecognised at the settlement date, which is the date the liability is extinguished or otherwise qualifies for derecognition. However, derecognition is permissible at an earlier date if the cash transfer takes place through an electronic payment system and specific conditions are met. This is consistent with PIC's existing accounting policies and the amendments are not expected to have an impact on the Group.

Annual Improvements to IFRS Accounting Standards

Amendments to remove inconsistencies in IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements" and IAS 7 "Statement of Cash Flows", effective from 1 January 2026, are not expected to have an impact on the Group.

IFRS 18 Presentation and disclosure in financial statements

IFRS 18 "Presentation and disclosure in financial statements" will replace IAS 1 "Presentation of financial statements" and is aimed at improving the comparability and transparency of performance reporting. It does not affect the recognition or measurement of items in the financial statements. The standard is effective for the 2027 reporting period and applies retrospectively.

The Group is in the process of reviewing the impact of adoption of IFRS 18, but initial views on the potential implications are as follows:

- The Statement of profit or loss has a defined structure, and groups items into categories (operating, investing and financing). As PIC is an insurer that invests in assets and services insurance contract liabilities as its main business activity, it is expected that the majority of the income and expenses will fall within operating activities, with the exception of borrowing and other finance costs that will fall within the financing category.
- Management defined performance measures ("MPMs") are defined as subtotals of income and expenses that are used in public communications outside of the financial statements to communicate management's view of financial performance. Adjusted operating profit before tax ("AOPBT") has been identified as an MPM, requiring its inclusion in the notes to the audited financial statements, along with a description of the measure, how it is calculated and a reconciliation to the most similar specified subtotal in IFRS.
- IFRS 18 also provides enhanced guidance on the principles of aggregation and disaggregation which focus on grouping items based on their shared characteristics. This is not expected to have a significant impact on the Group.

Notes to the financial statements for the year ended 31 December 2025 (continued)

2. Insurance revenue and insurance service results

Insurance revenue

Insurance revenue represents the provision of coverage and other services arising from the group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The present value of the sum of the insurance revenue over the life of the contract equates to the premium received, after excluding non-distinct investment components and adjustments for financing.

Insurance revenue consists of:

- The release of the CSM, which represents the unearned profit that the Group will recognise as it provides services for a group of insurance contracts. The CSM is recognised as revenue based on coverage provided in the period. Refer to Note 16(e) for further details;
- The release of the risk adjustment for non-financial risk relating to risks expired, after loss component allocation*;
- Claims and other insurance service expenses for the current period excluding any non-distinct investment component, measured at amounts expected at the beginning of the year, after loss component allocation*;
- Experience adjustments arising from premiums received in the period relating to current and past services; and
- The recovery of insurance acquisition cash flows, recognised on a straight-line basis over the expected coverage period of the group of contracts.

* The loss component release is recognised in insurance service expenses rather than revenue, as it represents the excess of claims and expenses over premium revenue received.

Insurance service expense

Insurance service expenses consist of:

- Actual incurred claims excluding non-distinct investment components;
- Directly attributable insurance service expenses;
- Losses on onerous insurance contracts and reversals of such losses. A group of insurance contracts is onerous if the total fulfilment cash flows and allocation of acquisition costs result in a net cash outflow. The loss is recognised in insurance service expenses immediately and subsequently released as the fulfilment cash flows are realised; and
- Deferral and amortisation of acquisition costs attributable to selling insurance contracts, which is matched by equal and opposite recovery in insurance revenue.

Net expense from reinsurance contracts held

Income and expenses from reinsurance contracts held consists of the following:

- Allocation of reinsurance premiums paid:
 - a) Release of the CSM
 - b) The release of the risk adjustment for non-financial risk
 - c) Expected recoveries and reinsurance service expenses for the current period;
- Recovery of incurred claims;
- Directly attributable insurance service expenses relating to reinsurance contracts and the effect of changes in risk of reinsurer non-performance; and
- Recoveries and reversals of recoveries of losses on onerous underlying contracts (loss recovery components).

Analysis of the total insurance revenue, insurance service expenses, and net expense from reinsurance contracts held recognised in the period is shown in the following table. Further details of the accounting policies and assumptions in relation to insurance and reinsurance contracts are set out in Note 12.

Notes to the financial statements for the year ended 31 December 2025 (continued)

	2025 £m	2024 £m
Insurance revenue		
Amounts relating to changes in liabilities for remaining coverage		
– CSM recognised for services provided	279	245
– Change in risk adjustment for non-financial risk for the risk expired after loss component allocation	94	42
– Expected incurred claims and other insurance service expenses after loss component allocation	2,395	2,067
– Experience adjustments for premium receipts	8	2
Recovery of insurance acquisition cash flows	28	26
Total insurance revenue	2,804	2,382
Insurance service expense		
Incurred claims	(2,310)	(1,993)
Insurance service expenses	(45)	(37)
Reversal of losses and losses on onerous contracts	28	(75)
Amortisation of insurance acquisition cash flows	(28)	(26)
Total insurance service expense	(2,355)	(2,131)
Net expense from reinsurance contracts held		
Contractual service margin recognised for services received	(52)	(43)
Change in risk adjustment for non-financial risk for risk expired	(69)	(29)
Expected net settlements and reinsurance expenses	(1,971)	(1,710)
Actual net settlements and reinsurance expenses	1,953	1,697
Effect of changes in non-performance risk of reinsurers	—	27
Total net expense from reinsurance contracts held	(139)	(58)
Total insurance service result	310	193

Notes to the financial statements for the year ended 31 December 2025 (continued)

3. Net financial result

Investment return comprises net gains or losses on financial instruments and investment property measured at Fair value through profit or loss ("FVTPL"). Net gains and losses on financial instruments measured at FVTPL includes interest (and dividend) income. Rental income earned on investment properties is recognised on a straight-line basis. All financial instruments are mandatorily measured at FVTPL, other than repurchase agreement and cash collateral received liabilities which are designated as at FVTPL. An analysis is provided to show investment return relating to assets backing insurance liabilities (underlying assets) and other investments.

Any gains or losses on the early redemption of borrowings measured at amortised cost are recognised within investment return.

Insurance/reinsurance finance income and expenses represent movements in the carrying amount of the group of insurance and reinsurance contracts due to:

- The time value of money (discount unwinding of fulfilment cash flows at current opening rates, and the interest accretion on the CSM at rates locked at inception);
- Changes in financial risk assumptions due to economics (interest rates, index-linked inflation, credit spreads) and changes in non-financial assumptions relating to future service arising from differences between unlocked rates used to discount present value of future cash flows and locked rates used for the CSM.

	Note	2025 £m	2024 £m
Investment return – underlying assets			
Net gains/(losses) on financial assets/liabilities mandatorily measured at FVTPL		2,672	(1,203)
Net losses on financial liabilities designated as at FVTPL		(46)	(91)
Rental income		30	18
Net gains/(losses) on investment property		3	(5)
Total investment return/(loss) – underlying assets		2,659	(1,281)
Investment return – other investments			
Net gains on financial assets/liabilities mandatorily measured at FVTPL		130	116
Total investment return – other investments		130	116
Loss on redemption of subordinated debt		—	(1)
Total investment return/(loss)		2,789	(1,166)
Net finance (expense)/income from insurance contracts issued			
Interest accreted ¹		(2,676)	(2,690)
Effect of changes in interest rates and other financial assumptions ¹		(53)	4,608
Total net finance (expense)/income from insurance contracts	12	(2,729)	1,918
Net finance income/(expense) from reinsurance contracts			
Interest accreted ¹		124	121
Effect of changes in interest rates and other financial assumptions ¹		186	(374)
Total net finance income/(expense) from reinsurance contracts	12	310	(253)
Net financial result		370	499

1. The Group has improved its modelling technique to calculate interest accreted on insurance and reinsurance contracts. This has no impact on the overall net financial result, but has decreased the interest accreted by £89 million for insurance contracts and £1 million for reinsurance contracts compared to the previous approach, with an equal and opposite impact on the effect of changes in interest rates and other financial assumptions.

Notes to the financial statements for the year ended 31 December 2025 (continued)

4. Expenses

Claims and benefits relate to actual insurance contract annuity payments (excluding repayments of investment components).

Losses and reversal of losses on insurance contracts represent the initial recognition of loss components on onerous contracts, in addition to movements in the loss component for assumption changes and the release of the loss component as services are provided.

Investment expenses and other charges include dealing and hedging costs and investment fees payable to investment managers.

Employee costs include wages and salaries, other social security costs and pension costs.

Project costs relate to the implementation of one-off business-wide initiatives.

Other expenses include legal and professional fees, IT costs, depreciation and other costs incurred in operating the business.

The acquisition costs of acquiring new profitable insurance business are deferred within insurance contract liabilities and amortised as insurance service expenses over the life of the related insurance contract.

Expenses can be further analysed into those relating to insurance contracts and other operating expenses that are not directly attributable to selling and servicing insurance contracts.

Expenses directly attributable to reinsurance contracts are presented within the Net expense from reinsurance contracts held.

	2025 £m	2024 £m
Claims and benefits	2,310	1,993
Reversal of losses and losses on insurance contracts	(28)	75
Investment expenses and other charges	91	96
Employee costs	117	103
Project costs	72	86
Other expenses	108	69
Deferral of attributable acquisition costs	(123)	(116)
Amortisation of acquisition costs	28	26
Total	2,575	2,332
Represented by:		
Actual claims and maintenance expenses	2,327	2,105
Amortisation of insurance acquisition cash flows	28	26
Insurance service expenses	2,355	2,131
Other operating expenses	220	201
Total	2,575	2,332

In addition to the expenses above, the Group incurred £8 million (2024: £6 million) of other operating expenses in relation to reinsurance business, of which £6 million (2024: £5 million) were deferred as acquisition costs, and £2 million (2024: £1 million) were allocated to maintenance costs.

Notes to the financial statements for the year ended 31 December 2025 (continued)

5. Auditors' remuneration

	2025 £000	2024 £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	2,199	2,043
Fees payable to the Group's auditor and its associates for other services:		
Audit of accounts of subsidiaries	225	205
Audit-related assurance services	210	265
All other services	—	110
Total fees paid to the auditor	2,634	2,623

All amounts presented exclude VAT.

6. Directors' remuneration, employee costs and headcount

Employee benefits

Defined contribution plans

Pension Services Corporation Limited ("PSC") operates a defined contribution pension plan into which PSC contributes 8% if the employee makes a minimum contribution of 2.5% of qualifying salary. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of comprehensive income in the period during which the related services are rendered by employees.

PSC was the provider of management, staff, IT and office services to the Group, under a defined service agreement, throughout the year.

The Group employs no staff directly as all staff were provided by PSC during the year.

The recharged costs of Directors and employees of the Group for the year were as follows:

	2025 £m	2024 £m
Wages and salaries	97	87
Social security costs	14	11
Other pension costs	6	5
	117	103

The 14 Directors (2024: 14) who served in the Company during the year received remuneration of £5 million (2024: £4 million) for their services to the Group. All Directors were employed by or contracted by the Group's service provider.

Two Directors were provided with a cash alternative in relation to a money purchase pension scheme where their lifetime or annual allowance limit had been reached (2024: Two).

The amount of remuneration received by the highest paid Director was £1.8 million (2024: £1.8 million). These amounts relate solely to the services provided by the Director to the Company and do not include any payments due for services provided with regard to other Group entities.

Notes to the financial statements for the year ended 31 December 2025 (continued)

7. Corporation tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the Statement of financial position together with adjustments to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The Group's tax charge for the year is:

	2025 £m	2024 £m
Current taxation		
Corporation tax payable for the current year	40	50
Total current tax	40	50
Deferred taxation		
IFRS 17 transition tax relief	35	34
Tax charge	75	84

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

	2025 £m	2024 £m
Reconciliation of total income to the applicable tax rate		
Profit before taxation	334	370
Expected corporation tax at 25% (2024: 25%)	83	92
Effects of:		
Tier 1 coupon tax relief	(8)	(8)
Tax charge	75	84

Factors that may affect future tax charges

Current taxation is provided on taxable profits at the corporation tax rate ruling in the year they are earned, which is 25% for the year ended 31 December 2025.

On 20 June 2023, Finance (No. 2) Act 2023 was substantively enacted. This included legislation to implement the OECD Pillar Two global minimum top-up tax in the UK. The enacted tax legislation in the UK is effective from 1 January 2024, however there is no current or deferred tax impact for the year ended 31 December 2025. The Group is applying the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a domestic top-up tax for the difference between its global anti-base erosion effective tax rate in the UK and the 15% minimum rate. The Group has assessed the impact of the legislation based on the current version of the rules and HMRC guidance applied to historical financial information. Based on this, the Group does not expect to be subject to a top-up tax under these rules. The Group is continuing to review its position in light of the legislation and guidance, and will make the necessary filings with HMRC by 30 June 2026 in relation to the 2024 year end and by 31 December 2026 in relation to the 2025 year end.

Notes to the financial statements for the year ended 31 December 2025 (continued)

8. Dividends

Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders of the Company. Interim dividends are recognised when paid.

	Dividend 2025 £m	Per share 2025 p	Dividend 2024 £m	Per share 2024 p
Ordinary dividend paid and charged to equity:				
Final 2023 dividend paid in May 2024			147	12.0
Interim 2024 dividend paid in September 2024			147	12.0
Special interim dividend paid in September 2024			106	9.0
Final 2024 dividend paid in May 2025	160	13.0		
Special 2024 dividend paid in May 2025	200	16.3		
Interim 2025 dividend paid in September 2025	160	13.0		
Total dividends	520	42.3	400	33.0

9. Investment properties

Investment properties are not for occupation by the Group, but are held for rental income and capital appreciation. Investment properties are carried at fair value, with changes in fair value included in the Statement of comprehensive income. In the early period of construction of an investment property, if there are circumstances where fair value is not reliably measurable, the investment property is measured at construction cost until fair value becomes reliably measurable.

Properties are valued annually with the input of professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property.

Valuations also consider changes in market conditions and the status of the tenants in determining whether a full physical inspection is required each year. Properties are generally fully inspected as part of the valuation process at least once every three years.

	2025 At cost £m	2025 At fair value £m	2025 Total £m
At beginning of year	—	805	805
Additions	—	92	92
Change in fair value during the year	—	3	3
At end of year	—	900	900

	2024 At cost £m	2024 At fair value £m	2024 Total £m
At beginning of year	14	649	663
Additions	13	155	168
Disposals ¹	—	(21)	(21)
Transfer of properties under construction from cost to fair value	(27)	27	—
Change in fair value during the year	—	(5)	(5)
At end of year	—	805	805

1. Relating to a portfolio of properties acquired during 2023 under an insurance buy-in contract that were disposed of in the year. The gain on disposal, net of transactions costs, was £1 million in 2024.

Notes to the financial statements for the year ended 31 December 2025 (continued)

The Group's holdings in investment properties relate to retail, office, residential and affordable housing properties held via Guernsey registered property unit trusts or UK-based limited partnerships. All properties are located in the United Kingdom.

The market value of the investment properties held at fair value is generally determined based on a valuation approach which applies investment yield to the rental income. The investment yield is derived from available transactional evidence of similar rental units considering the property-specific factors such as its location, the unexpired term, current rent, size of the unit and other factors. For investment properties under construction, the estimated valuation upon completion is adjusted for future costs to complete and a risk margin. Due to the unobservable inputs, investment properties are classified as Level 3 in the fair value hierarchy.

In some circumstances, a combination of valuation approaches is used for a single property, applying a discounted cash flow approach for the long-term lease element (where the long-term cash flows are with a single lessee counterparty, similar in nature to a private loan), with the residual value of the property at the end of the lease determined using an investment yield approach.

Significant assumptions used in the valuation of the Group's investment properties include:

	2025	2024
Investment yield	Range from 3.95% to 7.11%	Range from 5.88% to 7.27%
Rental value per square foot	Range from £15.24 to £46.81	Range from £31.06 to £46.42
Discount rate for long-term leases	Range from 6.12% to 6.24%	Range from 6.20% to 6.24%

The following table shows the effect of assumption changes on the fair value of investment properties:

Sensitivity	2025		2024	
	Change in fair value £m	Change in fair value £m	Change in fair value £m	Change in fair value £m
+/- 50 bps change in investment yield	(82)	101	(50)	56
+/- 10% change in rental value per square foot	81	(79)	83	(69)
+/- 100 bps change in discount rate for long-term leases	(19)	23	(17)	20

Rental income received in relation to these properties of £30 million (2024: £18 million) is shown within investment return in Note 3.

Notes to the financial statements for the year ended 31 December 2025 (continued)

10. Financial assets and financial liabilities

Financial investments, derivatives and other financial assets/liabilities

Derivative financial instruments are always mandatorily measured FVTPL. All other financial assets are also mandatorily at FVTPL, due to the Group's fair value business model. Repurchase agreement and cash collateral liabilities are designated at FVTPL, as their performance is managed and evaluated on a fair value basis. Cash and cash equivalents are measured at amortised cost.

Financial instruments at FVTPL are initially recognised at fair value in the Statement of financial position, with transaction costs and any subsequent change in fair value taken directly to the Statement of comprehensive income. The carrying values of financial instruments at FVTPL are inclusive of accrued interest.

Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. Investments in joint ventures that are managed at fair value as part of the Group's portfolio of financial investments, and are unrelated to the Group's core insurance business, are classified as financial investments at FVTPL.

Receivables and payables

Receivables are carried at amortised cost net of provisions for lifetime expected credit losses ("ECLs"), where appropriate. The Group does not currently hold any material provisions for ECLs. Payables are carried at amortised cost.

Collateral

In order to meet its contractual obligations, the Group receives and pledges collateral in the form of cash and non-cash assets. Collateral pledged in the form of non-cash assets continues to be recognised in the Statement of financial position, as the Group retains all risks and rewards of ownership. Where collateral pledged by the Group can be sold or repledged by the other counterparty, the asset is presented as a "Pledged" asset in the Statement of financial position. Cash collateral pledged that is not legally segregated from the transferee is derecognised from the Statement of financial position and a financial asset is recognised for the other counterparty's obligation to return the collateral.

Collateral received in the form of non-cash assets is not recognised as an asset in the Statement of financial position as the Group does not acquire the economic risks and rewards of ownership. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding financial liability is recognised for the obligation to return the collateral.

Recognition and derecognition of financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if either the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset are transferred to another party. Regular purchases and sales of financial assets are accounted for at the trade date. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances that are repayable on demand including deposits with credit institutions and are integral to the Group's cash management, including any overdrawn balances, and deposits held at call with banks with less than 90 days' maturity from date of acquisition. As at 31 December 2025, the total balance in overdraft was £nil (2024: £nil).

Notes to the financial statements for the year ended 31 December 2025 (continued)

	2025		2024	
	Fair value through profit or loss £m	Amortised cost £m	Fair value through profit or loss £m	Amortised cost £m
Financial assets				
<i>Financial investments</i>				
Debt securities				
– Government bonds	17,303	—	14,342	—
– Pledged government bonds ¹	6,848	—	5,489	—
– Corporate bonds	11,259	—	13,033	—
– Pledged corporate bonds ¹	2,268	—	2,348	—
– Private investments	10,687	—	9,382	—
Mortgage-backed securities and Asset-backed securities	259	—	237	—
ERMs	1,049	—	1,043	—
Participation in investment schemes	2,976	—	3,080	—
Participation in liquidity funds	2,144	—	1,978	—
Total financial investments	54,793	—	50,932	—
<i>Derivative and other financial assets</i>				
– Derivatives	28,021	—	27,857	—
– Repurchase agreements	1,345	—	853	—
– Cash collateral pledged	29	—	159	—
Receivables	—	130	—	42
Cash and cash equivalents	—	640	—	616
Total financial assets	84,188	770	79,801	658
Financial liabilities				
<i>Derivative and other financial liabilities</i>				
– Derivatives	31,696	—	31,641	—
– Repurchase agreements	312	—	17	—
– Cash collateral received	1,046	—	1,104	—
Other payables	—	171	—	124
Borrowings	—	2,064	—	2,062
Accruals	—	37	—	44
Total financial liabilities	33,054	2,272	32,762	2,230

1. Where assets pledged as collateral can be sold or repledged by the counterparty, these have been presented as pledged.

	2025		2024	
	Fair value through profit or loss £m	Amortised cost £m	Fair value through profit or loss £m	Amortised cost £m
Expected to be recovered in less than one year	9,137	770	8,832	658
Expected to be recovered after one year	75,051	—	70,969	—
Total financial assets	84,188	770	79,801	658

All amounts relating to other payables and accruals are expected to be settled within one year.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Measurement of financial assets and liabilities

The Group's financial assets and liabilities have been valued using the following methods in accordance with IFRS 13 "Fair Value Measurement".

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, counterparty and broker valuations, and option pricing models. These assessments are based largely on observable market data.

The specific valuation techniques used for the main classifications of financial assets and liabilities are:

(a) Investments in debt securities, Mortgage-backed securities ("MBS") and Asset-backed securities ("ABS")

The fair value of debt securities is determined by reference to their quoted bid price at the reporting date. Independent quotations are from multiple sources (e.g. exchanges; publicly available trade reporting sources; market quotes from global and regional banks, broker-dealers etc).

Government and corporate bonds are generally expected to be Level 1 or Level 2, with the Level based on the proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs used in calculating the price for a particular security at a particular point in time.

Fair values for private investments, where quoted prices from third parties are not available, are estimated as the present value of future cash flows, discounted at a rate based on yields for comparable quoted bonds, adjusted, where applicable, for illiquidity and idiosyncratic risk. Key factors in determining the overall discount rate for each debt security are internal credit ratings (see Note 15), sector and maturity. Relevant debt securities include infrastructure loans, income strips and other private investment loans in respect of capital projects. Where unobservable inputs do not significantly impact the fair value (i.e. <5%), these are classified as Level 2 within the fair value hierarchy. Otherwise, they are classified as Level 3.

For private investments where quoted prices from third parties are not available, the credit spreads used to derive the discount rates ranged from 0.0% to 6.5% (2024: 0.0% to 6.5%). The unobservable spread adjustment generally ranged from (0.1)% to 2.7% (2024: 0.0% to 2.7%).

(b) Equity release mortgages ("ERMs")

ERMs are loans secured against property that are repayable on death or entry into long-term care of the borrower. ERMs can also be repaid early voluntarily by the borrower, in which case an early repayment charge may apply. The fair value of ERMs assets is determined using a mark-to-model approach based on discounting projected future cash flow arising from the loans. In addition to market observable inputs (such as interest and inflation rates), key inputs to the model also include assumptions relating to property price growth and volatility, equivalent spread, mortality, morbidity and early repayment rates, which are not market observable. Due to the significant estimation uncertainty involved in deriving the values, the ERMs are classified as Level 3 assets within the fair value hierarchy. Principal assumptions underlying the valuation of ERMs assets are set out below and sensitivities of the valuations to changes in the key unobservable inputs are disclosed on page 75.

- The loan-by-loan equivalent spread is solved at the point of each loan's inception to equate the present value of the expected cash flows to its face value. Subsequently, each loan's equivalent spread is updated in line with changes in the spread of a reference corporate bond index.
- Projected property values reflect future property growth in line with the Retail Price Index and property volatility of 15% (2024: 15%). These assumptions affect whether the No Negative Equity Guarantees ("NNEG") bite, which restrict the amount recoverable by the Group on repayment of the mortgage to the net sale proceeds of the property.
- Early repayment rates are assumed to be between 2% and 6.5% p.a. (2024: 2% and 6.5%) depending on the projection term, and the loan's term since inception.
- Mortality assumptions are derived using the Continuous Mortality Investigation ("CMI") 2024 mortality improvements (2024: CMI_2022 mortality improvements) and a multiple of the PXA16 mortality tables (2024: PXA16 mortality tables).

(c) Participation in liquidity funds and investment schemes

Holdings are generally valued based on fund manager statements. However, where there is an active programme to dispose of a holding, other market information identified as part of the sale process is also taken into account in the valuation. Participation in liquidity funds are classified as Level 1. Participation in investment schemes are classified as either Level 2 or Level 3 in the fair value hierarchy, depending on the weighting of the classification of the underlying assets held by the fund (if Level 3 assets exceed one-third of the fund value, the fund is classified as Level 3) and the significance of any adjustments made to fund manager statements.

Participation in investment schemes includes investments in property joint ventures with a carrying value of £71 million at 31 December 2025 (2024: £29 million). The investments have been classified with financial investments on the basis that they are managed at fair value as part of the Group's portfolio of financial investments.

The principal input to the fair value of the joint ventures is the underlying fair value of the property assets and, due to unobservable inputs, they are classified as Level 3 within the fair value hierarchy.

Notes to the financial statements for the year ended 31 December 2025 (continued)

(d) Derivatives

The fair value of foreign exchange forward contracts, futures and swaps is based on market prices, where available. Valuations are based on discounted cash flow techniques with discount rate, inflation and foreign exchange curves derived from market observable information. Whilst derivative contracts may not be readily tradeable, the valuations are generally based on market observable inputs and are classified as Level 2. However, where any unobservable inputs have a significant impact (>5%) on the valuation, the contract is classified as Level 3 within the fair value hierarchy.

(e) Repurchase agreements and cash collateral pledged/received

Repurchase agreements and cash collateral pledged/received are valued based on the discounted cash flows expected to be paid, using an observable market interest rate and have been classified as Level 2 within the fair value hierarchy.

Measurement of fair value

Level 1 assets are those assets for which the fair value has been measured using quoted prices, without adjustment, in an active market.

Level 2 assets are those assets for which the fair value has been primarily measured using observable inputs other than quoted prices included in Level 1.

Level 3 assets are those assets for which no observable data exists in relation to a significant element of the fair value measurement.

The following table analyses the Group's financial investments according to the basis of measurement required by IFRS 13 "Fair Value Measurement":

31 December 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
<i>Financial investments</i>				
Debt securities				
– Government bonds	13,768	10,355	28	24,151
– Corporate bonds	9,813	3,695	19	13,527
– Private investments	—	7,552	3,135	10,687
Mortgage-backed securities and Asset-backed securities	13	179	67	259
ERMs	—	—	1,049	1,049
Participation in investment schemes	—	2,004	972	2,976
Participation in liquidity funds	2,144	—	—	2,144
Total financial investments at FVTPL	25,738	23,785	5,270	54,793
<i>Derivative and other financial assets</i>				
Derivative assets	—	28,021	—	28,021
Repurchase agreements	—	1,345	—	1,345
Cash collateral pledged	—	29	—	29
Total financial assets at FVTPL	25,738	53,180	5,270	84,188
Financial liabilities at FVTPL				
Derivative liabilities	—	(31,696)	—	(31,696)
Repurchase agreements	—	(312)	—	(312)
Cash collateral received	—	(1,046)	—	(1,046)
Total financial liabilities at FVTPL	—	(33,054)	—	(33,054)

Notes to the financial statements for the year ended 31 December 2025 (continued)

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
<i>Financial investments</i>				
Debt securities				
– Government bonds	15,139	4,663	29	19,831
– Corporate bonds	10,771	4,605	5	15,381
– Private investments	—	5,666	3,716	9,382
Mortgage-backed securities and Asset-backed securities	8	188	41	237
ERMs	—	—	1,043	1,043
Participation in investment schemes	—	2,109	971	3,080
Participation in liquidity funds	1,978	—	—	1,978
Total financial investments at FVTPL	27,896	17,231	5,805	50,932
Derivative and other financial assets				
Derivative assets	—	27,854	3	27,857
Repurchase agreements	—	853	—	853
Cash collateral pledged	—	159	—	159
Total financial assets at FVTPL	27,896	46,097	5,808	79,801
Financial liabilities at FVTPL				
Derivative liabilities	—	(31,641)	—	(31,641)
Repurchase agreements	—	(17)	—	(17)
Cash collateral received	—	(1,104)	—	(1,104)
Total financial liabilities at FVTPL	—	(32,762)	—	(32,762)

Transfers between levels of the fair value hierarchy

For recurring fair value measurements, the Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the year in which the event or change in circumstances that caused the transfer has occurred.

Transfers between Level 1 and Level 2

During the year, £4,431 million of financial investments were transferred from Level 1 to Level 2 (2024: £190 million) and £348 million of financial investments were transferred out of Level 2 to Level 1 (2024: £1,510 million) based on proprietary metric that reflects the relative strength of the recency, quantity and quality of market data inputs.

Transfers between Level 2 and Level 3

During the year, £339 million of financial investments were transferred from Level 2 to Level 3 (2024: £302 million) and £1,028 million of financial investments were transferred out of Level 3 to Level 2 (2024: £602 million).

Transfers into and out of Level 3 primarily relate to debt securities which are valued using discounted cash flow models. Within the model, interest rate, inflation rate and credit risk assumptions are derived from market data with adjustments applied to ensure they are relevant to the debt securities held by the Group. Where the impact of the adjustments on the value of the debt securities become significant, these securities are classified as Level 3 and transferred from Level 2 to Level 3 at the end of the year. Conversely, where the impact becomes less significant, the securities are classified as Level 2 and transferred out of Level 3 to Level 2.

Movements relating to Level 3 assets during the reporting period are analysed as follows:

31 December 2025	Debt securities £m	Mortgage-backed securities and Asset-backed securities £m	ERMs £m	Participation in investment schemes £m	Derivative assets £m	Total £m
Opening balance	3,750	41	1,043	971	3	5,808
Unrealised gains/(losses) on assets held at the end of the year	72	(1)	47	(54)	—	64
Gains/(losses) on assets sold in year	—	(3)	63	22	—	82
Acquisitions in year	233	42	6	189	—	470
Transfers into Level 3	156	—	—	183	—	339
Transfers out of Level 3	(1,025)	—	—	—	(3)	(1,028)
Disposals in year	(4)	(12)	(110)	(339)	—	(465)
Closing balance	3,182	67	1,049	972	—	5,270

Notes to the financial statements for the year ended 31 December 2025 (continued)

31 December 2024	Debt securities £m	Mortgage-backed securities and Asset-backed securities £m	ERMs £m	Participation in investment schemes £m	Derivative assets £m	Total £m
Opening balance	4,351	55	1,124	991	65	6,586
Unrealised gains/(losses) on assets held at the end of the year	(400)	(1)	(60)	(68)	—	(529)
(Losses)/gains on assets sold in year	18	1	61	(5)	—	75
Acquisitions in year	187	—	20	334	—	541
Transfers into Level 3	302	—	—	—	—	302
Transfers out of Level 3	(540)	—	—	—	(62)	(602)
Disposals in year	(168)	(14)	(102)	(281)	—	(565)
Closing balance	3,750	41	1,043	971	3	5,808

The following table shows the effect on the fair value of Level 3 financial instruments from changes in key assumptions.

31 December 2025	Sensitivity	Current fair value £m	(Decrease)/ increase in fair value £m	Increase/ (decrease) in fair value £m
Debt securities				
Government bonds	+/- 100 bps credit spread	28	—	—
Corporate bonds	+/- 100 bps credit spread	19	(2)	2
Private investments	+/- 100 bps change in credit spread adjustment	3,135	(388)	480
Mortgage-backed securities and Asset-backed securities				
	+/- 100 bps credit spread	67	—	—
ERMs				
	+/- 100 bps credit spread	1,049	(102)	114
	+/- 5% change in mortality assumption	—	8	(8)
	+/- 20% change in property prices	—	15	(27)
	+/- 1% change in property growth assumption	—	12	(16)
	+/- 10% change in voluntary redemption assumption	—	4	(4)
Participation in investment schemes				
	+/- 10% change in valuation	972	97	(97)
		5,270	(356)	444

31 December 2024	Sensitivity	Current fair value £m	(Decrease)/ increase in fair value £m	Increase/ (decrease) in fair value £m
Debt securities				
Government bonds	+/- 100 bps credit spread	29	(2)	—
Corporate bonds	+/- 100 bps credit spread	5	—	—
Private investments	+/- 100 bps change in credit spread adjustment	3,716	(429)	532
Mortgage-backed securities and Asset-backed securities				
	+/- 100 bps credit spread	41	—	1
ERMs				
	+/- 100 bps credit spread	1,043	(106)	121
	+/- 5% change in mortality assumption	—	6	(7)
	+/- 20% change in property prices	—	12	(23)
	+/- 1% change in property growth assumption	—	11	(14)
	+/- 10% change in voluntary redemption assumption	—	4	(4)
Participation in investment schemes				
	+/- 10% change in valuation	971	97	(97)
Derivatives¹				
	+/- 50 bps inflation rates	3	9	(8)
		5,808	(398)	501

1. To the extent derivatives are held to back policyholder liabilities, any change in the value of derivatives due to changes in inflation rates will be largely offset by equal and opposite impact on insurance contract liabilities. See Note 15 (a) Market risk sensitivities for details.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Collateral

Assets pledged as collateral

The Group pledges/receives collateral in respect of certain securities lending, repurchase agreement, derivative, buy-in and reinsurance contracts. The amount of collateral required is generally determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Derivatives and lending arrangements

As explained in Note 11, the Group uses derivative financial instruments as part of its risk management strategy. The Group has collateral agreements with each counterparty based on standard International Swaps and Derivatives Association master netting agreements, which specify minimum thresholds, asset class and credit quality of collateral and the frequency of valuation. Most over-the-counter derivative transactions require collateral to be received or pledged by the Group or its counterparty to mitigate credit risk. Initial margin collateral is transferred on initiation of the derivative trade. The assets are pledged without an outright title transfer and are held by a third party, with title transfer only enforceable following certain specified default events. The second type of collateral arrangement is variation margin, which reflects the market value movement of the trade and is calculated daily. Variation margin collateral is posted on an outright title transfer basis.

The Group also enters into cleared derivative trades, which only require variation margin collateral to be posted as the use of the central clearing party mitigates credit and default risk.

While each party to the contract has a legal right to the collateral received if the counterparty does not meet its obligations, there is no right or intention to settle in the ordinary course of business and, therefore, these agreements do not meet the criteria for offsetting under IAS 32.

The Group returns/receives the collateral received/pledged upon contract termination or settlement. The amount of collateral received/pledged fluctuates due to the changes in fair value of the derivative subject to the minimum thresholds.

Collateral is pledged in the form of securities and cash. The Group retains substantially all the risks and rewards of ownership in respect of non-cash financial assets which have been pledged as security under the terms of derivative contracts and consequently none of these assets have been derecognised in the financial statements. The Group also does not acquire substantially all the risks and rewards of ownership in respect of the transferred securities received as collateral and consequently none of the assets are recognised in the financial statements. Cash collateral pledged is derecognised and a receivable is recognised within other financial assets. Cash collateral received that is not legally segregated from the Group is recognised as an asset and a corresponding liability is recognised for the obligation to return the collateral.

Under securities lending arrangements, the Group lends/borrows an agreed debt security to/from a counterparty and receives/pledges collateral in the form of eligible, investment grade debt securities as a security against potential counterparty default. The amount of collateral received/pledged fluctuates due to changes in fair value of the securities, subject to the minimum thresholds. Although the initial and variation margin assets are provided with an outright title transfer, the Group retains substantially all the risks and rewards of ownership in respect of the transferred assets and consequently none of these assets have been derecognised in the financial statements. The Group is also not exposed to the risks and rewards of ownership of any assets received and, consequently, none of these assets have been recognised in the financial statements. In circumstances where the Group uses back-to-back repurchase and reverse repurchase agreements to effect securities lending, separate financial assets and liabilities are recognised for the cash receivable and payable under the agreements.

Whilst the Group retains the risk and rewards of ownership of collateral pledged with title transfer for derivatives and lending arrangements, the counterparty is free to use the assets without constraint; however, it is obliged to return equivalent assets. PIC retains the right to replace any of the assets with assets of similar nature.

The Group had pledged and received cash and non-cash collateral assets as follows:

	31 December 2025		31 December 2024	
	Pledged £m	Received £m	Pledged £m	Received £m
Derivative transactions	(7,554)	2,982	(7,176)	2,088
Repurchase agreements	(315)	1,382	(17)	878
Securities lending arrangements	(147)	151	—	—
Total	(8,016)	4,515	(7,193)	2,966

The fair value of securities repledged as collateral to other counterparties was £125 million at 31 December 2025 (2024: £nil). PIC is obligated to return equivalent assets. These transactions are conducted in accordance with standard terms which are customary in the market.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Buy-ins

Under the terms of certain agreements, security structures are in place which require PIC to transfer legal title to certain assets back to the Trustee as collateral against PIC default.

Under the terms of the agreements, the Trustee is free to use the assets without constraint; however, it is obliged to deliver equivalent assets as well as the income earned and gains or losses incurred on these assets to PIC. PIC retains the right to replace any of the assets with assets of a similar nature.

Collateral is returned to PIC as it services the insured pension liabilities under the policy. In theory, this exposes PIC to counterparty credit risk which is fully mitigated as PIC has a contractual right to offset its obligation to pay under the policy in the event of default by the Trustee. PIC retains substantially all the risks and rewards of ownership in respect of the transferred assets and accordingly PIC continues to recognise the assets which it has pledged under title transfer security in its financial statements. At 31 December 2025, this totalled £1.9 billion (2024: £2.1 billion).

Reinsurance

In 2025, the Group has £960 million of financial assets which have been pledged as collateral under the terms of certain reinsurance contracts (2024: £568 million). Substantially, all the risks and rewards of ownership in respect of non-cash assets transferred are retained by the Group and consequently none of these assets have been derecognised in the financial statements.

At 31 December 2025, the Group had pledged cash of £19 million (2024: £19 million) as collateral under the terms of certain reinsurance contracts. This amount includes fee collateral of £15 million (2024: £16 million) in two bank accounts operated by PIC which are designated fee collateral bank accounts in respect of longevity reinsurance agreements. The amount deposited in each account represents a proportion of PIC's liability for the payment of fees due over the life of each agreement ("fee collateral amount") and is subject to annual review by each party. PIC retains control of the cash deposited in these accounts; however, it must maintain a balance at least equal to the agreed fee collateral amount and the counterparty has a fixed first charge over the accounts, which gives it the right to withdraw an amount equivalent to its outstanding fees due under the agreement, on the occurrence of certain specified default events.

Where cash collateral is pledged to cover longevity experience directly with the counterparty, the deposit is derecognised and a reinsurance receivable is recognised.

Receivables

Receivables primarily consist of investment settlement receivables, tax recoverable balances and rental income receivables from the Group's investment properties.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy, of the Group and all counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

The Group has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2025 (2024: £nil).

The table below contains disclosures related to derivatives and repurchase agreements that are subject to enforceable master netting arrangements or similar agreements. Traditional securities lending arrangements do not result in the derecognition/recognition of assets exchanged and are not included in the tables below.

31 December 2025	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts offset in accordance with IAS 32 £m	Net amounts as recognised in the Statement of financial position £m	Related amounts not offset in the Statement of financial position ¹		Net amount £m
				Financial (liabilities)/ assets ² £m	Financial instruments (received)/ pledged as collateral ³ £m	
Financial assets						
Derivatives	28,021	—	28,021	(26,630)	(1,041)	350
Repurchase agreements	1,345	—	1,345	(197)	(1,148)	—
Financial liabilities						
Derivatives	(31,696)	—	(31,696)	26,630	5,066	—
Repurchase agreements	(312)	—	(312)	197	115	—

31 December 2024	Gross amounts of recognised financial assets/ (liabilities) £m	Amounts offset in accordance with IAS 32 £m	Net amounts as recognised in the Statement of financial position £m	Related amounts not offset in the Statement of financial position ¹		Net amount £m
				Financial (liabilities)/ assets ² £m	Financial instruments (received)/ pledged as collateral ³ £m	
Financial assets						
Derivatives	27,857	—	27,857	(26,976)	(667)	214
Repurchase agreements	853	—	853	(17)	(836)	—
Financial liabilities						
Derivatives	(31,641)	—	(31,641)	26,976	4,665	—
Repurchase agreements	(17)	—	(17)	17	—	—

1. Collateral reported in this table is restricted to the value of the net exposure with the counterparty.

2. Assets and liabilities positions with the same counterparty that have the right to offset on default under a master netting or similar arrangements.

3. Collateral received in the form of financial instruments is not recognised in the Statement of financial position.

Notes to the financial statements for the year ended 31 December 2025 (continued)

11. Derivative and other financial assets/liabilities

Derivatives and other financial assets and liabilities are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value.

All contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the financial instruments are recognised immediately in the Statement of comprehensive income within the heading investment return.

A financial liability/asset is recognised for cash collateral received/pledged when the cash is not legally segregated from the Group/counterparty.

The Group enters into a number of inflation rate and interest rate swap agreements during the ordinary course of business as part of its risk management strategy to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.

Currency swaps and forward contracts are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.

Cash collateral pledged/received relates to cash collateral posted on derivative contracts.

	31 December 2025		31 December 2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps	23,721	(26,306)	23,813	(25,959)
Inflation swaps	2,595	(2,149)	2,938	(2,074)
Currency swaps	946	(2,114)	646	(2,897)
Total return swaps	744	(1,115)	446	(658)
Foreign exchange forward contracts	15	(12)	14	(53)
Total derivative position	28,021	(31,696)	27,857	(31,641)
Repurchase agreements	1,345	(312)	853	(17)
Cash collateral pledged/received	29	(1,046)	159	(1,104)
Total derivatives and other financial assets/liabilities	29,395	(33,054)	28,869	(32,762)

The Group uses reverse repurchase agreements to earn additional return on surplus cash. Repurchase agreements are entered into for securities lending purposes, rather than financing, and are back-to-back with a reverse repurchase agreement with the same counterparty, for the same nominal amount and are settled on the same day. They are accounted for as separate financial assets and liabilities for the cash receivable and payable as they are separate legal contracts that are not simultaneously settled and the bond and gilt legs have different risks.

Notes to the financial statements for the year ended 31 December 2025 (continued)

12. Insurance contracts

Contract classification

Insurance contracts are contracts containing significant insurance risk at inception, whereby an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Policyholder contracts which do not transfer significant insurance risk to the insurer are classified as investment contracts. The Group has classified all its policyholder contracts as insurance contracts, as they contain significant longevity risk.

Contracts held by the Group under which it transfers significant insurance risk (i.e. longevity risk) related to underlying insurance contracts are classified as reinsurance contracts.

The Group's insurance contracts are annuity contracts. Most of the Group's contracts provide a guarantee period for pensions in payment, the ability to take a lump sum on retirement and for deferred policies the ability to take a transfer value. These are all a combination of investment components (payable in all circumstances) and/or refund of premiums. All investment components are considered to be highly interrelated with the insurance component and therefore they are not required to be separated and accounted for as a financial liability. A proportion of the Group's contracts include all risks cover, whereby the Group bears the cost of correcting the contract benefits for certain errors or omissions in the benefit data that may be identified after writing the contracts.

Level of aggregation

Presentation of insurance contracts is at portfolio level, i.e. contracts which have similar risks and are managed together. The Group has a single annuity line of business portfolio. Portfolios are further disaggregated into groups at inception, which become the unit of account for measurement and profit recognition. Insurance contracts are generally grouped at new business contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all schemes that would have been profitable if each scheme had been assessed individually, and the other group contains all schemes that would have been onerous if assessed individually. The fair value premium for each group has been calculated using the assumption that it is for a large bulk annuity transaction, resulting in both groups being onerous at the date of transition.

Contract boundaries

The measurement of a contract includes all of the future cash flows within the boundary of the contract. The Group's contracts arise mainly from buy-in contracts where the premium includes a transition to buyout. Therefore, all benefits up to the last possible payment date as well as associated expenses will fall within the contract boundary.

Recognition and derecognition

Groups of insurance contracts are initially recognised from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or actually received if there is no due date; or
- For a group of onerous contracts, the date the Group is legally committed to the contract.

When a buy-in contract transfers to a buyout, no derecognition event occurs as the buyout terms are specified in the original contract.

Initial measurement

A group of insurance contracts is initially measured using the General Measurement Model as the total of:

- (a) The fulfilment cash flows, which comprise: (i) estimates of future cash flows, (ii) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and (iii) a risk adjustment for non-financial risk (i.e. the compensation for bearing the uncertainty about the amount and timing of the cash flows that arise from longevity and expense risk).
- (b) The CSM is a component of the liability for the group of insurance contracts that represents the unearned profit recognised as services are provided over time. The CSM results in no initial profit being recognised for profitable contracts. If the net cash flow is negative, the contract is onerous and a loss is immediately recognised in insurance service expenses. As a result, a loss component of the liability for remaining coverage is created, which determines the amounts subsequently presented in the Statement of comprehensive income as reversals of losses on onerous contracts which are excluded from insurance revenue (see Note 2).

Acquisition costs arising before the recognition of the related insurance contract(s) are recognised as an asset (presented within insurance contract liabilities). The asset is subsequently derecognised and included in the measurement of the related insurance contract(s) on initial recognition.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:

- (a) The liability for remaining coverage comprising: (i) the fulfilment cash flows related to services that will be provided under the contracts in future periods and, (ii) any remaining CSM of the group at that date.
- (b) The liability for incurred claims, comprising the fulfilment cash flows for incurred claims that have not yet been paid.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting dates using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk (see Note 12(e) for details). The release of the liability for remaining coverage to revenue for the period is calculated as the expected fulfilment cash flows at the beginning of the period, together with the CSM recognised for coverage provided in the period.

The carrying amount of the CSM at the end of the period is the carrying amount at the start of the period, adjusted for:

- Interest accreted at the locked discount rate at inception of the contract;
- Premium and acquisition cost adjustments relating to future service;
- Changes in fulfilment cash flows that relate to future service of profitable contracts (note that changes relating to current or past service are recognised in profit and loss), calculated at the locked discount rate at initial recognition of the group of contracts; and
- The amount recognised as insurance revenue for the period. The amount of CSM recognised as insurance revenue is based on coverage provided during the period. See Note 12(e) Significant estimates and judgements for details.

For onerous contracts, the Group allocates the following between the loss component and the remaining component of the liability for remaining coverage for the respective group of contracts based on the ratio of the loss component to the fulfilment cash flows relating to the expected future cash outflows:

- Expected incurred claims and expenses for the period;
- Changes in risk adjustment for non-financial risk for the risk expired; and
- Finance income or expenses from insurance contracts issued.

The loss component is updated for changes in the estimation of fulfilment cash flows which relate to future service, for example, from change to non-financial assumptions. Where decreases in the fulfilment cash flows relating to remaining coverage in subsequent periods reduce the remaining loss component to nil, a CSM is reinstated.

The Group has taken the accounting policy choice to disaggregate the effect of changes in the discount rate on the risk adjustment through insurance finance income or expense and the remaining movement of the risk adjustment recognised in the insurance service result.

See Note 2 for further details of policies in relation to the presentation of the insurance service result in the Statement of comprehensive income.

Foreign currency business

Where groups of contracts have cash flows in more than one currency, there are two potential accounting approaches:

- The group of insurance contracts (including the contractual service margin) is considered to be denominated in a single currency. The single currency might be the currency of the premiums or the currency of the predominant cash flows. Fulfilment cash flows are retranslated as a financial assumption change through insurance finance income and expenses, but the CSM is not subsequently retranslated for changes in exchange rates.
- The group of insurance contracts (including the contractual service margin) is considered to be denominated in multiple currencies, reflecting the currencies of the fulfilment cash flows. Both the fulfilment cash flows and CSM are retranslated for changes in exchange rates.

The Group's policy is to apply a single currency approach where the cash flows of the group of contracts are predominantly (>75%) in a single currency.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Reinsurance

The same accounting policies as above apply for reinsurance contracts, with the following modifications.

Level of aggregation

Reinsurance contracts are generally grouped at reinsurance contract level for measurement purposes, with the exception of contracts entered into prior to 2016 where the fair value approach has been used. These contracts have been grouped into two units of account as at the date of transition to IFRS 17. One fair value group contains all treaties that would have been net gain if each treaty had been assessed individually, and the other group contains all treaties that would have been net cost if assessed individually.

Contract boundaries

Under reinsurance arrangements, none of the parties involved have unilateral termination rights, so the boundary follows that of the related gross contract.

Initial recognition

The majority of the Group's reinsurance contracts provide non-proportionate cover and are recognised from the earlier of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date when an onerous group of underlying insurance contracts is recognised, if the related reinsurance contract held is entered into at or before that date.

Reinsurance contracts that provide proportionate cover are recognised at the later of the beginning of the coverage period and the initial recognition date of the underlying scheme.

Initial measurement

On initial recognition, the Group measures the estimate of the present value of the expected future cash flows and an adjustment for any expected risk of non-performance by the reinsurer. The risk adjustment for non-financial risk reflects the amount of the risk adjustment on the related insurance contract that is transferred to the reinsurer.

The CSM of a group of reinsurance contracts on initial recognition represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognised assets for cash flows occurring before the recognition of the group and any cash flows arising at that date.

Subsequent measurement

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of:

- The remaining coverage, comprising the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date; and
- The incurred claims, comprising the fulfilment cash flows related to past service.

A reinsurance CSM is held for contracts in either a net gain or net cost position.

Reinsurance of onerous underlying insurance contracts – loss-recovery components

If a reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised, the Group adjusts the reinsurance CSM of the corresponding reinsurance unit of account to reflect the recovery of the reinsured element of the loss on initial recognition of the onerous underlying contracts. The gain is recognised in the Statement of comprehensive income.

For all reinsurance contracts, adjustments are then subsequently made to the loss-recovery component, or a loss-recovery component is established to reflect subsequent changes in the loss component of the onerous group of underlying contracts, limited to the proportion of the loss component that the Group expects to recover from the reinsurance contracts.

Net expenses from reinsurance contracts

Income and expenses from reinsurance contracts, excluding insurance finance income and expenses, are presented on a net basis as "net expenses from reinsurance contracts" in the insurance service result. See Note 2.

Notes to the financial statements for the year ended 31 December 2025 (continued)

	Note	31 December 2025		31 December 2024	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m
Insurance contract balances	12a		50,570		44,303
Asset for insurance acquisition cash flows	12f		—		—
Total insurance contracts			50,570		44,303
Expected to be settled more than 12 months after the reporting date			47,498		41,703
Reinsurance contract balances	12b		3,793	2,036	
Total reinsurance contracts			3,793	2,036	
Expected to be recovered more than 12 months after the reporting date			3,743	2,034	

The Group uses reinsurance, predominantly longevity swap reinsurance and quota share (“funded”) reinsurance, to minimise the risk and uncertainty arising through future longevity experience. The following reconciliations show how the net carrying amount of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the Statement of comprehensive income. The first reconciliation analyses the movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the Statement of comprehensive income. The second reconciliation analyses the changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

a. Insurance contracts

i) Analysis by remaining coverage and incurred claims

2025 £m	Note	Liabilities for remaining coverage		Liabilities for incurred claims ^a	Total
		Excluding loss component	Loss component		
Opening liabilities		44,408	72	(177)	44,303
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		(626)	—	—	(626)
Other contracts		(2,178)	—	—	(2,178)
	2	(2,804)	—	—	(2,804)
Insurance service expenses					
Incurred claims and other insurance service expenses		—	(4)	2,359	2,355
Amortisation of insurance acquisition cash flows	2	28	—	—	28
Losses for the net outflow recognised on initial recognition	12c	—	12	—	12
Reversals of losses on onerous contracts		—	(40)	—	(40)
	2	28	(32)	2,359	2,355
Investment components and refund of premiums		(428)	—	428	—
Insurance service result		(3,204)	(32)	2,787	(449)
Net finance expense from insurance contracts	3	2,725	4	—	2,729
Total changes in the Statement of comprehensive income		(479)	(28)	2,787	2,280
Cash flows					
Premiums received		6,840	—	—	6,840
Claims and other insurance service expenses paid, including investment components		—	—	(2,730)	(2,730)
Insurance acquisition cash flows		(123)	—	—	(123)
Total cash flows		6,717	—	(2,730)	3,987
Closing liabilities		50,646	44	(120)	50,570

a) Prepayments of claims resulted in a negative liability for incurred claims.

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements for the year ended 31 December 2025 (continued)

2024 £m	Note	Liabilities for remaining coverage		Liabilities for incurred claims ^a	Total
		Excluding loss component	Loss component		
Opening liabilities		41,377	—	(171)	41,206
Changes in Statement of comprehensive income					
Insurance revenue					
Contracts under the fair value approach		(601)	—	—	(601)
Other contracts		(1,781)	—	—	(1,781)
	2	(2,382)	—	—	(2,382)
Insurance service expenses					
Incurred claims and other insurance service expenses		—	(3)	2,033	2,030
Amortisation of insurance acquisition cash flows	2	26	—	—	26
Losses for the net outflow recognised on initial recognition	12c	—	76	—	76
Reversals of losses on onerous contracts		—	(1)	—	(1)
	2	26	72	2,033	2,131
Investment components and refund of premiums		(410)	—	410	—
Insurance service result		(2,766)	72	2,443	(251)
Net finance income from insurance contracts	3	(1,918)	—	—	(1,918)
Total changes in the Statement of comprehensive income		(4,684)	72	2,443	(2,169)
Cash flows					
Premiums received		7,831	—	—	7,831
Claims and other insurance service expenses paid, including investment components		—	—	(2,449)	(2,449)
Insurance acquisition cash flows		(116)	—	—	(116)
Total cash flows		7,715	—	(2,449)	5,266
Closing liabilities		44,408	72	(177)	44,303

a) Prepayments of claims resulted in a negative liability for incurred claims.

During 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements for the year ended 31 December 2025 (continued)

ii) Analysis by measurement component

2025 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening liabilities		38,897	1,249	574	3,583	44,303
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services provided	2	—	—	(37)	(242)	(279)
Change in risk adjustment for non-financial risk for risk expired	2	—	(94)	—	—	(94)
Experience adjustments		(48)	—	—	—	(48)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	12c	(254)	189	—	77	12
Changes in estimates that adjust the CSM ^a		(606)	(46)	115	537	—
Changes in estimates that result in losses and reversal of losses on onerous contracts ^b		(39)	(1)	—	—	(40)
Insurance service result		(947)	48	78	372	(449)
Net finance expense from insurance contracts ^c	3	2,504	94	12	119	2,729
Total changes in the Statement of comprehensive income		1,557	142	90	491	2,280
Cash flows						
Premiums received		6,840	—	—	—	6,840
Claims and other insurance service expenses paid, including investment components		(2,730)	—	—	—	(2,730)
Insurance acquisition cash flows	12f	(123)	—	—	—	(123)
Total cash flows		3,987	—	—	—	3,987
Closing liabilities		44,441	1,391	664	4,074	50,570

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:

- Updates to longevity, expense assumptions and data updates resulting in a decrease in estimates of future cash flows and risk adjustment with a corresponding increase in CSM.
- Updates to other demographic assumptions resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.

b) Changes in estimates that result in losses and reversal of losses on onerous contracts reflect the impact of non-financial assumption changes and data updates on onerous contracts, which partially reversed losses previously recognised.

c) Net finance expense from insurance contracts reflects unwind of discount rates, accretion of interest and a lower liquidity premium.

Notes to the financial statements for the year ended 31 December 2025 (continued)

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening liabilities		36,008	1,228	533	3,437	41,206
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services provided	2	—	—	(32)	(213)	(245)
Change in risk adjustment for non-financial risk for risk expired	2	—	(42)	—	—	(42)
Experience adjustments		(39)	—	—	—	(39)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	12c	(267)	268	—	75	76
Changes in estimates that adjust the CSM ^a		(245)	17	60	168	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		(1)	—	—	—	(1)
Insurance service result		(552)	243	28	30	(251)
Net finance income from insurance contracts ^b	3	(1,825)	(222)	13	116	(1,918)
Total changes in the Statement of comprehensive income		(2,377)	21	41	146	(2,169)
Cash flows						
Premiums received		7,831	—	—	—	7,831
Claims and other insurance service expenses paid, including investment components		(2,449)	—	—	—	(2,449)
Insurance acquisition cash flows	12f	(116)	—	—	—	(116)
Total cash flows		5,266	—	—	—	5,266
Closing liabilities		38,897	1,249	574	3,583	44,303

a) Changes in the estimation of the fulfilment cash flows that are taken to the CSM primarily relate to the following non-financial assumption changes:

- Updates to residual risk reserves resulting in a decrease in estimates of future cash flows as well as a corresponding increase in CSM.
- Updates to demographic and expense assumptions, resulting in a decrease in estimates of future cash flows and risk adjustment, and corresponding increase in CSM.

b) Net finance income from insurance contracts reflects economic movements, mainly driven by increases in the risk-free curve and liquidity premium. The unwind of discount on estimates of future cash flows and risk adjustment, and accretion of interest on the CSM are also included.

Notes to the financial statements for the year ended 31 December 2025 (continued)

b. Reinsurance contracts

i) Analysis by remaining coverage and incurred claims

2025 £m	Note	Assets for remaining coverage		Asset for incurred claims	Total
		Excluding loss recovery component	Loss recovery component		
Opening reinsurance assets					
		77	—	1,959	2,036
Changes in Statement of comprehensive income					
<i>Allocation of premiums paid</i>					
		(2,092)	—	—	(2,092)
<i>Amounts recoverable from reinsurers</i>					
Recoveries of incurred claims and other insurance service expenses					
	2	—	—	1,953	1,953
Investment components and refund of premiums					
		(33)	—	33	—
<i>Net finance income from reinsurance contracts</i>					
	3	310	—	—	310
Total changes in the Statement of comprehensive income					
		(1,815)	—	1,986	171
Cash flows					
Premiums paid					
		3,491	—	—	3,491
Amounts received					
		—	—	(1,905)	(1,905)
Total cash flows					
		3,491	—	(1,905)	1,586
Closing reinsurance assets					
		1,753	—	2,040	3,793

During the year, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

2024 £m	Note	Assets for remaining coverage		Asset for incurred claims	Total
		Excluding loss recovery component	Loss recovery component		
Opening reinsurance assets					
		604	—	1,717	2,321
Changes in Statement of comprehensive income					
<i>Allocation of premiums paid</i>					
		(1,782)	—	—	(1,782)
<i>Amounts recoverable from reinsurers</i>					
Recoveries of incurred claims and other insurance service expense					
	2	—	—	1,697	1,697
Investment components and refund of premiums					
		(24)	—	24	—
<i>Effect of changes in non-performance risk of reinsurers</i>					
	2	27	—	—	27
<i>Net finance expense from reinsurance contracts</i>					
	3	(253)	—	—	(253)
Total changes in the Statement of comprehensive income					
		(2,032)	—	1,721	(311)
Cash flows					
Premiums paid					
		1,505	—	—	1,505
Amounts received					
		—	—	(1,479)	(1,479)
Total cash flows					
		1,505	—	(1,479)	26
Closing reinsurance assets					
		77	—	1,959	2,036

During 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements for the year ended 31 December 2025 (continued)

ii) Analysis by measurement component

2025 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening reinsurance assets		411	978	(87)	734	2,036
Changes in Statement of comprehensive income						
<i>Changes that relate to current services</i>						
CSM recognised for services received		—	—	2	(54)	(52)
Change in risk adjustment for non-financial risk for risk expired		—	(69)	—	—	(69)
Experience adjustments		(18)	—	—	—	(18)
<i>Changes that relate to future services</i>						
Contracts initially recognised in the year	12c	34	219	—	(253)	—
Changes in estimates that adjust the CSM ^a		(388)	(32)	65	355	—
Net expenses from reinsurance contracts		(372)	118	67	48	(139)
Net finance income from reinsurance contracts ^b	3	236	66	(2)	10	310
Total changes in the Statement of comprehensive income		(136)	184	65	58	171
Cash flows						
Premiums paid		3,491	—	—	—	3,491
Amounts received		(1,905)	—	—	—	(1,905)
Total cash flows		1,586	—	—	—	1,586
Closing reinsurance assets		1,861	1,162	(22)	792	3,793

a) Changes in estimates that adjust the CSM primarily relate to non-financial assumption changes including demographic assumption changes and data updates.

b) Net finance income from reinsurance contracts reflects unwind of discount rates, accretion of interest and a lower liquidity premium.

Notes to the financial statements for the year ended 31 December 2025 (continued)

2024 £m	Note	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	CSM		Total
				Contracts under fair value approach	Other contracts	
Opening reinsurance assets		572	1,015	(116)	850	2,321
Changes in Statement of comprehensive income						
Changes that relate to current services						
CSM recognised for services received		—	—	6	(49)	(43)
Change in risk adjustment for non-financial risk for risk expired		—	(29)	—	—	(29)
Experience adjustments		(13)	—	—	—	(13)
Changes that relate to future services						
Contracts initially recognised in the year	12c	7	168	—	(175)	—
Changes in estimates that adjust the CSM ^a		(97)	(17)	26	88	—
Effect of changes in non-performance risk of reinsurers ^b		27	—	—	—	27
Net expenses from reinsurance contracts		(76)	122	32	(136)	(58)
Net finance expense from reinsurance contracts ^c	3	(111)	(159)	(3)	20	(253)
Total changes in the Statement of comprehensive income		(187)	(37)	29	(116)	(311)
Cash flows						
Premiums paid		1,505	—	—	—	1,505
Amounts received		(1,479)	—	—	—	(1,479)
Total cash flows		26	—	—	—	26
Closing reinsurance assets		411	978	(87)	734	2,036

a) Changes in estimates that adjust the CSM primarily relate to non-financial assumption changes including demographic and expense assumption updates, and data updates.

b) As a result of enhancements to counterparty default methodology and assumptions.

c) Net finance expense from reinsurance contracts reflect economic movements, mainly driven by increases in the risk-free curve and liquidity premium. This line item also includes the unwind of discount on future cash flows and risk adjustment, as well as interest accreted on the CSM.

c. Contracts recognised in the year

Effect of insurance contracts initially recognised in the year

£m	2025			2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	113	10	123	57	59	116
Claims and other insurance service expenses payable	5,809	566	6,375	3,654	4,027	7,681
Estimates of present value of cash outflows	5,922	576	6,498	3,711	4,086	7,797
Estimates of present value of cash inflows	(6,170)	(582)	(6,752)	(3,914)	(4,150)	(8,064)
Risk adjustment for non-financial risk	171	18	189	128	140	268
CSM	77	—	77	75	—	75
Losses on initial recognition	—	12	12	—	76	76

During both 2025 and 2024, the Group recognised some onerous new business contracts, resulting in the recognition of a loss component. These contracts were expected to be profitable on a net of reinsurance basis. However, as any related reinsurance contracts were not entered into before or at the same time as the underlying contracts, IFRS does not allow for the recognition of an offsetting loss recovery component at initial recognition.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Reinsurance contracts recognised in the year

£m	2025			2024		
	Contracts initiated without loss recovery component	Contracts initiated with loss recovery component	Total	Contracts initiated without loss recovery component	Contracts initiated with loss recovery component	Total
Estimates of present value of cash inflows	6,169	—	6,169	4,920	—	4,920
Estimates of present value of cash outflows	(6,135)	—	(6,135)	(4,913)	—	(4,913)
Risk adjustment for non-financial risk	219	—	219	168	—	168
CSM	(253)	—	(253)	(175)	—	(175)
Gain recognised due to onerous underlying contracts	—	—	—	—	—	—

d. Contractual service margin ("CSM")

The following table illustrates when the Group expects to recognise the remaining CSM as revenue. Future interest accretion on the CSM is excluded from the figures below. Also, please refer to Notes 12a (ii) and 12b (ii) for further information on CSM movements.

	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	10-20 years £m	More than 20 years £m	Total £m
2025									
Insurance	275	265	255	246	236	1,040	1,409	1,012	4,738
Reinsurance	(42)	(41)	(40)	(39)	(38)	(169)	(237)	(164)	(770)
	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	5-10 years £m	10-20 years £m	More than 20 years £m	Total £m
2024									
Insurance	234	226	218	210	202	896	1,239	932	4,157
Reinsurance	(33)	(32)	(31)	(30)	(30)	(135)	(198)	(158)	(647)

e. Significant estimates and judgements

Fulfilment cash flows

Estimates of cash flows

The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date in determining the estimated cash flows. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract. These include premiums, benefit payments to policyholders, insurance acquisition cash flows, policy administration and maintenance costs and other costs that are incurred in fulfilling and enhancing the benefits of contracts, such as investment expenses.

Directly attributable acquisition and maintenance costs include the costs of direct functions, such as origination, transitions, operations and investments, dealing and hedging costs related to the acquisition of investments backing policyholder liabilities as well as a portion of overheads. Overheads include an apportionment of other functions across the business, as well as premises costs. These costs are only included as directly attributable to the extent they relate to activities carried out to support the direct functions. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based techniques and are consistently applied to all costs that have similar characteristics. Strategic and shareholder-related costs, that relate to central corporate activity, as well as the majority of project costs that are one-off in nature, are considered outside the contract boundaries.

Uncertainty in the estimation of benefit payments to policyholders arises primarily from uncertainties regarding long-term changes in mortality rates and other demographic assumptions, future inflation rates and future levels of expenses. Assumptions used to develop estimates for future cash flows are reassessed at each reporting date and adjusted where required.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Mortality

Best estimate mortality assumptions are used when estimating future cash flows. The Group breaks down mortality into rates today ("base mortality assumptions") and how these rates will change in the future ("future mortality improvements assumptions").

Base mortality assumptions are expressed relative to the Self-Administered Pension Scheme ("SAPS") S3 series tables which were published in 2018 by the Continuous Mortality Investigation ("CMI"), a research body with strong links to the Institute and Faculty of Actuaries. The Group makes several adjustments to reflect how its internal mortality experience differs to the reference population used for the S3 tables, and to allow for policyholder-specific mortality rating factors such as postcode and pension amounts.

The Group uses the CMI's mortality projections model (CMI_2024 at year end 2025) to improve S3 mortality rates to the valuation date, and to project future improvements in mortality rates. The CMI_2024 model used by the Group is parameterised using a combination of historical mortality improvement analysis and forward-looking scenarios which utilise external industry studies, wider population mortality trends and emerging longevity science developments.

	Mortality projection model	Mortality table used and adjustments	Adjustments for long-term mortality improvements
2025			
Male	CMI_2024	98% of S3PML with base year 2013	1.50%
Female	CMI_2024	98% of S3PFL/S3DFL with base year 2013	1.50%
2024			
Male	CMI_2022	97% of S3PML with base year 2013	1.75%
Female	CMI_2022	97% of S3PFL/S3DFL with base year 2013	1.75%

Risk Adjustment for non-financial risk

The RA is an amount required within fulfilment cash flows, in addition to the estimate of the present value of future cash flows. It reflects the compensation required for uncertainty in the amount and timing of cash flows that arises from non-financial risks as the insurance or reinsurance contract is fulfilled. The non-financial risks covered by the RA are predominantly longevity risk, including current rates of mortality and future improvements in mortality, and expense risk. Other less significant risks covered by the RA include spouse demographic risk, retirement timing risk and cash commutation take-up risk.

The Group uses a confidence interval ("value at risk") approach set at the 85th percentile (2024: 85th percentile) over one year, representing the possibility that the present value of the future cash flows could increase under certain adverse scenarios. Estimates of reasonably possible outcomes are made using probability distributions and risk correlations underlying the Group's Solvency II Internal Model, and taking into account the degree of diversification benefits. The risk adjustment for reinsurance is calculated as the difference between the risk adjustment on a gross basis before allowance for reinsurance cash flows less the net risk adjustment calculated after allowance for reinsurance cash flows.

The net of reinsurance RA measured over the remaining lifetime corresponds to a 70% confidence level (2024: 69%). This has been determined in line with the run-off profile of the Group's business and the underlying non-financial risks.

Financial assumptions

The Group considers discount rates, index-linked inflation and exchange rates on foreign currency business as financial assumptions.

i) Discount rates

The present value of future cash flows and the RA are discounted to reflect the time value of money and the illiquidity inherent in the liabilities. As liability discount rates are not observable, an appropriate discount rate has been set by considering the yield on a portfolio of assets (a "reference portfolio") that reflects the characteristics of the liabilities. The yield is then adjusted to remove features that are not relevant to the liabilities (a "top down" approach). The Group holds assets in a matching fund with the aim of meeting liability cash flows. It is considered that these assets represent a reasonable reference portfolio for the IFRS 17 discount rate. In circumstances where there is a time lag between the receipt of the premium and subsequent investment in the anticipated portfolio of assets, the reference portfolio used to determine the discount rate includes an adjustment to reflect the anticipated assets.

An adjustment is made to the asset yield to remove the impact of expected credit risk and any remaining cash flow mismatches. The credit adjustment has been set based on historic average default rates and allows for expected recovery rates in the event of default.

Whilst the Matching Adjustment fund assets are held to meet the liabilities as they fall due, there is inevitably a small level of cash flow mismatch. An adjustment is made for reinvestment/disinvestment of cash flows as required.

The liabilities are discounted by a fixed addition over the risk-free swap curve.

Notes to the financial statements for the year ended 31 December 2025 (continued)

	2025	2024
Yield on assets in reference portfolio	6.2%	6.3%
Adjustment for credit risk and cash flow mismatches	(0.4%)	(0.4%)
Liability discount rate	5.8%	5.9%
Expressed as a spread over risk-free swap rates	1.5%	1.7%

Risk-free swap rates are obtained based on the prices of market swap rates up to 60 years (2024: up to 60 years), following which the curve is set to trend towards an ultimate forward rate of 3.3% (2024: 3.3%), using a Smith-Wilson approach.

The GBP yield curve that is used to discount the estimates of future cash flows is as follows:

	2025					2024				
Tenor (years)	1	5	10	20	30	1	5	10	20	30
Rate (%)	5.1%	5.2%	5.6%	6.0%	6.1%	6.2%	5.8%	5.8%	6.0%	6.0%

As the Group writes new business and enters into new reinsurance, the assets will be selected to optimise portfolio returns and capital, so are different to assets already held in the reference portfolio. The new business and new reinsurance discount rates are based on market conditions and the anticipated portfolio of assets to support the new group at the initial recognition date, with adjustments to remove the impacts of credit risk and any cash flow mismatch. During 2025, new business and new reinsurance discount rates that have been used to set the initial CSM and loss component averaged 6.0% (2024: 5.2%). The assets within the reference portfolio change over time. This is due to differences between assets being bought in connection with new business and any anticipated assets, improving cash flow matching with liabilities, concerns over credit risk and to improve capital efficiency.

The fulfilment cash flows accrete interest using current discount rates. The CSM accretes interest using the locked discount rate at inception of each group of contracts.

ii) Inflation

Inflation assumptions are relevant to the projection of future policyholder benefits and expenses. Most policyholder benefits are linked to a type of Limited Price Indexation ("LPI"), with other benefits linked to the Retail Price Index ("RPI") or the Consumer Price Index ("CPI"). The assumption for expected future RPI inflation is based on a curve derived from the market prices of inflation-linked swap contracts. The CPI inflation assumption is also derived from this curve, with an additional term-dependent allowance for the expected gap between CPI inflation and RPI inflation. For LPI linked annuities, which are generally subject to maximum and minimum percentage annual increases, a mark-to-model approach is used to derive inflation assumptions that allow for the inherent optionality, as there is currently no deep and liquid market in appropriate swap contracts. Around three quarters of the Group's gross benefit payments are linked to inflation, of which the substantial majority have a cap or floor on indexation.

Contractual service margin

The CSM for a group of insurance contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period. This is determined for each group by considering the quantity of the benefits provided to the policyholder and the expected coverage duration. The Group applies the "annuity payment method" for determining coverage units, as annuity payments made are reflective of the quantity of benefits provided.

The total number of coverage units provided in the period to retired policyholders is the expected annuity payments, including allowance for benefit inflation where payments contractually increase with inflation. Annuity payments are considered a suitable proxy for investment return service provided during annuity payment guarantee periods (typically five years), as this aligns with the insurance coverage measure and avoids more complex alternatives that are not necessarily any more meaningful.

For policyholders who have not yet retired, the total number of coverage units over the life of the contract (i.e. in the periods both before and after retirement), is a weighted combination of the following three types of coverage units:

- the potential amount that might be paid to spouses if the annuity should come into payment on the death of the first life in the deferred period. This reflects insurance provided in the deferred period;
- the expected investment return on the transfer value that the policyholder is eligible to take in the deferred period. This is considered appropriate as it reflects the investment activities that PIC performs to generate investment return and protect policyholder benefits; and
- the expected annuity payments made to policyholders from retirement. This is consistent with coverage units of retired policyholders.

The number of coverage units provided in the deferred period is equal to the sum of the first two types of coverage unit only, and the number of coverage units provided once the policyholder has retired is equal to the third type of coverage unit only. This weighted combination reflects management's view that the value of services relating to each type of coverage unit are broadly comparable to each other.

Notes to the financial statements for the year ended 31 December 2025 (continued)

The total number of remaining coverage units until the end of the contract is discounted using rates locked at inception of the contract.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in Note 12(d).

Loss components and loss recovery components

Loss components are systematically released over time as the related fulfilment cash flows leading to the loss are incurred, based on a loss component proportion, equal to the loss component divided by the present value of fulfilment cash flows. The related reinsurance loss-recovery component is released on a similar basis.

Foreign currency business

A limited number of groups have a small proportion of Euro-denominated liabilities, where a single currency approach is applied.

f. Acquisition costs

Costs incurred in the acquisition of new business which has not been written yet can be analysed as follows:

	2025 £m	2024 £m
Opening balance	—	—
Expenses incurred during the period	123	116
Amounts allocated to contracts recognised in the period	(123)	(116)
Net closing balance	—	—

13. Borrowings

Borrowings are recognised initially at fair value, which is the cash consideration received net of transaction costs incurred. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the net proceeds and the redemption value is recognised in the Statement of comprehensive income over the borrowing period using the effective interest method.

Subordinated loan notes				2025		2024	
Par amount	Issue date	Maturity date	Coupon	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
£250m*	23 Nov 2016	23 Nov 2026	8.0%	26	27	26	28
£350m	20 Sep 2018	20 Sep 2030	5.625%	349	361	349	345
£300m	7 May 2020	7 May 2031	4.625%	299	299	299	283
£400m	21 Oct 2020	21 Oct 2032	3.625%	398	360	398	335
£500m	13 Nov 2023	13 Nov 2033	8.0%	496	567	495	543
£500m	15 May 2024	15 Nov 2034	6.875%	496	530	495	506
Total				2,064	2,144	2,062	2,040

* The carrying values of loan note maturing in 2026 has reduced to £26 million following the partial redemption in 2024.

On 15 May 2024, PIC issued £500 million of subordinated loan notes, maturing in 2034, with a fixed coupon of 6.875% paid annually in arrears. These notes were issued at 99.7% of par. Following the issue, PIC redeemed £203 million of the 2014 debt issue and £21 million of the 2016 debt issue for a total cost of £225 million.

All notes represent direct, unsecured and subordinated obligations of PIC, and are classified as qualifying dated Tier 2 securities for the purposes of regulatory capital requirements. The notes are listed on the London Stock Exchange.

The fair value is the quoted price of the loan notes. The loan notes have been classified as Level 1 in the fair value hierarchy.

Finance costs comprise the interest expense on borrowings, which is calculated using the effective interest method. For the year ended 31 December 2025, interest expenses of £127 million (2024: £120 million) were recognised in the Statement of comprehensive income in respect of the notes.

Notes to the financial statements for the year ended 31 December 2025 (continued)

The table below provides a reconciliation between opening and closing borrowings:

	2025 £m	2024 £m
At beginning of year	2,062	1,789
Amortisation	2	2
Additions	—	495
Redemptions	—	(225)
Loss on redemption of subordinated debt	—	1
At end of year	2,064	2,062

14. Deferred tax

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates ruling at the date the timing difference is expected to reverse.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that sufficient future taxable profits will be available against which the asset can be utilised. The recoverability of deferred tax assets has been assessed at each reporting period based on projected future taxable profits arising from the release of CSM as insurance services are provided.

At 31 December 2025, the Group's deferred tax balances calculated in accordance with IAS 12 "Income Taxes" were as follows:

	Asset £m	Total £m
31 December 2025		
Temporary differences	248	248
31 December 2024		
Temporary differences	283	283

The movement in the deferred tax balance during the year was as follows:

	2025 £m	2024 £m
At beginning of year	283	317
Change in net deferred tax asset due to amortisation of transitional adjustment	(35)	(34)
At end of year	248	283

On transition to IFRS 17, a deferred tax asset arose on the reversal of previously taxed profits and is supported by projections of future taxable profits. The deferred tax asset is being recovered over a ten-year period from 1 January 2023.

Notes to the financial statements for the year ended 31 December 2025 (continued)

15. Risk management

As a provider of insurance solutions to defined benefit pension schemes, the Group's business involves the acceptance and management of risk to achieve its strategic objectives.

The principal risk factors which affect the Group's operating results and financial condition include financial risks such as solvency and liquidity (impacted by market risk, credit and counterparty risk and insurance risk), operational risk, conduct risk and franchise value risk (including sustainability risk). Other risks are also detailed within this section.

The Directors have overall responsibility for the management of the exposure to these risks. They are supported through the formal committees of the PIC Board including the Investment and Origination Committee, Audit Committee, Nomination Committee, Remuneration Committee, Board Risk Committee and Board Customer Committee. The membership of these committees is mainly comprised of Non-Executive Directors. Executive Directors and relevant senior management attend meetings as required. The Board retains direct responsibility for reputational risk. Risk, Compliance, Actuarial and Internal Audit functions provide coordinated assurance in the monitoring of the internal risk and control environment.

The management and control of the Group's risks is a significant focus area for the Board, as an uncontrolled and unmanaged crystallisation of risk could affect the Group's performance and capital adequacy. The Group's risk preferences define the Board's appetite towards taking different types of risks which the Group may be exposed to in pursuit of its strategic objectives. Risks are categorised as those the Group actively seeks, those the Group accepts and those the Group seeks to limit or minimise. The Group aims to minimise its exposure to risks such as interest rate risk and inflation risk, which are expected to carry little reward for the Group over the long-term.

The Group uses derivatives for the purpose of efficient portfolio management or to reduce risk in aspects of the Group's investment activities such as the implementation of tactical asset allocation changes around the strategic benchmark, the hedging of cash flows and the control of the risk profile of an identified strategy. The Group uses cross-currency swaps, forward exchange contracts and futures for these purposes. It also uses interest and inflation rate swaps for the purpose of matching assets and liabilities.

(a) Market risk

Market risk is the risk of changes in values of assets and liabilities caused by market movements which could lead to financial losses, or negative impacts to policyholders, long-term strategic growth and regulatory scrutiny.

The Group is exposed to market movements from a range of sources including:

- Interest rate risk arises from the mismatch between assets and liabilities which are discounted at the risk-free rate. Interest rate swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum.
- Inflation risk arises from the index-linked nature of the liabilities. Inflation swaps are entered into to improve the matching of asset and liability cash flows and to ensure that risk driver sensitivities are aligned across the maturity spectrum. Bilateral assets and bonds are also used to improve inflation matching where contractual features of the assets include inflation linkages. The quality of the interest rate and inflation matching strategies is carefully monitored by management, and is operated within tightly defined limits.
- Currency risk arises from the mismatch between the currencies of assets and liabilities. Currency forwards and swaps are entered into to eliminate the majority of the currency risk on financial assets invested in non-sterling-based debt securities where liabilities are denominated in sterling.
- The Group is exposed to changes in credit spreads on its asset portfolio, principally through its holding of fixed income assets. The use of cash flow matching and the recognition of the Solvency II Matching Adjustment partially mitigates this risk. Credit spread risk is an integral part of the Group's business model, and under IFRS this is further reflected in the Liquidity Premium, which adjusts discount rates to capture the illiquidity characteristics of the Group's long-term insurance liabilities.
- Asset liquidity risk may arise if PIC does not effectively manage its liquidity risk, such as maintaining an adequate pool of liquid or collateral-eligible assets. Nevertheless, asset liquidity risk is chiefly related to investment choices, specifically whether PIC is comfortable investing in assets considering their liquidity characteristics. This involves assessing the potential difficulty in disposing of an asset—either at a reasonable price or within an acceptable timeframe—should certain events, like a downgrade, occur and make continued ownership undesirable. Fundamentally, this risk concerns the possibility that an asset cannot be sold or monetised at its fair market value due to insufficient market depth or a lack of active buyers.

Notes to the financial statements for the year ended 31 December 2025 (continued)

- The Group accepts property risks directly through investment in equity release mortgages and real estate assets (including Build-to-Rent). Significant due diligence is undertaken for property construction projects, including an assessment of third parties (e.g. construction contractors). Property risk inherent in equity release mortgages is mitigated through underwriting criteria, maximum loan to value ratios, and legal requirements such as for properties to be insured. Short-term investment property risk is mitigated by entering into long-term lease arrangements. The Group performs regular reviews of both the movement in the property market specific to these properties and the financial status of the tenants. In addition, the Group has indirect exposure to the property market within the corporate bond portfolio, for example through investments in social housing and student accommodation. The credit rating (and therefore value) of these bonds may be impacted by property risk events.
- Further asset exposures include investments in hedge funds, insurance-linked funds and public finance initiative-related debt, including social housing. Where appropriate, the management of these alternative exposures is delegated to specialist fund managers, in line with defined investment management mandates. In all cases, the Group ensures regular oversight of the investment management activities, and maintains detailed risk models for all investment types, incorporating analysis of alternative investments in its risk and capital assessment.

The Group manages market risk through an asset liability management ("ALM") framework that has been developed to closely match the investment portfolio's duration and income to its obligations under insurance contracts. The Group's hedging strategy is set by the Board and a Management Committee meets weekly to oversee and manage interest rate, inflation and foreign exchange risks in line with the hedging strategy and within clearly defined limits.

Capital is held to further protect the Group against crystallisation of market risks. Stress testing of the solvency position is conducted to ensure a suitable solvency buffer is maintained.

Sensitivity analysis

The following table provides information on the sensitivity of the Group's profit and equity to market movements:

31 December 2025 £m	Interest rates +100 bps	Interest rates -100 bps	Inflation rates +50 bps	Inflation rates -50 bps	Credit spreads +100 bps	House price index increase 10%	Exchange rate
Change in financial investments	(4,534)	5,383	1,812	(1,670)	(2,136)	8	21
Net change in insurance contracts	4,000	(4,791)	(1,683)	1,625	2,186	(6)	(29)
Net change in CSM	—	—	—	—	—	—	—
Pre-tax change in profit	(534)	592	129	(45)	50	2	(8)
Post-tax change in profit and equity	(400)	444	97	(34)	38	2	(6)

31 December 2024 £m	Interest rates +100 bps	Interest rates -100 bps	Inflation rates +50 bps	Inflation rates -50 bps	Credit spreads +100 bps	House price index increase 10%	Exchange rate
Change in financial investments	(3,981)	4,679	1,651	(1,530)	(2,262)	7	28
Net change in insurance contracts	3,648	(4,354)	(1,490)	1,470	2,351	(6)	(30)
Net change in CSM	—	—	—	—	—	—	—
Pre-tax change in profit	(333)	325	161	(60)	89	1	(2)
Post-tax change in profit and equity	(250)	244	120	(44)	67	1	(2)

The movement in the sensitivities compared to the prior year reflects the different asset and insurance portfolios as at 31 December 2025 compared to 31 December 2024, as well as the level of interest rates and other economic conditions.

The Group hedges the Solvency II position rather than the IFRS result, so the positioning of the hedging portfolio at a given point in time can lead to consequential volatility in the IFRS result. In particular, the interest rate and inflation sensitivities are the net result of significant and broadly offsetting movements in liabilities, assets backing liabilities and surplus assets. Changes made to the overall hedging in place during the year have influenced the interest rate and inflation sensitivities. The inflation sensitivity is also affected by the level of inflation curves. The market conditions used to derive the CSM are locked at policy inception, so the CSM is not impacted under the economic sensitivities.

The sensitivities to credit spreads and the house price index as at 31 December 2025 are broadly symmetric to the equivalent decrease in credit spreads and the house price index. The exchange rate sensitivity is based on a weakening of the US dollar and Euro against sterling by 1%. The impact on assets and liabilities is broadly linear to further weakening of exchange rates.

The key assumptions, methodology and limitations of the sensitivity analysis are as follows:

Notes to the financial statements for the year ended 31 December 2025 (continued)

- The effects of the specified changes in factors are determined based on the year end financial instrument values. The level of movements in market factors on which the sensitivity analyses are based is determined based on economic forecasts and historical experience of variations in these factors. The sensitivity analysis is based on the risks to which the Group is exposed at the end of the reporting period, and reflects the changes in relevant risk variables that are reasonably possible at this date and over the next reporting period. The sensitivities used are based around the core assumptions in the financial statements rather than considering more extreme scenarios.
- Each entry in the sensitivity table demonstrates the effect of a change in a single key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor will often lead to changes in other market factors. In particular, the Group's use of derivatives is designed to ensure that its exposure to interest rate and inflation risks is carefully managed.

(b) Credit and counterparty risk

Credit downgrade and default risk, classified internally as credit risk, is the risk of changes in the value of credit risk sensitive instruments due to movements in mark-to-market value, downgrades or defaults. Counterparty downgrade and default risk, classified internally as counterparty risk, is the risk associated with loss caused by downgrade or default of counterparties (including derivative and reinsurance counterparties and other counterparty risk exposures).

Credit risk exposure

The Group is primarily exposed to credit risk through its investment in debt securities. A significant proportion of the asset portfolio is comprised of corporate and government bonds and private debt held to back annuity liabilities.

Credit risk management and mitigation

The Group manages exposure to credit risk by maintaining a comprehensive due diligence and governance process for assessing and selecting appropriate credit risks to acquire. To manage the credit risk the Group maintains, the credit portfolio and exposure to counterparties are monitored on a regular basis, and capital is held to further protect against crystallisation of credit risk.

Counterparty risk exposure

Counterparty risk arises in respect of derivative contracts and reinsurance arrangements to the extent that there is the potential for the counterparties to default on their obligations.

Counterparty risk management and mitigation

Counterparty risk is controlled through establishment of collateral agreements and master netting agreements on interest rate and currency swaps. Minimum credit quality requirements are applied when selecting derivative and reinsurance partners to transact with and exposure limits are determined based on credit ratings and projected exposure to losses on default. Some reinsurance contracts will also have collateral arrangements to manage risk.

Credit and counterparty risk concentration

The Group manages credit and counterparty concentration risk by placing concentration limits for various characteristics (e.g. sectors, credit rating, geographical) and on exposures to individual counterparties. Capital is held to protect against the additional potential impact of concentrations within the portfolio in an adverse credit scenario.

Notes to the financial statements for the year ended 31 December 2025 (continued)

The table below sets out the credit risk exposure and ratings of financial assets which are susceptible to credit risk. The ratings used have been sourced from S&P, Moody's or Fitch, or have been assigned internally where the ratings from these agencies were not available. The remaining unrated assets are not classified by S&P, Moody's, Fitch or internally.

Financial assets by credit rating

31 December 2025	AAA £m	AA £m	A £m	BBB ³ £m	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities ¹							
– Government bonds	566	19,321	3,479	785	—	—	24,151
– Corporate bonds	1,085	1,988	4,788	5,663	3	—	13,527
– Private investments	98	3,290	3,675	3,467	151	6	10,687
Mortgage-backed securities and Asset-backed securities ²	24	13	176	46	—	—	259
Equity release mortgages	—	—	—	—	—	1,049	1,049
Participation in investment schemes	—	—	—	—	—	2,976	2,976
Participation in liquidity funds	2,144	—	—	—	—	—	2,144
Total financial investments	3,917	24,612	12,118	9,961	154	4,031	54,793
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	29,395	29,395
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	130	130
Cash and cash equivalents	—	371	261	—	—	8	640
Total other financial assets	—	371	261	—	—	29,533	30,165

1. Within Debt securities, there are £98 million AAA rated, £1,829 million AA rated, £2,035 million A rated, £1,419 million BBB rated and £84 million BB or below rated securities, which have been rated using internally assessed credit ratings.

2. Within mortgage-backed securities and asset-backed securities, there are £4 million A rated and £4 million BBB rated securities, which have been rated using internally assessed credit ratings.

3. Within the BBB rated Financial investments, there are £1,038 million of BBB- rated assets.

31 December 2024	AAA £m	AA (Restated ⁵) £m	A (Restated ⁵) £m	BBB ⁴ (Restated ⁵) £m	BB or below £m	Unrated £m	Total £m
Financial investments – at FVTPL							
Debt securities ¹							
– Government bonds	221	17,135	1,593	882	—	—	19,831
– Corporate bonds	766	1,042	7,366	6,198	9	—	15,381
– Private investments	120	2,853	3,306	2,935	168	—	9,382
Mortgage-backed securities and Asset-backed securities ²	20	16	184	17	—	—	237
Equity release mortgages	—	—	—	—	—	1,043	1,043
Participation in investment schemes ³	—	—	—	—	166	2,914	3,080
Participation in liquidity funds	1,978	—	—	—	—	—	1,978
Total financial investments	3,105	21,046	12,449	10,032	343	3,957	50,932
Other financial assets – at FVTPL							
Derivative and other financial assets	—	—	—	—	—	28,869	28,869
Other financial assets – at amortised cost							
Receivables	—	—	—	—	—	42	42
Cash and cash equivalents	—	298	296	—	—	22	616
Total other financial assets	—	298	296	—	—	28,933	29,527

1. Within Debt securities, there are £120 million AAA rated, £1,363 million AA rated, £1,755 million A rated, £1,235 million BBB rated and £83 million BB or below rated securities, which have been rated using internally assessed credit ratings. Following a consistency review of internal versus external rating classifications, it was established that some externally rated financial investments were incorrectly classified as internally rated. This has not impacted the amounts presented in the table above. Figures in the footnote have been reclassified accordingly.

2. All mortgage-backed securities and asset-backed securities have been rated using externally assessed credit ratings. Note this has been reclassified following a consistency review of internal versus external rating classifications. This has not impacted the amounts presented in the table above.

3. Within Participation in investment schemes, there are £166 million BB or below rated schemes, which have been rated using internally assessed credit ratings.

4. Within the BBB rated Financial investments, there are £1,225 million of BBB- rated assets.

5. Following a review of cash and cash equivalents rating classifications, £236 million has been reclassified from BBB into AA (£31 million) and A (£205 million) in the table above.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Although the derivative and repurchase agreement asset instruments themselves are unrated, the ultimate issuing party for most derivative and repurchase agreement assets has a credit rating. Additionally, the balances are collateralised with highly rated instruments, so as to mitigate any credit or counterparty risk. Applying the issuer rating to the assets held at 31 December 2025 produces the following split:

31 December 2025	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	—	7,089	20,205	—	—	727	28,021
Repurchase agreements	—	250	1,095	—	—	—	1,345
Cash collateral pledged	—	—	29	—	—	—	29

31 December 2024	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Derivative assets	—	7,089	20,073	—	—	695	27,857
Repurchase agreements	—	250	603	—	—	—	853
Cash collateral pledged	—	—	159	—	—	—	159

These assets are included with regular stress testing undertaken by the Group which assesses the impact of a number of scenarios on the Group's solvency position.

Reinsurance counterparties

The Group has reinsurance contracts in place with 14 external reinsurers (2024: 14 external reinsurers) with an exposure of £1,861 million at 31 December 2025 (2024: £411 million). Measures are in place with respect to the reinsurance contracts to manage counterparty exposure, including collateral arrangements and other protections. At 31 December 2025, the fair value of securities accepted as collateral that the Group is permitted to sell or repledge in the event of default was £3,935 million (2024: £2,168 million). The credit rating of each reinsurer is reported to management on a monthly basis. The credit rating of each reinsurer was A+ or higher at 31 December 2025 (A- or higher at 31 December 2024).

Expected credit loss for trade receivables & cash and cash equivalents

Expected credit losses are insignificant and recognised at 31 December 2025 at £nil (2024: £nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group may not have cash or liquid assets available at the right times to be able to pay its obligations in a timely manner, without incurring excessive cost.

Liquidity risk exposure

Liquidity risk may arise if derivative contracts to manage foreign exchange, inflation and interest rates require liquid assets to be posted as collateral at short notice, or a large proportion of deferred policyholders opt to take transfer values.

Liquidity risk management and mitigation

The Group manages the most common sources of liquidity risk as follows:

- Posting collateral: the Group's risk policies define a minimum proportion of assets to be held in cash, gilts and highly liquid corporate bonds, which can be posted as collateral on derivative contracts. This ensures that the Group would be able to meet demands from derivative counterparties under extreme market scenarios.
- Liability payments: Projected cash flows for all new pensioner liabilities taken on are determined as a part of the new business origination process. This is used to identify appropriate assets which provide matching cash flows at an acceptable price. The projected cash flows are updated regularly, and assumptions are updated at least annually, considering factors such as mortality experience and how this affects the required cash flows in the future.
- The Group's risk policies also define a minimum amount of unencumbered cash available to meet pension liability outgoings and business expenses over the following three months.
- Termination of policies: if not managed appropriately, the termination of buy-in policies could create significant liquidity issues for the Group. However, these risks are managed through a specific risk appetite framework that limits the number and size of schemes that are offered these rights, limits the circumstances whereby these rights can be exercised, and pays close attention to relevant contractual terms and indicators to ensure that we are well placed to manage a termination event if required.

Liquidity risk concentration

The Group manages liquidity concentration risk by placing concentration limits on the amount of cash on deposit with individual counterparties, and on the holdings in individual liquidity funds.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Financial instruments

The following table sets out the contractual maturity analysis of financial liabilities. All amounts for non-derivative liabilities are on an undiscounted basis, including interest where applicable, therefore they will not always reconcile to the amounts disclosed in the Statement of financial position. Derivative liabilities relate primarily to inflation rate and interest rate swaps to hedge the Group's solvency position.

31 December 2025	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	171	171	—	—	—	171
Accruals	37	37	—	—	—	37
Borrowings	2,064	151	840	2,000	—	2,991
Derivative liabilities	31,696	272	1,903	8,460	21,061	31,696
Repurchase agreements	312	312	—	—	—	312
Cash collateral received	1,046	1,046	—	—	—	1,046
	35,326	1,989	2,743	10,460	21,061	36,253

Repurchase agreement liabilities are largely matched by repurchase agreement assets with the same counterparty that mature on the same date. See Note 11 for further information.

31 December 2024	Carrying value £m	Within 1 year £m	In 1–5 years £m	In 5–15 years £m	Over 15 years £m	Total £m
Financial liabilities						
Other payables	124	124	—	—	—	124
Accruals	44	44	—	—	—	44
Borrowings	2,062	125	518	2,473	—	3,116
Derivative liabilities	31,641	434	1,998	8,943	20,266	31,641
Repurchase agreements	17	17	—	—	—	17
Cash collateral received	1,104	1,104	—	—	—	1,104
	34,992	1,848	2,516	11,416	20,266	36,046

All amounts due to other payables are expected to be paid in the next financial year.

The amounts disclosed in more than 1 year columns in the above table are expected to be settled more than 12 months after the reporting date.

Insurance and reinsurance contracts

The following table provides an analysis of the Group's insurance and reinsurance contract cash flows by duration on a discounted basis, which reflects the dates on which the cash flows are expected to occur. Cash flows do not include the risk adjustment and contractual service margin.

31 December 2025	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	2,748	3,198	2,848	2,725	2,597	18,632	11,693	44,441
Reinsurance contract assets	35	2	1	(10)	(30)	(666)	(1,193)	(1,861)
31 December 2024	Within 1 year £m	In 1–2 years £m	In 2–3 years £m	In 3–4 years £m	In 4–5 years £m	In 5–15 years £m	More than 15 years £m	Total £m
Insurance contract liabilities	2,335	2,807	2,502	2,387	2,277	16,332	10,257	38,897
Reinsurance contract assets	60	23	28	23	18	(143)	(420)	(411)

Estimates of the present value of future cash flows

The amounts from insurance contract liabilities that are payable on demand are set out below:

	2025		2024	
	Payable on demand £m	Carrying amount £m	Payable on demand £m	Carrying amount £m
Insurance contracts				
Life risk	11,500	11,409	8,998	8,887

These amounts relate to deferred contracts on which a transfer value can be requested. The amount payable on demand is different to the carrying amount mainly due to different discount rates.

Notes to the financial statements for the year ended 31 December 2025 (continued)

(d) Insurance risk

Insurance risk is implicit in the Group's business and mainly arises from exposure to longevity in respect of annuity payments. Reinsurance is recognised as a key tool in managing this risk to an appropriate level.

Longevity risk is the risk that the Group's policyholders may live for longer than assumed, thus requiring pensions to be paid for a longer period than anticipated, resulting in a higher than expected cost to the Group.

In order to help minimise this risk and also the uncertainty arising through future longevity experience, the Group adopts an active approach to reinsuring these risks where it is economic to do so. This reinsurance can be classified into two broad categories: longevity-only reinsurance and quota share (or "funded") reinsurance, which are discussed below. The Group also chooses to retain a small amount of longevity risk. The approach to setting assumptions for this portion of the book is also described below. Sensitivity analysis is carried out to ensure the remaining exposure to longevity risks is understood, as presented later in this section.

Longevity only reinsurance

This provides longevity cover in respect of certain policyholders. Under these contracts, the Group has committed to pay the reinsurer a fixed line of cash flows for specified sets of liabilities relating to members/former members of particular pension schemes. The reinsurer undertakes to reimburse the actual cost of claims to the Group. Separately, there is also a reinsurance fee for which the Group is liable. Settlement of the contract is on a net basis. These contracts also transfer the contingent longevity risk relating to any eligible dependants of relevant policyholders.

Quota share (or "funded") reinsurance – longevity reinsurance via the transfer of assets

Under such contracts, in return for an initial single premium, the reinsurer agrees to reimburse the actual cost of future claims to the Group in respect of an agreed set of policyholders. These contracts also transfer the contingent risks relating to eligible dependants of relevant policyholders.

The Group monitors the levels of its counterparty risk and actively seeks to reinsure with a wide range of providers to help mitigate its exposure to any one such entity.

Mortality assumptions

One aspect of deriving overall longevity assumptions is to establish the "current" or "initial" rates of mortality. These assumptions are set by applying appropriate mortality factors to each individual member or policyholder. Individual variations are subject to a number of factors including, but not limited to, an individual's gender, age, pension amount, occupation and place of residence.

The other aspect is the allowance for future improvements in mortality. The pattern in which mortality is expected to improve over time, and so increasing the life expectancy of the Group's policyholders, is an important but complex assumption for cash flow and liability calculations. This is regularly reviewed in the light of a number of factors including evolving methodologies for these projections together with views from industry and professional bodies on the factors driving mortality change.

Whilst longevity risk is the fundamental risk relating to its insurance liability portfolio, the Group also considers the following risks:

Risk arising from a specific insurance contract

The Group considers, as part of its risk management process, the risks associated with each new contract accepted and the mitigation of those risks.

Exposure to changes in financial market conditions

The Group prepares information based upon a range of possible market conditions to assess the potential impact on the Statement of financial position and the management actions available to help mitigate these.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Sensitivity analysis

The following table analyses how the fulfilment cash flows, the CSM, profit and equity would respond if changes in underwriting risk exposures that were reasonably possible at the reporting date occur. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

31 December 2025 £m	Mortality improvements 0.1%	Base mortality -5% probability of death	Increase in per policy expense assumption of 10%
Change in insurance liabilities fulfilment cash flows	(187)	(688)	(56)
Change in gross CSM	346	1,067	76
Change in reinsurance assets fulfilment cash flows	161	621	(15)
Change in reinsurance CSM	(281)	(926)	17
Pre-tax change in profit	39	74	22
Post tax change in profit and equity	29	56	17

31 December 2024 £m	Mortality improvements 0.1%	Base mortality -5% probability of death	Increase in per policy expense assumption of 10%
Change in insurance liabilities fulfilment cash flows	(169)	(621)	(55)
Change in gross CSM	330	1,000	76
Change in reinsurance assets fulfilment cash flows	135	533	(11)
Change in reinsurance CSM	(266)	(854)	14
Pre-tax change in profit	30	58	24
Post tax change in profit and equity	23	44	18

- The mortality improvements sensitivity is based on a 0.1% increase in all annual mortality improvement rates. This is equivalent to a 0.2 year increase in life expectancy from 22.5 years to 22.7 years for a typical male aged 65.
- The base mortality sensitivity is based on a 5% reduction in base mortality rates. This is equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.
- The per policy expense sensitivity is based on an increase in annual maintenance expenses (including third-party administration costs) of 10%.

Profit and equity increase for all the sensitivities shown, despite losses from changes in fulfilment cash flows net of reinsurance. This is due to profits from changes in the CSM, net of reinsurance, more than offsetting the losses from fulfilment cash flows. This is a result of the locked discount rates at initial recognition used to measure changes in the CSM generally being lower than the current rates used to measure the changes in the fulfilment cash flows as at 31 December 2025 and 31 December 2024. The differences between locked and current rates are mainly due to movements in interest rates between initial recognition dates and the reporting dates.

The sensitivities are broadly symmetric to the equivalent opposite change in the variable shown.

(e) Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group's internal control processes are supported by multi-level governance activities, the maintenance of a central risk register, the ORSA process, scenario and stress testing, and independent Internal Audit review of the Operational Risk Framework and its activities.

All material operational risk types are actively managed through a defined control framework and includes first line owned activities and actions overseen and challenged by the second line.

Third party and outsourcing risk

The Group has significant outsourcing arrangements in respect of pension administration and other functions. These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management. There is a formal Third Party and Outsourcing Framework which contains clear requirements with regard to the onboarding, relationship management and off-boarding of third parties, supported by a specialised third-party management system.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Model risk

Given the Group's business model, there is considerable use of financial models and associated output throughout a range of actuarial and financial reporting processes which expose the business to risk through inappropriate use or poor design. From an operational risk perspective, extensive controls exist to mitigate risks related to model design, integration, operation and change management. This is supported by a specific Model Risk Framework and associated Board-approved policies which provide direction and guidance in this respect. Model risk is overseen by a specialist team within the wider Risk function.

Information security risk

Information security risk is the risk of electronic information security breaches or loss of digital assets. This includes losses arising from internal employees acting carelessly or maliciously with electronic forms of data as well as external threat actors ("attackers") who may target the Group's electronic information and digital assets. Control gaps create risks that attackers can exploit to harm the Group's information and data assets. The Group, or any of its critical third parties, could be subject to a cyber attack by a threat actor using advanced tools, methods, and access paths to harm or disable the Group's systems, network, and sensitive/critical data. A cyber incident could lead to significant loss or corruption of critical and/or sensitive information assets with regulatory fines, and reputational damage.

There are a range of technical and process controls, in line with ISO27001, that are employed to help mitigate information security risk including but not limited to:

- antivirus, malware, phishing, end point, server and firewall protection controls;
- security operations centre and security incident and event management;
- vulnerability scanning and patching;
- ongoing third-party penetration tests;
- backup and restoration processes supported with offsite data centres and tape retention;
- network segmentation;
- incident management team, Business Continuity and Disaster Recovery Procedures; and
- crisis management team with lessons learned and continuous improvement activities.

Business resiliency management risk

Emergency and business continuity plans ("BCP") have also been established to counter adverse occurrences and ensure operational resilience. These plans are tested at regular intervals and the results of these tests are linked closely to the operational risk scenario assessment process. Separate BCP scenarios are also identified and assessed as part of the overall BCP process and drive management actions where identified. Through the Operational Resilience Self-Assessment process, PIC ensures the Board remains highly aware of its Operational Resilience Framework, Important Business Services, and the associated scenario testing programme.

There is an annual operational risk scenario review process in place to examine potential risk impacts caused by both internal and external events. Various scenarios are assessed by appropriate first line subject matter experts, based upon the Operational Risk taxonomy and challenged by the Risk team. Management mitigation actions that are identified as part of this activity are approved through the risk governance process.

(f) Conduct risk

The Group is primarily exposed to conduct risk through its interactions with, and obligations to, its retail customers. Given the demographic of the policyholder base, many policyholders are likely to exhibit characteristics of vulnerability. This requires the Group to support their additional needs where possible such as offering alternative contact channels and methods of communication. Conduct risk is mitigated through extensive controls such as staff training, policies and procedures, quality assurance and contractual service level agreements.

(g) Franchise value risk

Franchise value risk is the risk that the Group fails to meet its long-term value growth objectives which could lead to reputational damage, financial loss or deterioration of the franchise value. It encompasses political risk, reputation risk, financial targets risk, funding risk and sustainability risk.

Notes to the financial statements for the year ended 31 December 2025 (continued)

Political risk

Political risk is the risk of political changes which could impact the markets in which the Group operates. The Group manages political risk by proactive engagement with the UK government and press to influence policy direction. The Group also engages external specialists to gain insight into UK government policy.

Reputation risk

Reputation risk is the risk that the Group as a company, its employees or third parties working on its behalf, act in a way that causes negative publicity or perception leading to key stakeholders not wishing to transact business with the Group. Failure to appropriately manage reputational risk could lead to an inability to meet our strategic objectives, and in turn lead to financial loss/capital impact and destruction of franchise value (including brand value). There are various mitigants against reputational damage such as a strict regulatory regime, strong customer satisfaction and the Group's engagement with external experts on public relations.

Financial targets and funding risk

Financial targets risk is the risk associated with writing new business, sourcing assets or obtaining reinsurance in a timely fashion at an acceptable price, or that there is insufficient liquidity in the markets in which the Group wishes to trade, impacting the Group's ability to meet financial targets. Funding risk is the risk that the Group is unable to source appropriate levels of funding in a timely and cost-effective manner to deliver the Group's strategic objectives as debt repayments are due. These risks are managed as part of the annual business planning process.

Sustainability risk

Sustainability risk is the risk that PIC does not act with responsible business practices which are not aligned to regulatory or stakeholder expectations resulting in financial or reputational loss.

Within this area, climate change risk is key. Climate change risk is defined as the potential for adverse consequences arising from the impacts of climate change, including physical risks arising from climate driven events, and transitional risks arising from the process of adjustment to a low-carbon economy.

Climate change has the potential to drive increases in risk across the Group's risk profile. For example, physical climate change risk could drive:

- Increased credit risk due to disruption to operations and/or supply chains of corporate counterparties;
- Increased market risk due to direct damage to real estate investments resulting in loss of value or reduced attractiveness, or high cost or lack of availability of insurance for investments as a result of increasing likelihood and severity of physical climate risk events; and
- Increased liquidity risk if acute physical climate risk events lead to a reduction in the Group's ability to liquidate real estate or other assets, should the Group desire to exit such holdings.

Further, climate transition risk could drive:

- Increased credit risk due to changes in consumer demand or technological advancements leading to assets becoming stranded, or changes in regulation leading to certain sectors or business becoming less profitable or creditworthy than expected;
- Increased market risk due to increased building regulations and standards leading to a need for additional investment in existing real estate assets;
- Increased liquidity risk if assets become stranded as a result of a transition to a low-carbon economy;
- Increased reputational risk arising from failure to enact or evidence long-term climate actions, leading to increased cost of capital and/or reduced new business volumes; and
- Increased regulatory risk due to failure to comply with a fast-moving regulatory environment.

The Group is continually assessing how its business may be impacted by climate change risk. Importantly, the Group has developed the risk management approach to identify, manage and report climate-related risks to the Board Risk Committee, and ultimately the Board. For systems and processes, the Group includes adaptation or operational disruption caused by physical and transition risk associated with climate change in risk analysis and has actively started engaging with external providers. For the assets it invests in, the Group accepts that some transition risk is inherent in doing business and aims to minimise the physical risk in the portfolio. The Group has performed sensitivity analysis to further understand the impacts that physical and transitional climate change risk could have on the balance sheet, including both high physical risk and high transition risk scenarios.

Notes to the financial statements for the year ended 31 December 2025 (continued)

The Group also calculates a number of metrics to monitor its exposure to climate-related risk, including the Weighted Average Carbon Intensity and the carbon footprint of the investment portfolio.

The Group produces a Climate Report (TCFD), which outlines the approach to managing risks arising from climate change across four key areas: strategy, metrics and targets, risk management and governance, in line with the recommendations of the Task Force on Climate-related Financial Disclosures. Key actions to manage climate change risk include:

- The Group has met its target to reduce the Weighted Average Carbon Intensity of its public corporate credit portfolio by 25% by the end of 2025, and has set targets to reduce the total portfolio Weighted Average Carbon Intensity by 50% by 2030, and to reach net zero across the business by 2050;
- Implementation of a comprehensive responsible investment strategy, taking account of climate change risk in the Group's investment process;
- Engagement with asset managers and investment counterparties to understand their approach to managing climate change risk and suggest improvements where appropriate; and
- Exclusion policies and concentration limits on sectors that the Group considers to have significant transition risk exposure.

As the Group's assets are generally valued based on market sourced prices or by qualified external valuers, the valuations reflect current market sentiment in respect of climate risk. For internally valued assets, such as private loans, climate risk is considered when assessing the credit rating of the asset.

Notes to the financial statements for the year ended 31 December 2025 (continued)

16. Share capital

The authorised, issued and fully paid share capital of the Company is as follows:

	2025		2024	
	Number of shares	£m	Number of shares	£m
Ordinary shares				
Authorised, issued and fully paid				
At beginning of year	1,226,385,310	1,226	1,226,385,310	1,226
Shares at the end of the year	1,226,385,310	1,226	1,226,385,310	1,226

17. Restricted Tier 1 notes

In 2019, PIC issued £450 million of Restricted Tier 1 ("RT1") notes. The notes have been classified as equity as the notes did not impose any obligation on PIC to deliver cash or other financial assets to the holders of the notes because:

- the notes are perpetual, with no fixed redemption or maturity date;
- interest is payable and cancellable at the sole discretion of PIC; and
- interest is non-cumulative.

The interest payments arising are recognised in equity upon payment.

	2025 £m	2024 £m
Restricted Tier 1 notes	444	444

On 25 July 2019, PIC issued £450 million of RT1 debt capital loan notes with a fixed coupon of 7.375% paid semi-annually in arrears. In 2025, the total coupon paid was £33 million (2024: £33 million).

18. Reserves

31 December 2025	Note	Share premium £m	Other reserves £m	Retained profit £m
At beginning of year		524	60	2,048
<i>Total comprehensive income</i>				
Profit for the year		—	—	259
<i>Transactions with owners</i>				
Dividend	8	—	—	(520)
Tier 1 note coupon	17	—	—	(33)
At end of year		524	60	1,754

31 December 2024	Note	Share premium £m	Other reserves £m	Retained profit £m
At beginning of year		524	60	2,195
<i>Total comprehensive income</i>				
Profit for the year		—	—	286
<i>Transactions with owners</i>				
Dividend	8	—	—	(400)
Tier 1 note coupon	17	—	—	(33)
At end of year		524	60	2,048

Other reserves comprise £60 million contributed in 2008 by PIC Holdings Limited, the immediate parent of the PIC Group.

Notes to the financial statements for the year ended 31 December 2025 (continued)

19. Capital resources

The Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and ensure compliance with the relevant financial services regulations, whilst creating shareholder value. The Company's capital resources comprise equity and debt capital. Details of the Company's equity capital resources are provided in Notes 16 to 18. Details of the Company's debt capital resources are provided in Note 13.

The Company is required to measure and manage its capital in accordance with the requirements of Solvency II. There are certain valuation differences between the IFRS Statement of financial position and the Solvency II Statement of financial position, for example, differences between IFRS insurance liabilities and Solvency II technical provisions. Also, under Solvency II, PIC treats the subordinated debt (referred to in Note 17) as regulatory capital. PIC has complied with the capital requirements under Solvency II throughout the year.

The Company currently has sufficient capital resources available to meet all its present capital requirements.

At 31 December 2025, the Company's solvency ratio was 257% (2024: 236%) and it had surplus funds of £4,836 million (2024: £4,691 million) in excess of its solvency capital requirement ("SCR").

	2025 £m	2024 £m
Total IFRS equity as at 31 December	4,008	4,302
Liability valuation differences and other adjustments ¹	2,370	2,110
Total Tier 1	6,378	6,412
Tier 2 debt valuation ²	1,955	1,905
Available Own Funds	8,333	8,317
Tier 2 restrictions to meet SCR ^{2,3}	(412)	(184)
Eligible Own Funds²	7,921	8,133
SCR ²	(3,085)	(3,442)
Solvency surplus²	4,836	4,691
Solvency ratio²	257%	236%

1. Includes insurance and reinsurance contractual service margin £3,968 million (audited) and risk adjustment £229 million (audited), in addition to other valuation differences and adjustments £(1,827) million (unaudited).

2. These balances are unaudited.

3. Tier 2 is restricted to a maximum of 50% of the SCR.

PIC's objectives in managing its capital are:

- to maintain Solvency II capital in excess of the SCR;
- to match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- to maintain financial strength sufficient to support new business growth in line with PIC's business plan;
- to satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- to ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposure to changes in interest and inflation rates by way of a comprehensive hedging programme and to manage exposure to movements in exchange rates.

Under Solvency II, PIC uses an Internal Model to set its statutory SCR. This evaluates market risk, insurance risk, operational risk, expense risk and counterparty risk. In addition, PIC produces an ORSA report annually, which is used to identify all the risks faced by PIC including those not captured within the Internal Model and the report is a summary of all appropriate risk management activities used to identify the forward-looking risks PIC faces over the business planning horizon.

PIC manages its business according to the risk strategy, appetite and tolerances set out in its risk policies. In accordance with this, PIC defines risk appetite limits for solvency and a target level of capital that it wishes to maintain, which PIC regularly monitors and reports. Capital volatility is managed through risk management techniques, including the use of inflation rate, interest rate and currency hedging instruments to reduce exposure to potential adverse market movements. PIC is also able to manage its capital position through the level of new business it writes and its broader investment and reinsurance strategies.

PIC focuses on hedging its Solvency II Statement of financial position through hedging its technical provisions and SCR to manage key exposures such as interest rates risk and inflation risk. PIC aims to remove all foreign exchange risk through cross-currency hedging. Longevity risk is managed through reinsurance, where 89% of exposure has been transferred as at 31 December 2025, based on best estimate liabilities (2024: 82%).

Notes to the financial statements for the year ended 31 December 2025 (continued)

20. Related party transactions

As at 31 December 2025, the Directors regarded Pension Insurance Corporation Group Limited ("PICG"), a limited company incorporated in England and Wales, as the Group's ultimate parent and controlling party.

(a) Transactions with fellow Group undertakings

The Company had the below transactions with its fellow Group undertakings. The recharge includes £19 million relating to remuneration of PIC Directors and key management personnel (2024: £16 million).

	2025 £m	2024 £m
Expense recharge	(304)	(274)

(b) Balances with fellow Group undertakings

The Group had transactions with its fellow PICG Group undertakings as follows:

	Transactions during the year		Balance at 31 December	
	2025 £m	2024 £m	2025 £m	2024 £m
Amounts owed by Group undertakings	(1)	3	10	11
Amounts owed to Group undertakings	(48)	23	(152)	(104)

(c) Capital and dividend transactions with fellow Group undertakings

During the year, the Company had the following capital transactions with its fellow Group undertakings:

	2025 £m	2024 £m
Dividend paid to Group undertakings	(520)	(400)

(d) Other related party transactions

The Company holds 1.48% senior notes in Capital Investors Europe PBI Limited, a company within the CVC Group, which is a significant shareholder of PICG. At 31 December 2025, the par value of the Company's holding was €75 million, down from €150 million at 31 December 2024, following a partial disposal during the year. Investment income during the year amounted to £1 million (2024: £2 million) and the carrying value of the investment at 31 December 2025 was £59 million (2024: £109 million).

The Company holds investments in funds managed by HPS, which is a member of a group that is a significant shareholder of PICG. During the year, the Group made net capital contributions of £9 million (2024: £33 million net capital distribution) and investment income amounted to £18 million (2024: £17 million). As at 31 December 2025, the carrying value of the investments was £173 million (2024: £165 million).

Notes to the financial statements for the year ended 31 December 2025 (continued)

21. Financial commitments and contingencies

Other commitments

During the year, the Group executed transactions to purchase partly-funded private investments. A breakdown of future commitments by year is provided below.

	2025 £m	2024 £m
Within 1 year	75	137
In 1–5 years	419	182
In 5–15 years	—	—
Over 15 years	—	—
	494	319

At 31 December 2025, the Group's maximum commitment under contractual obligations to construct investment property is £36 million (2024: £123 million). The obligations cover a period of up to a year.

At 31 December 2025, the Group's maximum commitment under joint venture agreements is £97 million (2024: £141 million).

22. Parent Company and ultimate controlling party

The Company is a wholly owned subsidiary of PIC Holdings Limited ("PICH"), which is incorporated in England and Wales.

The Directors regard PICG, a limited company incorporated in England and Wales, as the ultimate parent and controlling party. The Company is a member of the PICG Group, for which Group financial statements are prepared. The consolidated financial statements of PICG are available to the public and may be obtained from the Company's registered address at 22 Ropemaker Street, London, EC2Y 9AR.

23. Events after the reporting period

On 3 July 2025, Athora Holding Ltd ("Athora") entered into an agreement to acquire the Group's ultimate parent company, PICG. Regulatory approval has been received at the beginning of March 2026 for the transaction which is expected to complete on or around 27 March 2026. Upon completion, Athora will acquire 100 per cent of the ordinary share capital of PICG.

Company financial statements

Statement of financial position for the Company as at 31 December 2025

	Note	31 December 2025 £m	31 December 2024 £m
Assets			
Investments in subsidiaries	2	545	510
<i>Financial investments</i>		46,128	43,555
<i>Pledged financial investments</i>		9,116	7,837
Total financial investments		55,244	51,392
Derivative and other financial assets		29,395	28,869
Deferred tax asset		248	283
Current taxation		3	13
Reinsurance contract assets		3,793	2,036
Receivables		120	27
Cash and cash equivalents		539	446
Total Assets		89,887	83,576
Equity			
Share capital		1,226	1,226
Share premium		524	524
Other reserve		60	60
Retained profit		1,754	2,048
Total Equity attributable to shareholders		3,564	3,858
Tier 1 notes		444	444
Total Equity		4,008	4,302
Liabilities			
Insurance contract liabilities		50,570	44,303
Borrowings		2,064	2,062
Derivative and other financial liabilities		33,054	32,762
Other payables		161	116
Accruals		30	31
Total Liabilities		85,879	79,274
Total Equity and Liabilities		89,887	83,576

 The accounting policies and notes on pages 113 to 115 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17 March 2026 and were signed on its behalf by:



Dominic Veney

Director

Registered number: 05706720

Company financial statements

Statement of changes in equity for the Company for the year ended 31 December 2025

31 December 2025	Share capital £m	Share premium £m	Other reserve £m	Retained profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total Equity £m
At beginning of year	1,226	524	60	2,048	3,858	444	4,302
<i>Total comprehensive income</i>							
Profit for the year	—	—	—	259	259	—	259
<i>Transactions with owners</i>							
Dividend	—	—	—	(520)	(520)	—	(520)
Tier 1 note coupon	—	—	—	(33)	(33)	—	(33)
At end of year	1,226	524	60	1,754	3,564	444	4,008

31 December 2024	Share capital £m	Share premium £m	Other reserve £m	Retained profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total Equity £m
At beginning of year	1,226	524	60	2,195	4,005	444	4,449
<i>Total comprehensive income</i>							
Profit for the year	—	—	—	286	286	—	286
<i>Transactions with owners</i>							
Dividend	—	—	—	(400)	(400)	—	(400)
Tier 1 coupon	—	—	—	(33)	(33)	—	(33)
At end of year	1,226	524	60	2,048	3,858	444	4,302



The accounting policies and notes on **pages 113 to 115** form an integral part of these financial statements.

Company financial statements

Company statement of cash flows for the year ended 31 December 2025

	2025 £m	2024 £m
Cash flows from operating activities		
Profit for the year	259	286
Adjustments for:		
Interest income	(1,770)	(1,550)
Other investment income	(727)	(492)
Loss on redemption of subordinated debt	—	1
Revaluation of investment in subsidiaries	(2)	42
Finance costs	126	121
Tax expense	75	84
	(2,298)	(1,794)
Changes in operating assets and liabilities		
Increase in financial investments	(3,852)	(4,126)
Increase in derivative and other financial assets	(526)	(892)
(Increase)/decrease in reinsurance contract assets	(1,757)	285
(Increase)/decrease in receivables	(93)	5
Decrease in accruals	(1)	(2)
Increase in insurance contract liabilities	6,267	3,097
Increase in derivative and other financial liabilities	292	1,932
Increase/(decrease) in other payables	45	(18)
	375	281
Cash outflow from operating activities	(1,664)	(1,227)
Interest income received	1,770	1,550
Other investment income	727	492
Taxation paid	(29)	(61)
Net inflow from operating activities	804	754
Cash flows from investing activities		
Additions to investment in subsidiaries	(33)	(112)
Net outflow from investing activities	(33)	(112)
Cash outflow from financing activities		
Interest paid on subordinated debt	(125)	(120)
Coupon on Tier 1 notes	(33)	(33)
Redemption of subordinated debt	—	(225)
Issuance of subordinated debt	—	495
Dividend paid	(520)	(400)
Net outflow from financing activities	(678)	(283)
Net increase in cash and cash equivalents	93	359
Cash and cash equivalents at beginning of year	446	87
Cash and cash equivalents at end of year	539	446



The accounting policies and notes on [pages 113 to 115](#) form an integral part of these financial statements.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

1. Accounting policies

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company's accounting policies are aligned with those of the Group, as set out in the relevant notes to the Group's financial statements, with the only exception to this being Investments in subsidiaries, which are not relevant at Group level.

Investments in subsidiaries are carried at fair value, based on the fair value of the principal assets of the subsidiaries, which are investment properties. See Note 9 of the Group's consolidated financial statements for valuation judgements in relation to investment properties.

See Note 1 of the Group's consolidated financial statements for other material critical accounting estimates used or judgements made by management in the preparation of these financial statements.

The Company has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2024. The Company has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2025. The following amendments have been issued and endorsed by the UK and have had no significant impact on the Company:

- Amendments to IAS 21 Lack of exchangeability: Requires companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendment specifies how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.

Disclosures in relation to the Company's share capital and other reserves are provided in Notes 16 and 18 of the Group's consolidated financial statements.

2. Investments in subsidiaries

The Company's investments in subsidiary undertakings are as follows:

	2025 £m	2024 £m
At the start of the year	510	440
Additions ¹	33	112
Revaluation of investments in subsidiaries	2	(42)
At the end of the year	545	510

1. The additions in the year relate to the funding of investment property construction vehicles. Refer to Note 9 of the consolidated Group accounts for more details.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

Subsidiary undertakings	Registration number	Principal activity	Country of incorporation	% of equity held	Share class
PIC ERM 1 Limited ^{1,2}	12977358	Investment activity	England	100%	Ordinary shares
PIC Properties Limited Partnership ^{1,2}	LP020950	Investment holding entity	England	100%	Partnership
PIC New Victoria Unit Trust		Investment activity	Guernsey	99%	Unit trust
PIC New Victoria Limited Partnership ²	LP020999	Investment activity	England	99%	Partnership
PIC Wiltern Unit Trust		Investment activity	Guernsey	99%	Unit trust
PIC Wiltern Limited Partnership ²	LP021730	Investment activity	England	99%	Partnership
PIC Arbour Unit Trust		Investment activity	Guernsey	99%	Unit trust
PIC Arbour Limited Partnership ²	LP022142	Investment activity	England	99%	Partnership
PIC One Eastside Unit Trust		Investment activity	Guernsey	99%	Unit trust
PIC One Eastside Limited Partnership ²	LP022870	Investment activity	England	99%	Partnership
PIC Real Estate (First St) Limited Partnership ^{1,2}	LP022771	Investment activity	England	100%	Partnership
PIC Real Estate (Ruskin Square) LP ^{1,2}	LP023092	Investment activity	England	100%	Partnership
PIC Real Estate (Cedar) GP Limited ^{1,2}	14599197	General partner	England	100%	Ordinary shares
PIC Real Estate (Cedar) LP ²	LP023076	Investment activity	England	100%	Partnership
PIC Real Estate (Cedar) Nominee Limited ²	14657988	Nominee company	England	100%	Ordinary shares
PIC AH Holdco LLP ¹	OC447009	Investment holding entity	England	99.99%	Partnership
PIC AR SQR LLP ²	OC447015	Investment activity	England	99.99%	Partnership
PIC LSQ Buildco 1 LLP ²	OC447016	Investment activity	England	99.99%	Partnership
PIC SO SQR LLP ²	OC447017	Investment activity	England	99.99%	Partnership

1. Denotes investment held directly by the Company at 31 December 2025.

2. Denotes entities that have claimed exemption from audit by virtue of either section 479A of the Companies Act 2006 or section 480 of the Companies Act 2006 (as applied by The Limited Liability Partnerships) or Regulation 7 of the Partnerships (Account) Regulations.

Subsidiaries incorporated in England are registered at 22 Ropemaker Street, London EC2Y 9AR.

Subsidiaries incorporated in Guernsey are registered at Top Floor, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ.

3. Investments in joint ventures

Joint venture	Principal activity	Country of incorporation	% of equity held	Share class
Senior Living Investment Partners (General Partner) Limited ¹	General partner	England	49%	Ordinary shares
Senior Living Investment Partners Limited Partnership ¹	Investment activity	England	99%	Partnership
Habiko LLP ²	Investment activity	England	33.33%	Partnership

1. Registered at 6th Floor, 33 Holborn, London, United Kingdom EC1N 2HT.

2. Registered at Kent House, 14-17 Market Place, London, United Kingdom, W1W 8AJ.

Company financial statements

Notes to the financial statements of the Company for the year ended 31 December 2025

4. Related party transactions

(a) Transactions with fellow Group undertakings

The Company had transactions with its fellow Group undertakings as follows:

	2025 £m	2024 £m
Distributions from Group undertakings	27	3
Expense recharges	(304)	(274)
	(277)	(271)

(b) Balances with fellow Group undertakings

During the year, the Company had the following balances with subsidiary companies:

	Transactions during the year		Balance at 31 December	
	2025 £m	2024 £m	2025 £m	2024 £m
Amounts owed by Group undertakings	(1)	28	464	465
Amounts owed to Group undertakings	(48)	19	(152)	(104)

(c) Capital and dividend transactions with fellow Group undertakings

During the year, the Company had the following capital transactions with its fellow Group undertakings:

	2025 £m	2024 £m
Equity investment in subsidiary undertakings	(74)	(114)
Dividend paid to Group undertakings	(520)	(400)

As the Company retains substantially all the risks and rewards of ownership of any equity release mortgages transferred to its equity release mortgage vehicle subsidiary, the assets do not meet the derecognition criteria under IFRS and continue to be presented on the Company's Statement of financial position. On this basis, transactions of this nature have been excluded from the disclosures.

(d) Other related party transactions

The Company holds 1.48% senior notes in Capital Investors Europe PBI Limited, a company within the CVC Group, which is a significant shareholder of PICG. At 31 December 2025, the par value of the Company's holding was €75 million, down from €150 million at 31 December 2024, following a partial disposal during the year. Investment income during the year amounted to £1 million (2024: £2 million) and the carrying value of the investment at 31 December 2025 was £59 million (2024: £109 million).

The Company holds investments in funds managed by HPS, which is a member of a group that is a significant shareholder of PICG. During the year, the Group made net capital contributions of £9 million (2024: £33 million net capital distribution) and investment income amounted to £18 million (2024: £17 million). As at 31 December 2025, the carrying value of the investments was £173 million (2024: £165 million).

5. Events after the reporting period

On 3 July 2025, Athora Holding Ltd ("Athora") entered into an agreement to acquire the Company's ultimate parent company, PICG. Regulatory approval has been received at the beginning of March 2026 for the transaction which is expected to complete on or around 27 March 2026. Upon completion, PICG will become a wholly owned subsidiary of Athora. Please refer to Note 23 of the Group's financial statements for further details.

Alternative performance measures

The Group uses a range of alternative performance measures ("APMs") to assess the financial performance and position of the Group. These APMs are measures which are not defined by IFRS regulations but provide stakeholders with additional information to understand the performance or position of the Group. However, APMs should be viewed as complementary to, rather than as a substitute for, the unadjusted IFRS measures.

Of the APMs defined below, AOPBT, EOF and Solvency ratio are also strategic KPIs. Note that KPIs are broader in scope and include non-financial performance measures, such as Financial Strength rating and Policyholder satisfaction.

The key APMs used by the Group are listed below and reconciliations to their closest IFRS measure are included in the Chief Financial Officer's review. The calculation of each APM is consistent with previous periods unless stated otherwise.

Measure	Definition	Rationale	Reconciliation to IFRS results
Adjusted operating profit before tax ("AOPBT")	AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities, which include the writing and management of pension insurance contracts and the management of risk through reinsurance. During the year, AOPBT has been redefined to include the impact of investment-related management actions to better reflect the core operating performance of the business.	AOPBT provides a clear view of profitability arising from the Group's core activities while also incorporating management decisions that directly influence the generation of value. This includes the writing and management of pension insurance contracts, as well as investment-related management actions, and therefore includes the economic value created from new business written in the period prior to its deferral and subsequent release through the Contractual Service Margin ("CSM").	A reconciliation is provided in the Strategic Report section on page 6.
Adjusted equity	Adjusted equity is calculated as total IFRS equity plus CSM (net of reinsurance and tax) less the value of Restricted Tier 1 ("RT1") debt.	Adjusted equity is an important valuation metric which includes the Group CSM (net of reinsurance and tax) representing the Group's future store of profit which is expected to unwind into profit over the life of the contract. The metric provides a more comprehensive and forward-looking representation of the Group's equity, aligning more closely with its long-term value.	A reconciliation to the total IFRS equity is provided in the Strategic Report section on page 5.
Equity own funds ("EOF")	EOF is defined as own funds available to meet the SCR less the notional value of RT1 and Tier 2 debt.	EOF is a shareholder view of the Group's Solvency II own funds after deducting hybrid debt and aligns to the way the business is managed. It is a measure of the long-term value of the Group and is reported extensively in internal and external reporting.	A reconciliation to the IFRS results is provided on page 11.
Solvency ratio	Solvency ratio shows the ratio of eligible capital to required capital, which is defined as our eligible Own Funds as a percentage of Solvency Capital Requirement ("SCR").	The solvency ratio is a regulatory capital measure and represents the number of times the capital required to withstand a 1-in-200 year event is covered by eligible own funds. It is a key metric that demonstrates the Group's financial strength and is calculated using the Group's internal model which reflects the risk profile of the Group and is approved by the Prudential regulation authority.	It is not possible to derive from IFRS results however further details provided in note 19 Capital resources of the Group's consolidated financial statements on page 107.
Solvency surplus	Solvency surplus measures the surplus of available capital above required capital, which is defined as Own Funds less Solvency Capital Requirement.	The Group considers this metric to be vital for stakeholders as it demonstrates the Group's ability to maintain a robust solvency position and a strong capital base, while navigating market volatility and regulatory changes, thereby protecting the interests of policyholders and creditors.	It is not possible to reconcile to the IFRS results however further details provided in note 19 Capital resources of the Group's consolidated financial statements on page 107.

Glossary

Term	Definition
Adjusted equity	Adjusted equity is an alternative performance measure ("APM") to assess the financial performance and position of the Group. Equals total equity plus contractual service margin ("CSM") net of reinsurance and tax less the value of RT1 debt.
Adjusted operating profit before tax ("AOPBT")	AOPBT reflects the IFRS result relating to core business activities, alongside certain management choices and decisions around those activities. This metric reflects value generated prior to the new business deferral and subsequent in-force release of profit via CSM and excludes economic and other non-operating variances.
Alternative performance measure ("APM")	An alternative metric to statutory financial measures, used to assess financial performance and position of the Group.
Annuity	A type of insurance policy that pays out amounts of benefit to the policyholder for the remainder of an insured individual's lifetime and, in certain cases, that of their spouse and/or dependants. 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 or on a bulk purchase basis for groups of individuals.
Best estimate liabilities ("BEL")	The BEL represents the value of future liability and expense cash flows. It is based on realistic assumptions with no prudent margins (other than in the default and downgrade assumptions stipulated for the calculation of the Solvency II valuation discount rate) and is calculated using well-established actuarial and statistical methods.
Buy-in	An annuity policy bought by trustees that is an asset of the scheme and helps manage their ongoing liabilities. The trustees and scheme remain in place and the administration stays the responsibility of the trustees.
Buyout	Annuities bought in bulk, covering all the scheme's liabilities. The scheme typically winds up and members become PIC policyholders. The Group also takes on responsibility for ongoing administration alongside payment of policyholders' pensions.
Carbon intensity	Defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) expressed as emissions per \$ million revenue.
Carbon neutral	A company is considered to be carbon neutral if its operations result in no net release of carbon dioxide into the atmosphere, allowing for the purchase of carbon removal or carbon avoidance credits.
CO₂e	Carbon dioxide equivalent.
Consumer Duty	The FCA's Consumer Duty requires UK insurance firms to act to deliver good outcomes for retail customers, particularly for vulnerable customers. Firms must regularly monitor and demonstrate compliance with these obligations.
Contractual service margin ("CSM")	A component of the IFRS liability for a group of insurance contracts representing the unearned profit that will be recognised as the insurance services are provided. A reinsurance CSM asset or liability is held for contracts in either a net gain or net cost position.
Credit rating	A measure of an individual's, organisation's or country's creditworthiness, including their ability to repay debt.
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.
Derivatives	Derivatives are securities that derive their value from an underlying asset or benchmark. The Group uses derivatives to hedge out certain market risks, in particular inflation, interest rates and currency risks associated with both new and existing business.
Equity own funds ("EOF")	EOF is a shareholder view of the Group's Own Funds after deducting the notional value of RT1 and Tier 2 debt and aligns to the way the business is managed.
Equity release mortgages ("ERMs")	Equity release mortgages enable a homeowner aged 55 or older to draw a lump sum or regular smaller lump sums from the value of their home, whilst remaining in their home.
Financial Conduct Authority ("FCA")	The FCA is the regulatory body in the UK responsible for overseeing the conduct of financial services firms.
Financial investments	Represents all assets actively managed or administered by or on behalf of the institution including those assets managed by third parties.

Glossary (continued)

Term	Definition
Fitch Insurer Financial Strength Rating	An independent opinion of an insurer's financial strength and ability to meet its ongoing insurance contractual obligations.
Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the insurer fulfils insurance contracts, including a Risk Adjustment ("RA") for non-financial risk.
Funded reinsurance	Funded reinsurance is a form of collateralised quota share reinsurance contract which transfers part, or all of the asset and liability risks associated with a portfolio of annuities to a third party.
Greenhouse gas ("GHG") emissions	Gases released into the Earth's atmosphere that increase the surface temperature and contribute to climate change.
Gross premiums written (new business)	The premium acquired from new policies by an insurance company within a specific period or a transition. This is comparable with the IFRS statutory new business insurance contract measure of 'Estimates of present value of cash inflows'.
In-force	Business written before the period end and still active at the period end.
Insurance acquisition cash flows	Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.
Internal Model	For Solvency II reporting, a bespoke model used by an insurer to determine the Solvency Capital Requirement ("SCR") for its quantifiable risks. A firm must have obtained appropriate permissions from the PRA to use an Internal Model.
International Financial Reporting Standards ("IFRS")	UK endorsed International Financial Reporting Standards, which are issued by the International Accounting Standards Board.
Key performance indicator ("KPI")	A measurable value that demonstrates how effectively an organisation is achieving its key business objectives.
Longevity	A measure of how long policyholders, or pension scheme members will live.
Long Term Incentive Plan ("LTIP")	The part of remuneration designed to incentivise senior executives to deliver long-term sustained performance consistent with the Group's risk appetite through an award of shares with vesting dependent on performance against a Group equity own funds target, with a Solvency II coverage underpin.
Matching Adjustment ("MA")	The matching adjustment is an upward adjustment to the risk-free rate where insurers hold certain long-term assets with cash flows that match the liabilities. A firm must have obtained appropriate permissions from the PRA to apply the MA to eligible assets and liabilities.
Own Funds	Own Funds represent the equity base of an insurer under the Solvency II regime. Own Funds can be classified as 'basic Own Funds', 'eligible Own Funds' or 'ancillary Own Funds' and are structured into Tiers (Tier 1, Tier 2 and Tier 3).
Pension risk transfer ("PRT") (or bulk annuity)	An agreement through which a defined benefit pension scheme seeks to remove some or all of its obligation to pay guaranteed post-retirement benefits by transferring these obligations to an insurer.
Plain English Campaign	A UK commercial editing and training firm which encourages the use of clear language in public information so that the information can be readily understood.
Policyholder	An individual who holds an insurance policy with an insurer. For bulk annuity forms, this is typically through a buyout where the administration of an individual's policy has been transferred from the pension scheme to the insurer.
Private investments	Unlisted private and bilateral loans between an insurer and one or more investment counterparties. Private investments include investments such as physical assets (e.g. infrastructure, social housing, student accommodation, housing associations amongst other investments) and other bilateral loans.
Prudential Regulation Authority ("PRA")	The PRA is a part of the Bank of England and is responsible for the prudential regulation of banks, building societies, credit unions, insurers and major investment firms.
Reinsurance	Insurance that is sold or purchased from another insurance company.

Glossary (continued)

Term	Definition
Risk adjustment for non-financial risk ("RA")	The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfils insurance contracts.
Risk appetite	Risk appetite is the level of risk that a company is willing to take (or accept) in its business activities in order to meet its strategic objectives.
Risk margin ("RM")	The RM calculation, which is prescribed under the Solvency II regulations, is intended to represent the amount that a notional third party would require in order to take over the liabilities and have sufficient capital to support them over the lifetime of those liabilities.
Scope 1, 2 and 3 emissions	Greenhouse gas emissions are categorised into three 'scopes'. Scope 1 covers emissions that are directly generated by a company. Scope 2 covers emissions that are created by the generation of the electricity or heat needed by the company to sell its main products or provide its main services (indirect emissions). Scope 3 covers emissions caused by the entire value chain (indirect emissions).
Solvency II (or Solvency UK)	The regulatory regime which intends to align the solvency capital to an insurer's risk profile. Following reform of the risk margin at end of 2023, during 2024, HM Government put in place the remaining legislation and the PRA published its final policy for the new UK solvency regime, which took effect on 31 December 2024. In this report, 'Solvency II' and 'Solvency UK' are used interchangeably to refer to the PRA's post reform regulatory framework, which remains largely based on Solvency II.
Solvency Capital Requirement ("SCR")	The SCR represents the capital that an insurer needs to hold against their quantifiable risks to be able to meet their obligations for the following 12 months, following a 1-in-200 year adverse event. It can also be defined as the capital requirement to meet obligations over the following 12 months with a 99.5% confidence.
Solvency ratio	The solvency ratio is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the ratio of available capital to required capital, which is defined as eligible Own Funds as a percentage of the Solvency Capital Requirement.
Solvency surplus	The Solvency surplus is a regulatory capital measure that demonstrates an insurer's financial strength. It shows the surplus of available capital above required capital, which is defined as eligible Own Funds less Solvency Capital Requirement.
Standard formula	A set of risk-based mathematical formula used by insurers to calculate their SCR under Solvency II. The standard formula is intended to be appropriate for use by most insurers, although firms may obtain permission from the PRA to use an Internal Model that better suits the firm's risk profile.
Subordinated debt	A fixed interest bond issued by an insurance company. Subordinated debt ranks below other debt in order of priority for repayment in a situation where the issuer defaults or is liquidated.
Surplus generation	Surplus generation measures the amount of surplus capital generated in the year, being the excess of eligible Own Funds over the Solvency Capital Requirement.
Technical provisions ("TP")	The value of technical provisions on the Solvency II basis is equal to the sum of the Best Estimate Liabilities and a Risk Margin.
Transitional measure on technical provisions ("TMTP")	The TMTP allows firms to smooth the transition from the previous regulatory regime to the Solvency II regime via a deduction to the technical provisions on the solvency balance sheet, subject to receiving the appropriate permissions from the PRA. The TMTP only applies in respect of business that was in force at 31 December 2015. The TMTP decreases to zero over 16 years.
Trustee(s)	A Trustee is an individual or company, acting separately from the employer, who holds assets in the trust for the beneficiaries of the pension scheme. Pension scheme trustees are obliged to act in the best interests of the scheme members.
Yield	A measure of the income earned from an investment over a set period of time, most often in the form of interest or dividend payments.

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