For the future.

Pension Insurance Corporation plc
Half Year Report 2026

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, prosperous lives and a dynamic economy.

For policyholders, for families, for communities.

For the future.

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Pension Insurance Corporation plc ("PIC" or the "Group") 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 22 Ropemaker Street, London EC2Y 9AR. References to Pension Insurance Corporation plc ("PIC" or the "Group") refer to PIC and its consolidated subsidiaries. References to Athora Holding Ltd (the "Athora Group" or "Athora") refer to the consolidated Athora Group, of which PIC is a subsidiary.

Half year to 30 June 2026 highlights

Solvency ratio[1]

HY 2026
263%
FY 2025: 257%

Equity own funds[1]

HY 2026
£5,426m
FY 2025: £5,807m

Gross premiums written

HY 2026
£258m[3]
HY 2025: £1,067m

Profit before tax[2]

HY 2026
£783m
HY 2025: £179m

Adjusted operating profit before tax[1,2]

HY 2026
£528m
HY 2025: £311m

Adjusted equity[1,2]

HY 2026
£6,497m
FY 2025: £6,648m

Financial investments

HY 2026
£54.4bn
FY 2025: £54.8bn

Policyholder satisfaction

HY 2026
99.3%
FY 2025: 99.0%

Fitch rating

A+
In July 2026, Fitch affirmed PIC's A+ (Strong) Insurer Financial Strength rating

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 26.
2. 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora. The cumulative net impact on Total equity is not significant. See Note 1 for further details.
3. A further £1.7 billion of premiums were completed or in exclusivity in the two months to the end of August 2026.

In this report, Solvency UK refers to the UK prudential regulatory framework effective from 31 December 2024. Solvency II is retained in certain results and metrics in line with Prudential Regulation Authority ("PRA") guidance and established market practice.

Recent awards

PENSIONSAge AWARDS 2025 WINNER
RISK MANAGEMENT PROVIDER OF THE YEAR

ServiceMark with Distinction
Accredited from Feb'24 to Feb'27
The Institute of Customer Service

Environmental Finance
Sustainable Investment Awards
2025 Winner
Re/insurer of the year

The Institute of Customer Service
UK Customer Satisfaction Awards 2025 WINNER

INVESTORS IN PEOPLE®
We invest in people Gold

INVESTORS IN PEOPLE®
We invest in wellbeing Standard

Chief Executive Officer's review

Positioned for the next chapter.

The first half of 2026 has been a period of positive and significant change, underpinned by our continued strength and resilience. We completed the transition to new ownership under Athora, continued to deliver for policyholders and clients, and maintained a very strong balance sheet in a market which continues to be competitive.

The completion of Athora's acquisition of PIC at the end of March was the most significant ownership change in PIC's history. It gives us a single strategic owner, backed by permanent capital, and creates an opportunity to build further on the strengths that have made PIC successful over the last 20 years: our purpose, our customer service, our investment discipline and our people.

The planned relocation of Athora's headquarters to the UK by late 2027 is also important. Together, PIC and Athora already have a substantial presence in London, and the move reinforces the UK's role as a centre for long-term savings, retirement and insurance expertise.

Our industry now secures the pensions of millions of people and has hundreds of billions of pounds invested in the UK, including in infrastructure, energy, and housing. This creates jobs, boosts economic growth, and supports local and combined authorities as they regenerate their areas.

New business

The pension risk transfer market remains fundamentally attractive with funding levels across defined benefit schemes continuing to support strong demand for buy-ins and buyouts. While H1 volumes were more weighted towards smaller and mid-sized transactions, the long-term drivers of the market remain firmly in place.

Against that backdrop, PIC has remained focused on disciplined growth, strong client execution and maintaining the balance sheet strength which underpins long-term policyholder security. Our priority is to maintain pricing discipline, write business which meets our standards for value, risk and service, while continuing to support trustees and sponsors as they plan their journey to buyout.

PIC completed £0.3 billion of new business to June 2026 and further completed or agreed exclusivity for £1.7 billion in the two months to the end of August. In the first half of the year we transacted with six schemes, including announced deals with the Associated Board of the Royal Schools of Music Pension Scheme, Royal Institute of British Architects 1974 Staff Pension Scheme, and Dr Martens Airwair Group Pension Plan.

Financial performance

At half year, PIC's Solvency Ratio was 263% (31 December 2025: 257%) reflecting the operating surplus generated in the period and the actions taken to optimise and de-risk the asset portfolio. This is a strong position and gives the business protection against the market volatility we have become used to, as well as the capacity to support attractive pension risk transfer opportunities as they emerge. At half year, our portfolio stood at £54.4 billion, (31 December 2025: £54.8 billion), the small decrease is due to pensions paid in the first six months of the year, partly offset by investment returns and premiums received, with insurance liabilities of £50.0 billion (31 December 2025: £52.1 billion).

Customer Service

To date, PIC has paid almost £21 billion in pension payments to its policyholders. As at the end of June 2026, PIC had a customer satisfaction rating of 99.3%. This is an amazing achievement which our team are rightly proud of.

This is only possible through teamwork with our clients and specialist partners, and a relentless focus on excellent outcomes for clients and policyholders. We were particularly pleased to complete the buyout of all 36,000 members of the Rolls-Royce UK Pension Fund, just 11 months after signing the £4.3 billion full buy-in with the Trustee. That transition was complex and important as it included the establishment of a dedicated administration office in Derby and met all the day-one operational commitments made to the Trustee and the PIC Board.

Investments

Investment markets remained volatile through the first half, with continued strong demand for high-quality, long-term assets. In this environment, PIC has remained focused on maintaining the quality, resilience and cash flow matching characteristics of the portfolio, consistent with our purpose of paying the pensions of our policyholders over many decades.

We have continued to invest selectively in assets which align with our long-term liabilities and support policyholder security. This includes investment grade assets across both public and private markets, alongside ongoing portfolio management to ensure the asset portfolio remains well positioned for different market conditions. Including our gilt holdings, PIC has £31.7 billion invested in the UK economy.

We also continue to believe in the long-term investment opportunity that private credit presents. Insurers like PIC, with a low tolerance for risk and non-callable liabilities, are the right investors in these secure, long-term, investment grade assets. They provide us with UK inflation exposure, have underlying security, and importantly, the cash flows can be sculpted to exactly match our liability cash flows which is important because it is not always possible to do this in the listed markets.

Over time, Athora's strategic asset management relationship with Apollo Global Management should broaden the range of opportunities available to PIC, particularly in long-term, secure, investment grade assets which are well suited to our liabilities. We will approach this opportunity in the same way as we have always approached investment decisions: carefully, thoughtfully and with policyholder security at the centre.

Chief Executive Officer's review (continued)

Last year the life insurance sector underwent the Bank of England's Life Insurance Stress Test exercise, designed to see how balance sheets reacted in periods of significant market stress. We coped remarkably well, demonstrating the benefits of a sophisticated risk management framework and governance process. We also welcome the Bank of England's System-wide exploratory scenario ("SWES") exercise, which is currently running, and which is looking at the private markets and how they might react in a prolonged economic downturn. We remain confident in the quality of our asset book.

Our People

I want to thank everyone at PIC for the way they have responded during a period of considerable change. H1 included the completion of the Athora transaction, leadership transition, continued market pressure, and significant work across investments, operations, technology and customer service. The commitment, professionalism and teamwork of PIC colleagues has been outstanding.

Conclusion

PIC has completed the first half of 2026 in great shape. We have completed a major ownership transition, maintained balance sheet strength, continued to deliver excellent customer outcomes and taken disciplined decisions in an active and competitive market. The second half will require the same focus: growing selectively, continuing to protect policyholder security, and supporting our people through the next stage of PIC's development.

Dom Veney
Interim Chief Executive Officer

Pensions paid

H1 2026

£1.4bn

Financial investments

HY 2026

£54.4bn

Policyholder satisfaction

HY 2026

99.3%

Key performance indicators

Measuring our success.

We maintain three strategic objectives: to continue building a secure and sustainable business; to carry on leading as a responsible corporate citizen; and to keep on driving long-term value growth.

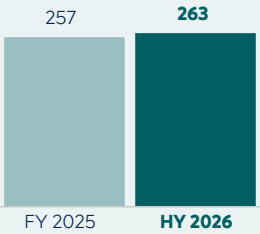
Our six KPIs are aligned to our strategic objectives and will be reviewed annually to ensure they remain an effective measure of progress against our ambitions.

The Group also uses a range of 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.

For more information on our APMs, see **page 26**

To continue building a secure and sustainable business

Solvency ratio[1] %



Definition

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 Solvency Own Funds as a percentage of Solvency Capital Requirement ("SCR").

Performance

Our balance sheet remains extremely well capitalised with a solvency ratio of 263% at HY 2026 (FY 2025: 257%), reflecting the operating surplus generated in the period and the actions taken to optimise and de-risk the asset portfolio.

This strength provides security for our policyholders, supports our ability to compete for the strong pipeline of new business and enabled an interim dividend of £400 million to be paid in May 2026.

Fitch Insurer Financial Strength rating

A+

(2025: A+)

Definition

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 of PIC.

Performance

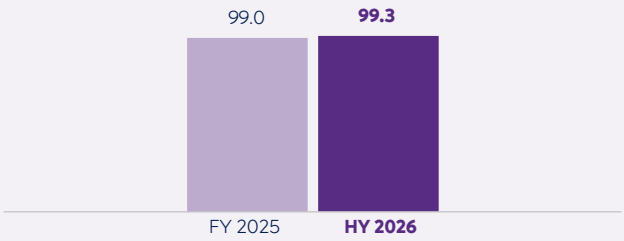
In July 2026, Fitch Ratings affirmed PIC's Insurer Financial Strength rating at 'A+' (Strong) (31 December 2025: A+) and PIC's long term Issuer Default rating at 'A' (31 December 2025: A), both with a 'Stable' outlook. This impartial assessment demonstrates the financial strength of the Group and delivery against our strategic objective, to continue building a secure and sustainable business.

1. Solvency ratio, Equity own funds and Adjusted operating profit before tax are APMs. Please refer to the Alternative Performance Measures section on page 26 for further details.

Key performance indicators (continued)

To carry on leading as a responsible corporate citizen

Policyholder satisfaction %



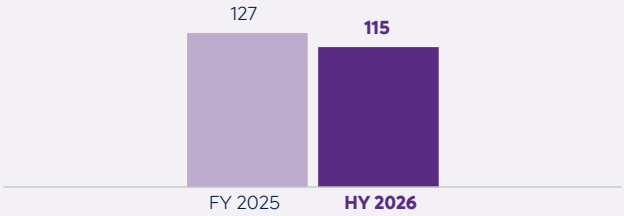
Definition

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.

Performance

We maintain extremely high levels of policyholder satisfaction as demonstrated by overall satisfaction scores at 99.3%.

Carbon intensity tCO_2e/$m revenue



Definition

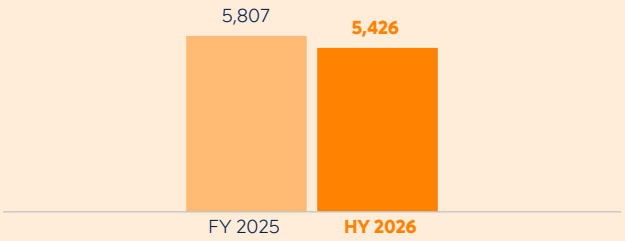
Managing climate risk is firmly embedded into our business and the carbon intensity of our investment portfolio (defined as the Weighted Average Carbon Intensity ("WACI") (Scope 1 and 2) in emissions per $ million revenue) is a key metric. This is monitored by PIC to ensure our externally published emissions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

Performance

The carbon intensity of our investment portfolio reduced to 115 tCO_2e/$m revenue in the six months to June. This continued reduction demonstrates further progress in reducing the emissions intensity of the portfolio and means that we remain below the level required to meet our 2030 decarbonisation target (144 tCO_2e/$m).
While this represents positive progress, we do not expect decarbonisation to follow a linear pathway and will continue to monitor portfolio performance closely. We remain focused on engagement with our most carbon-intensive investees, supported by a forward-looking investment strategy to help strengthen the resilience of the portfolio and support the mitigation of climate-related risks over the long term.

To keep on driving long-term value growth

Equity own funds[1] ("EOF") £m



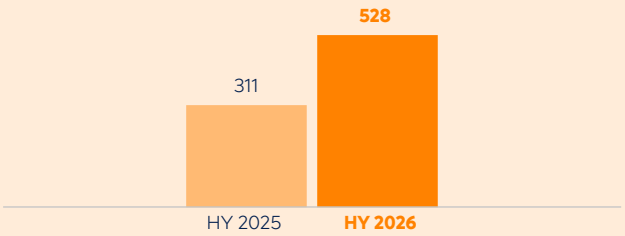
Definition

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

Performance

EOF was £5.8 billion at HY 2026, before the impact of the 2026 dividend, and broadly in line with FY 2025 (£5.8 billion). Growth from the in-force book and surplus assets was offset by financing and project costs alongside adverse economic conditions. Asset optimisation and de-risking activities in the first half were targeted at improving surplus and capital resilience and had a slightly negative impact on EOF. After payment of the dividend, EOF ended the period at £5.4 billion.

Adjusted operating profit before tax[1,2] ("AOPBT") £m



Definition

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 economic variances.

Performance

In the first half of 2026, AOPBT was £528 million (30 June 2025: £311 million). This increase is largely due to aligning our estimation techniques with Athora, partly offset by a lower contribution from management actions which were primarily focused on solvency benefits, and one-off costs associated with the integration with Athora.

2. 31 December 2025 and 30 June 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

Customer care

For confidence beyond the transaction.

We know from trustees that customer service is an increasingly important part of the decision-making process alongside price, particularly as improved scheme funding levels create greater flexibility.

Trustees want confidence that their members will receive consistently high standards of service for the long term, that the journey from buy-in to buyout will be well managed, and that the insurer they choose can move at pace while maintaining accuracy, continuity and care. PIC continues to invest in and strengthen our customer propositions, with a clear focus on ensuring our service remains market-leading as we grow and support an increasing number of policyholders. Our responsibilities to our policyholders make this not only a commercial focus but speaks to the very heart of our purpose – to look after and pay the pensions of our current and future policyholders.

Our success with the Rolls-Royce transaction demonstrates this at scale, and we apply the same principles to all of our policyholders and trustee clients. We support schemes of all sizes with the same focus on reliable delivery, supportive, accessible service, clear communications and positive member outcomes to deliver a trusted customer experience.

Our customer model is central to that commitment. Although we work with specialist third-party administration partners, responsibility for customer outcomes remains with PIC. The front-line teams supporting PIC policyholders are dedicated to PIC and operate to PIC's model and standards, with our oversight, governance and customer service expectations embedded into the way they work. This allows us to offer trustees the reassurance that members will receive a consistent PIC experience, supported by clear processes, responsive service and transparent performance management.

John Hancox
Proud PIC policyholder

The strength of that model is reflected in our customer metrics, including continued high policyholder satisfaction, fast response times and low complaint levels, which we've maintained over the last ten years. These statistics are not standalone measures: together they show how PIC delivers on its purpose in practice, paying pensions securely while making it easy for policyholders to contact us, understand their benefits and receive support when they need it. For trustees, they provide tangible evidence that they can trust that their members will be treated with care and consideration long after a transaction completes.

Number of policyholders

432,900

Customer satisfaction

99.3%

Low reportable complaints per 1000 policyholders[1]

0.69

1. Reportable complaints to the Financial Conduct Authority.

Customer care (continued)

Case study: **Rolls-Royce UK Pension Fund**

For excellent policyholder transitions.

In July 2026, we completed the buyout of all 36,000 members of the Rolls-Royce UK Pension Fund, just eleven months after signing a £4.3 billion full buy-in with the Trustee. The pace and quality of this transition demonstrates the strength of PIC's operating model and our ability to give trustees a clear, deliverable route from transaction to buyout, with members landing securely as PIC policyholders.

Excellent customer service is central to PIC's purpose and to the long-term value we provide for policyholders. The Rolls-Royce transaction extended that service commitment to a further 36,000 policyholders, while preserving the standards, continuity and digital focus that members were used to under the Fund. To support this, we appointed Brightwell as our administration partner, with a dedicated office established in Derby and the existing Rolls-Royce administration team transferring to Brightwell, retaining valuable expertise and a strong local presence.

This transaction provides a practical example of how a large and complex scheme can move from buy-in to buyout quickly, whilst retaining enhanced focus on member experience. The successful onboarding was underpinned by detailed preparation, expert partners, close collaboration with the Trustee and sponsor, and a clear transition plan covering how members would be supported before, during and after becoming PIC policyholders. That clarity gave all parties a shared runway and a well-defined landing point, helping to maintain confidence throughout the process.

Liz Airey, Chair of Trustees, Rolls-Royce UK Pension Fund, said: "This has been an exceptionally smooth transition process, a remarkable achievement given the size of the scheme and the complexity of moving the administration at the same time. I want to thank the whole team at PIC and Brightwell for their focus on the needs of the members. I have no doubt that we made the right choice and that the members will be exceptionally well looked after as PIC policyholders."

This has been an exceptionally smooth transition process, a remarkable achievement given the size of the scheme and the complexity of moving the administration at the same time.

Liz Airey Chair of Trustees, Rolls-Royce UK Pension Fund

Investments

Building resilience through economic cycles.

At 30 June 2026, PIC's financial investments totalled £54.4 billion, compared with £54.8 billion at 31 December 2025. Insurance liabilities totalled £50.0 billion at 30 June 2026 (31 December 2025: £52.1 billion).

Our investment strategy remains focused on assets that provide predictable cash flows to match policyholder pension payments over the coming decades. We invest predominantly in high-quality fixed income assets that we are confident can hold through market volatility and economic cycles. During the period, we continued to strengthen the portfolio by reducing credit exposure where valuations did not adequately compensate us for risk, increasing overall credit quality, and investing more in sovereign debt, particularly gilts.

As part of the Athora Group we now have access to increased supply of investment grade credit, especially through Athora's strategic partnership with Apollo Global Management. Whilst this gives PIC access to broader expertise and investment capabilities across multiple asset classes and geographies, our investment decisions continue to be made within PIC's established risk appetite and governance frameworks.

As a long-term business, PIC remains committed to a sustainable investment approach which prioritises our purpose.

Our portfolio

At 30 June 2026, our investment in government bonds stood at £26.3 billion (48%) (31 December 2025: £24.2 billion (44%)) of the portfolio. Our holdings of corporate bonds reduced to £11.4 billion from £13.5 billion and our holdings in private debt increased from £10.7 billion to £10.8 billion. The average rating of the portfolio remained A+.

No single counterparty, other than government bond exposures, represents more than 0.9% of the portfolio at 30 June 2026 (31 December 2025: 0.8%). Corporate and government bonds represented 69.2% of the portfolio (31 December 2025: 68.8%). PIC had no defaults in the period.

Credit markets

Credit spreads remained narrow during the first half of 2026, with valuations continuing to look expensive in a number of markets. We therefore maintained pricing discipline, participated selectively, and continued to reduce risk where the prospective return did not justify the exposure. This included reducing holdings in some cyclical sectors and increasing the quality of the remaining credit portfolio. The volume of corporate credit held by PIC reduced over the period, while our allocation to government bonds increased.

Investments (continued)

Geopolitical developments and renewed inflation concerns also contributed to market uncertainty during the period. Disruption to global energy and supply routes due to the Iran conflict and actions around the Strait of Hormuz reinforced the importance of maintaining a well-diversified portfolio and a robust hedging strategy. This is especially true as higher input and financing costs can place pressure on borrowers where revenues do not rise at the same pace. However, we are confident that the portfolio is well positioned given its performance during the high-inflation environment that followed the pandemic, remaining resilient, with no major disruption.

Average rating of portfolio

A+

Financial investments

£54.4bn

Private markets

In private markets, we have remained selective as the portfolio and investment strategy evolve. We continued to participate where assets met our requirements for credit quality, structure and value, while reducing exposures where this improved the risk-return profile of the portfolio.

PIC's current exposure to Business Development Companies, a type of specialised, closed-end investment vehicle, is limited to £161 million and held within the private portfolio through investment-grade lending at fund level. This differs from direct exposure to the underlying, often lower-rated, corporate loans, which have come under some market scrutiny. Recent market concerns have focused in part on the liquidity mismatch that can arise where investors expect to redeem from funds holding less liquid private assets. Our credit assessment therefore considers both the quality of the underlying assets and the strength of the structure through which we invest.

Sustainability

As a long-term business, PIC remains committed to a sustainable investment approach which prioritises our purpose. Integrating sustainability into our investment processes and adopting a long-term view to investment themes is the right risk management approach for buy-and-hold investors.

Stewardship remains a focus for PIC. We regularly engage with investee counterparties on a range of topics such as decarbonisation strategies and human rights in supply chains. We are proud to have retained our status as a UK Stewardship Code signatory for the fourth consecutive year.

Finally, we have continued to make strong progress with the decarbonisation of our portfolio, achieving a 60% decrease in the WACI of our whole investment portfolio compared with our 2019 baseline. This surpasses our 2030 target of a 50% reduction. We would not expect progress to be linear and remain focused on maintaining this progress over time. We continue to focus on investing in assets with the right credit profile, taking into account investee counterparties' approach to the climate transition as part of our credit assessment.

Investments (continued)

Financial assets by credit rating

30 June 2026	AAA £m	AA £m	A £m	BBB[2] £m	BB or below £m	Unrated £m	Total £m
Financial investments – *at fair value through profit or loss ("FVTPL"):*							
Debt securities[1]							
– Government bonds	**714**	**21,159**	**3,519**	**862**	**–**	**–**	**26,254**
– Corporate bonds	**897**	**2,816**	**4,021**	**3,630**	**2**	**–**	**11,366**
– Private investments	**86**	**3,228**	**3,629**	**3,656**	**173**	**6**	**10,778**
Mortgage-backed securities and Asset-backed securities	**23**	**14**	**173**	**43**	**–**	**–**	**253**
Equity release mortgages	**–**	**–**	**–**	**–**	**–**	**1,034**	**1,034**
Participation in investment schemes	**–**	**–**	**–**	**–**	**–**	**2,826**	**2,826**
Participation in liquidity funds	**1,847**	**–**	**–**	**–**	**–**	**–**	**1,847**
Total financial investments	**3,567**	**27,217**	**11,342**	**8,191**	**175**	**3,866**	**54,358**
Other financial assets – *at FVTPL*							
Derivative and other financial assets	**–**	**–**	**–**	**–**	**–**	**28,819**	**28,819**
Other financial assets – at amortised cost							
Receivables	**–**	**–**	**–**	**–**	**–**	**516**	**516**
Cash and cash equivalents	**–**	**352**	**336**	**–**	**–**	**–**	**688**
Total other financial assets	**–**	**352**	**336**	**–**	**–**	**29,335**	**30,023**

1. Within Debt securities, there are £86 million AAA rated, £2,020 million AA rated, £2,409 million A rated, £1,668 million BBB rated and £115 million BB or below rated securities, which have been rated using internally assessed credit ratings.
2. Within the BBB rated Financial investments, there are £1,205 million of BBB- rated assets.

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 £4m 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.

Investments (continued)

Corporate securities and private investments split by country/region of issuance

30 June 2026

Country	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
UK	**4,210**	**37.0**	**6,223**	**57.7**	**10,433**	**47.0**
US	**4,635**	**40.9**	**1,382**	**12.8**	**6,017**	**27.2**
Europe	**1,596**	**14.0**	**3,135**	**29.1**	**4,731**	**21.4**
Rest of the world	**925**	**8.1**	**38**	**0.4**	**963**	**4.4**
Total	**11,366**	**100.0**	**10,778**	**100.0**	**22,144**	**100.0**

31 December 2025

Country	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
UK	5,438	40.2	6,476	60.6	11,914	49.2
US	4,350	32.2	1,236	11.6	5,586	23.1
Europe	2,417	17.8	2,938	27.5	5,355	22.1
Rest of the world	1,322	9.8	37	0.3	1,359	5.6
Total	13,527	100.0	10,687	100.0	24,214	100.0

Corporate securities and private investments by currency

30 June 2026

Currency	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
GBP	**5,598**	**49.3**	**6,968**	**64.6**	**12,566**	**56.7**
USD	**4,176**	**36.7**	**2,080**	**19.3**	**6,256**	**28.3**
EUR	**1,592**	**14.0**	**1,688**	**15.7**	**3,280**	**14.8**
CHF	**—**	**—**	**42**	**0.4**	**42**	**0.2**
Total	**11,366**	**100.0**	**10,778**	**100.0**	**22,144**	**100.0**

31 December 2025

Currency	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
GBP	7,665	56.7	7,173	67.1	14,838	61.3
USD	4,383	32.4	1,939	18.2	6,322	26.1
EUR	1,479	10.9	1,533	14.3	3,012	12.4
CHF	—	—	42	0.4	42	0.2
Total	13,527	100.0	10,687	100.0	24,214	100.0

Investments (continued)

Corporate securities and private investments split by industry sector

30 June 2026

Sector	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
Utilities	**3,329**	**29.4**	**693**	**6.4**	**4,022**	**18.1**
Financials	**2,040**	**17.9**	**1,522**	**14.1**	**3,562**	**16.1**
Housing associations	**731**	**6.4**	**1,613**	**15.1**	**2,344**	**10.6**
Infrastructure	**985**	**8.7**	**1,259**	**11.7**	**2,244**	**10.1**
Telecoms, media and technology	**1,729**	**15.2**	**130**	**1.2**	**1,859**	**8.4**
Education	**333**	**2.9**	**1,240**	**11.5**	**1,573**	**7.1**
Sovereigns, sub-sovereigns and municipals	**14**	**0.1**	**1,442**	**13.4**	**1,456**	**6.6**
Consumer, non-cyclical	**1,216**	**10.7**	**76**	**0.7**	**1,292**	**5.8**
Renewable energy	**2**	**—**	**986**	**9.1**	**988**	**4.5**
Consumer, cyclical	**308**	**2.7**	**455**	**4.2**	**763**	**3.5**
Structured finance	**58**	**0.5**	**684**	**6.3**	**742**	**3.3**
Not for profits	**215**	**1.9**	**381**	**3.5**	**596**	**2.7**
Real estate	**272**	**2.4**	**297**	**2.8**	**569**	**2.6**
Commodities	**134**	**1.2**	**—**	**—**	**134**	**0.6**
Total	**11,366**	**100.0**	**10,778**	**100.0**	**22,144**	**100.0**

31 December 2025

Sector	Corporate market value £m	%	Private market value £m	%	Total market value £m	%
Utilities	4,627	34.2	696	6.5	5,323	21.9
Financials	1,997	14.8	1,282	12.0	3,279	13.5
Housing associations	1,091	8.1	1,660	15.5	2,751	11.4
Infrastructure	1,140	8.4	1,159	10.8	2,299	9.5
Telecoms, media and technology	1,431	10.6	67	0.6	1,498	6.2
Education	369	2.7	1,295	12.1	1,664	6.9
Sovereigns, sub-sovereigns and municipals	18	0.1	1,458	13.8	1,476	6.1
Consumer, non-cyclical	1,537	11.4	86	0.8	1,623	6.7
Renewable energy	17	0.1	993	9.3	1,010	4.2
Consumer, cyclical	544	4.0	462	4.3	1,006	4.2
Structured finance	96	0.7	779	7.3	875	3.6
Not for profits	146	1.1	387	3.6	533	2.2
Real estate	268	2.0	311	2.9	579	2.4
Commodities	246	1.8	52	0.5	298	1.2
Total	13,527	100.0	10,687	100.0	24,214	100.0

Chief Financial Officer's review

Strong surplus generated from our in-force business, underpinning a robust and resilient balance sheet.

PIC delivered strong operating surplus generation of £339 million in the first half of 2026 and completing six new business transactions with premiums totalling £258 million and a further £1.7 billion completed or exclusive in the period to the end of August. Our solvency ratio increased to 263% which demonstrates the security we provide to our policyholders, resilience against market volatility, and capacity to support the large new business pipeline. This balance sheet strength, together with the surplus generated in the period, enabled us to pay an interim dividend of £400 million in May. We continue to participate actively while maintaining pricing discipline in a competitive market.

The definitions of the following APMs are set out in the Alternative Performance Measures section on **page 26**. For the reconciliations to their closest IFRS measure, where applicable, see:

Equity own funds on **page 20**

Adjusted operating profit before tax on **page 16**

Adjusted equity on **page 15**

Disciplined new business in a competitive market.

Rachel Ware
Interim Chief Financial Officer

Key highlights	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
Gross premiums written	**258**	1,067	6,752
Solvency ratio[1]	**263%**	236%	257%
Equity own funds[1]	**5,426**	5,702	5,807
Operating surplus generated[1]	**339**	265	857
Solvency surplus[1]	**4,572**	4,560	4,836
Adjusted operating profit before tax ("AOPBT") [1,2]	**528**	311	828
Profit before tax [2]	**783**	179	311
Adjusted equity [1,2]	**6,497**	6,414	6,648
Financial investments	**54,358**	51,452	54,793

1. The Group uses a range of APMs to assess the financial performance and position of the Group.
2. 31 December 2025 and 30 June 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

Chief Financial Officer's review (continued)

Introduction

During the first half of 2026, we completed £0.3 billion (HY 2025: £1.1 billion) of gross premiums written across six transactions. In addition, in the two months to the end of August we have completed or are exclusive on a further £1.7 billion of premiums over thirteen schemes. We have continued to participate actively across the market, whilst remaining disciplined on pricing in a competitive environment where credit spreads remain very narrow. Consequently, the business written has been targeted at opportunities that are capital efficient and deliver attractive returns, even where this results in lower EOF recognition at inception.

In view of the current market dynamics, in particular narrow credit spreads, we have prioritised sustainable surplus generation and capital strength over short-term EOF emergence. Operating surplus generated in the first half was £339 million (HY 2025: £265 million), supported by strong returns from our in-force book and surplus assets. We also took advantage of market opportunities to de-risk and optimise our in-force asset portfolio generating £158 million of surplus (HY 2025: £145 million). After taking account of adverse economic movements, notably higher risk-free rates, the payment of dividends and an increase in the amount of debt that cannot currently be recognised under PRA capital rules, surplus ended the period at £4.6 billion (FY 2025: £4.8 billion).

EOF was £5.8 billion at HY 2026, before the impact of the 2026 interim dividend, and broadly in line with FY 2025 (£5.8 billion). Growth from the in-force book and surplus assets was offset by financing and project costs alongside adverse economic conditions. Asset optimisation and de-risking activities in the first half were targeted at improving surplus and capital resilience and had a slightly negative impact on EOF. After payment of the £400 million interim dividend, EOF ended the period at £5.4 billion.

Our balance sheet remains extremely well capitalised with a solvency ratio of 263% at HY 2026 (FY 2025: 257%), reflecting the operating surplus generated in the period and the actions taken to optimise and de-risk the asset portfolio. This balance sheet strength provides security for our policyholders by ensuring we can meet pension payments as they fall due and supports our ability to compete for the strong pipeline of new business. It also enabled the interim dividend to be paid in May 2026.

Following the acquisition by Athora, work continues to align reporting and performance metrics across the Group. PIC's disciplined approach to risk management, capital strength and value creation remains unchanged. During the period, we implemented several changes to accounting policies (requiring restatement of comparative information) and estimation techniques (recognised in the HY 2026 period) to align with Athora. The cumulative net impact of these was not significant. Further details can be found on page 24.

Adjusted equity, a measure of overall shareholder value, increased by £249 million before the payment of the interim dividend, largely reflecting one-off changes in assumptions and estimation techniques to align with Athora's estimation techniques partially offset by higher risk-free rates and financing and project costs. After deducting the interim dividend, adjusted equity was £6.5 billion (FY 2025: £6.6 billion).

The CSM, net of reinsurance and tax, represents a store of future profits from business already written. It decreased to £4.4 billion (FY 2025: £4.8 billion) primarily due to aligning our maintenance expense assumptions with Athora's estimation techniques and the amortisation of the CSM, partly offset by interest accretion and data and premium updates.

AOPBT was £528 million for the first six months of 2026 (HY 2025: £311 million). The increase was primarily due to the one-off changes in assumptions and estimation techniques mentioned above, partly offset by a lower contribution from asset optimisation and de-risking activities, as these actions were primarily focused on solvency benefits, and higher project costs relating to integration with Athora.

Profit before tax increased to £783 million (HY 2025: £179 million) reflecting the increase in AOPBT and CSM-related impacts, partly offset by the adverse impact of higher interest rates.

Our portfolio of financial investments at £54.4 billion was broadly in line with FY 2025 (£54.8 billion) with pensions paid to our policyholders, an increase in interest rates and dividends offset by positive investment returns.

Chief Financial Officer's review (continued)

IFRS

Adoption of Athora methodology

Following PIC's acquisition by Athora Holding Ltd ("Athora") on 27 March 2026, the Group has chosen to voluntarily make changes to its accounting policies and review estimation techniques to align with those of Athora. These primarily relate to the application of IFRS 17 Insurance contracts. The overall net of tax impact on the Group is an increase in retained earnings of £91 million. Comparatives have been restated for accounting policy changes, resulting in a reduction in opening 2026 retained earnings of £513 million, with changes in estimation techniques increasing profit after tax and retained earnings for the period by £604 million. Further details can be found on page 24.

IFRS statement of comprehensive income

Statement of comprehensive income – summarised	**6 months to 30 June 2026 £m**	6 months to 30 June 2025 £m (Restated*)	12 months to 31 December 2025 £m (Restated*)
Insurance service result	**138**	153	302
Net financial result	**848**	168	330
Other operating expenses	**(142)**	(79)	(195)
Other finance costs	**(61)**	(63)	(126)
Profit before taxation	**783**	179	311
Tax charge	**(192)**	(40)	(69)
Profit and total comprehensive income for the period	**591**	139	242

* 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

Please refer to **page 16** 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 period was £138 million (30 June 2025: £153 million). The decrease from half year 2025 is mainly due to less 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 are 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 period was £848 million (30 June 2025: £168 million). The increase from half year 2025 primarily reflects the impact of changes to estimation techniques. Further details can be found on pages 24-25.

Other operating expenses

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

Other operating expenses for the period to 30 June 2026 were £142 million (30 June 2025: £79 million). The increase reflects one-off costs associated with the Athora transaction and integration into the new group, together with investment for business growth during the first half of the year.

Other finance costs

Other finance costs primarily represent the interest on borrowings. Other finance costs of £61 million (30 June 2025: £63 million) are broadly in line with half year 2025. There were no debt issuances or debt redemptions during the first half of 2026 and as at 30 June 2026, PIC had six (31 December 2025: 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	**30 June 2026 £m**	30 June 2025 £m (Restated*)	31 December 2025 £m (Restated*)
Financial investments	**54,358**	51,452	54,793
Derivative and other financial assets	**28,819**	28,772	29,395
Reinsurance contract assets - BEL	**1,712**	420	1,861
Reinsurance contract assets - RA	**1,027**	988	1,163
Reinsurance contract assets - CSM	**1,690**	1,441	1,590
Insurance contract liabilities – BEL	**(42,641)**	(39,272)	(44,299)
Insurance contract liabilities – RA	**(1,259)**	(1,207)	(1,390)
Insurance contract liabilities – CSM	**(6,053)**	(5,828)	(6,386)
Derivative and other financial liabilities	**(33,858)**	(33,103)	(33,054)
Borrowings	**(2,065)**	(2,063)	(2,064)
Other net assets	**1,939**	1,968	1,886
Total Equity	**3,669**	3,568	3,495
CSM net of reinsurance and tax	**3,272**	3,290	3,597
Exclude RT1 debt	**(444)**	(444)	(444)
Adjusted Equity	**6,497**	6,414	6,648

* 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

Chief Financial Officer's review (continued)

Financial investments

At 30 June 2026, the Group had total financial investments of £54.4 billion (31 December 2025: £54.8 billion). The decrease was primarily due to the pensions paid to our policyholders, an increase in interest rates, and dividends paid partly offset by positive investment returns. Our investment strategy focuses on selecting assets whose cash flows closely align with our expected future policyholder payments, both in timing and amount. As a result, movements in the value of our assets and liabilities tend to be broadly aligned when market factors such as interest rates and inflation change.

The credit quality of the portfolio remains strong and is actively managed, with over 99% of our debt securities rated investment grade at 30 June 2026 (31 December 2025: 99%). Our prudent and sustainable investment approach is designed to support the long-term security of policyholders' benefits while maintaining resilience through changing market conditions. During the period, the Group experienced no payment defaults (31 December 2025: none) within the investment portfolio and continues to monitor credit exposures and market developments closely.

Reinsurance contract assets

The decrease in reinsurance contract assets during the period is primarily driven by the impact of higher risk-free rates. As at 30 June 2026, 90% of the Group's gross longevity related reserves had been reinsured (31 December 2025: 89%). The Group has 14 (31 December 2025: 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 decreased by £2.1 billion in the period, primarily reflecting higher risk-free rates alongside the impact of aligning the discount rate estimation techniques with Athora and the run-off of the in-force book.

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. Net derivative liabilities increased mainly due to the impact of interest rate, inflation and currency fluctuations.

Total equity

In the first half of 2026, total equity increased by £0.2 billion to £3.7 billion (31 December 2025: £3.5 billion), primarily due to profit after tax generated in the period, partly offset by the payment of the interim dividend in May. Adding back the CSM (net of reinsurance and tax) and excluding RT1 debt, adjusted equity was £6.5 billion (31 December 2025: £6.6 billion).

Adjusted operating profit before tax

In addition to the statutory results presentation outlined above, the Group presents AOPBT, an APM used to provide additional insight into the operating performance of the business. AOPBT reflects activities that are core to the Group's business, including the writing and management of pension insurance contracts and the management of risk through reinsurance. The measure includes the full value generated from writing new business prior to deferral through the CSM and excludes economic variances.

In the first half of 2026, AOPBT was £528 million (30 June 2025: £311 million). This increase is largely driven by the alignment of estimation techniques with Athora, partially offset by a lower benefit from management actions which focus on surplus generation, and one-off costs associated with the integration with Athora.

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

Adjusted operating profit	**6 months to 30 June 2026 £m**	6 months to 30 June 2025 £m (Restated*)	12 months to 31 December 2025 £m (Restated*)
Expected return from operations	**252**	278	560
New business and reinsurance profit	**54**	71	342
Underlying profit	**306**	349	902
Management actions and changes in valuation assumptions	**400**	87	220
Experience and other variances	**(7)**	0	(23)
Finance costs	**(77)**	(79)	(159)
Project and other costs	**(94)**	(46)	(112)
AOPBT	**528**	311	828
Movement in CSM	**433**	(25)	(434)
Economic and other non-operating variances	**(194)**	(123)	(116)
Add back: RT1 coupon (treated as a dividend for statutory purposes)	**16**	16	33
Profit before tax	**783**	179	311

* 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

Chief Financial Officer's review (continued)

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, updated as required during the year following the alignment of estimation techniques with Athora.

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:

	30 June 2026	30 June 2025	31 December 2025
One-year swap	**3.5%**	4.5%	4.5%
Ten-year swap	**4.0%**	4.1%	4.1%

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 £252 million were lower than prior period (30 June 2025: £278 million), primarily due to the second-order impact of aligning estimation techniques with Athora.

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 for the first half of 2026 was £54 million (30 June 2025: £71 million). The decrease mainly reflects lower new business volumes and a lower contribution from in-force reinsurance agreements covering new business written in prior years, partly offset by premium adjustments in 2026.

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 and financial assumptions on the RA 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 the first half of 2026 was £400 million (30 June 2025: £87 million). This reflects the impact of aligning estimation techniques with Athora, partly offset by a lower contribution from management actions of £34 million (30 June 2025: £103 million) to optimise our in-force asset portfolio which focuses on surplus generation.

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 of £(7) million in the first half of 2026 were lower than 2025 (30 June 2025: nil), primarily due to less favourable claims experience.

Finance costs

Finance costs reported as part of AOPBT reflect interest costs on both the RT1 and Tier 2 debt. The charge of £77 million is broadly in line with prior period (30 June 2025: £79 million).

Chief Financial Officer's review (continued)

Project and other costs

Project and other costs for the period to 30 June 2026 were £94 million (30 June 2025: £46 million). The increase reflects one-off costs associated with the Athora transaction and integration into the new group, together with investment for business growth.

Movement in CSM

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

During the period, the total decrease in CSM was £433 million (30 June 2025: £25 million). In the first half of 2026, the movement primarily reflects the alignment of the maintenance expense assumptions with Athora's estimation techniques, resulting in a decrease in CSM of £437 million. This is included in other movements.

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

Movement in CSM (net of reinsurance)	**6 months to 30 June 2026 £m**	6 months to 30 June 2025 £m (Restated*)	12 months to 31 December 2025 £m (Restated*)
CSM opening balance	**4,796**	4,362	4,362
New business and new reinsurance CSM	**16**	87	384
Interest accretion on CSM	**77**	72	152
Amortisation of CSM	**(135)**	(127)	(275)
Other movements[1]	**(391)**	(7)	173
Movement in CSM	**(433)**	25	434
CSM closing balance	**4,363**	4,387	4,796

* 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

1. Other movements include the impact of aligning with Athora's estimation techniques resulting in a decrease in CSM of £437 million.

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 £194 million in the period (30 June 2025: £123 million), primarily driven by increases in risk-free rates.

Capital and solvency

PIC, as a regulated insurance company, is required to comply with the Solvency UK regulatory framework. Solvency UK 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 Group 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 Group's business than the standard formula approach. The Group has complied with the Solvency UK Capital Requirements as set out in the relevant PRA rules throughout the period.

Solvency ratio

As at 30 June 2026, the Solvency ratio increased to 263% (31 December 2025: 257%), with eligible surplus funds of £4.6 billion (31 December 2025: £4.8 billion) in excess of the SCR. Surplus funds decreased during the period, primarily driven by the payment of the 2026 interim dividend of £400 million in May alongside an increase in temporarily ineligible debt, partly offset by the expected surplus generated from the in-force book and management actions to de-risk and optimise the asset portfolio.

As at 30 June 2026, own funds eligible to meet SCR have been temporarily restricted by £575 million (31 December 2025: £412 million) due to eligibility restrictions on Tier 2 debt. Excluding the impact of dividend payments and the increase in the temporary ineligibility of debt, surplus funds increased to £5.1 billion over the period driven primarily by expected returns from the in-force book, and management actions to de-risk and optimise our in-force asset portfolio, partially offset by financing, project and other costs.

PIC solvency	**30 June 2026 £m**	30 June 2025 £m	31 December 2025 £m
Own funds eligible to meet SCR	**7,377**	7,919	7,921
SCR	**(2,805)**	(3,359)	(3,085)
Solvency surplus	**4,572**	4,560	4,836
Solvency ratio (%)	**263%**	236%	257%
Matching adjustment (%)	**1.492%**	1.571%	1.415%

Chief Financial Officer's review (continued)

Surplus generation

Surplus generation measures the amount of solvency surplus capital generated in the period, 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.

Surplus generation	**6 months to 30 June 2026 £m**	6 months to 30 June 2025 £m	12 months to 31 December 2025 £m
Opening surplus	**4,836**	4,691	4,691
Expected surplus generation from in-force book	**368**	364	729
New business (net of reinsurance)	**(30)**	(34)	(118)
Management actions and other operating variances	**169**	58	512
Financing, project and other costs	**(168)**	(123)	(266)
Operating surplus generation	**339**	265	857
Economic and other non-operating variances	**(40)**	89	36
Total surplus generation	**299**	354	893
Change in Tier 2 debt, net of eligibility restrictions	**(163)**	(125)	(228)
Dividends	**(400)**	(360)	(520)
Closing surplus	**4,572**	4,560	4,836

Operating surplus generated in the period increased to £339 million (30 June 2025: £265 million), primarily due to management actions to de-risk and optimise our in-force asset portfolio and the non-recurrence of adverse assumption and methodology changes in 2025, partly offset by one-off costs associated with the integration with Athora.

After taking account of market movements, the payment of the interim dividend, and an increase in ineligible capital which temporarily reduces surplus by £163 million, closing surplus was £4.6 billion (31 December 2025: £4.8 billion).

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; and
- Expected release of the in-force risk margin and SCR.

In the first half of 2026, the expected surplus generation of £368 million was broadly in line with prior year (30 June 2025: £364 million).

New business (net of 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 £30 million in the first half of 2026 (30 June 2025: £34 million), reflecting lower new business volumes alongside a lower surplus generation from the completion of longevity reinsurance deals on the in-force book of £10 million (30 June 2025: £54 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 £169 million in the period (30 June 2025: £58 million). The 2026 result reflects the benefit from management actions to de-risk and optimise our in-force asset portfolio. The 2025 result similarly benefitted from actions to optimise the portfolio but was partly offset by changes to valuation assumptions and methodology.

Chief Financial Officer's review (continued)

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 £77 million (30 June 2025: £78 million), whilst project and other costs of £91 million in 2026 (30 June 2025: £45 million) include one-off costs associated with the integration with Athora.

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 reduced surplus by £40 million in the period (30 June 2025: surplus generated of £89 million), primarily reflecting the impact of higher interest rates. The prior period benefitted from favourable foreign exchange movements.

Equity own funds ("EOF")

Equity own funds	**30 June 2026 £m**	30 June 2025 £m	31 December 2025 £m
Own funds eligible to meet SCR	**7,377**	7,919	7,921
Add back: Ineligible capital	**575**	309	412
Own funds available to meet SCR	**7,952**	8,228	8,333
Deduct notional RT1 and Tier 2 debt	**(2,526)**	(2,526)	(2,526)
Equity own funds	**5,426**	5,702	5,807

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.

At 30 June 2026, EOF was £5.8 billion, before the impact of the 2026 dividend, and in line with 31 December 2025 (£5.8 billion). Returns from the in-force book and surplus assets were offset by financing, project and other costs alongside a reduction in EOF from rising interest rates. Asset optimisation and de-risking activities in the first half were targeted at improving surplus and capital resilience and had a slightly negative impact on EOF. After the payment of the dividends, EOF ended the period at £5.4 billion (31 December 2025: £5.8 billion).

Key solvency sensitivities

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

Sensitivities[1]	**30 June 2026**	30 June 2025	31 December 2025
As reported	**263%**	236%	257%
100 bps increase in interest rates[2]	**12%**	15%	19%
100 bps reduction in interest rates[2]	**(14%)**	(19%)	(23%)
100 bps increase in credit spreads[2]	**11%**	9%	11%
100 bps reduction in credit spreads[2]	**(12%)**	(10%)	(13%)
20% credit downgrade[3]	**(5%)**	(7%)	(5%)
5% reduction in base mortality[4]	**(4%)**	(3%)	(4%)

The impact on the solvency ratio of a 10% increase or decrease in the house price index is nil (30 June 2025: nil; 31 December 2025: nil).

1 The sensitivities have been calculated using available own funds to meet the SCR, rather than the change in eligible own funds, to better reflect the long-term impact.
2 For the interest rate and credit spread sensitivities, the continued strong solvency position results in a relatively high sensitivity in ratio terms. Sensitivities are also impacted by the positioning of the hedging portfolio at the respective balance sheet dates.
3 Shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be 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.
4 Equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

Dividend

In recognition of the continued financial and strategic strength of the business, the Board approved an interim dividend of £400 million which was paid in May 2026.

The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities of the UK pension risk transfer market, whilst paying regular dividends to shareholders, based on the current and future projected capital position of the business. The implications for solvency, leverage and liquidity are all considered when considering the appropriateness of dividend payments.

Chief Financial Officer's review (continued)

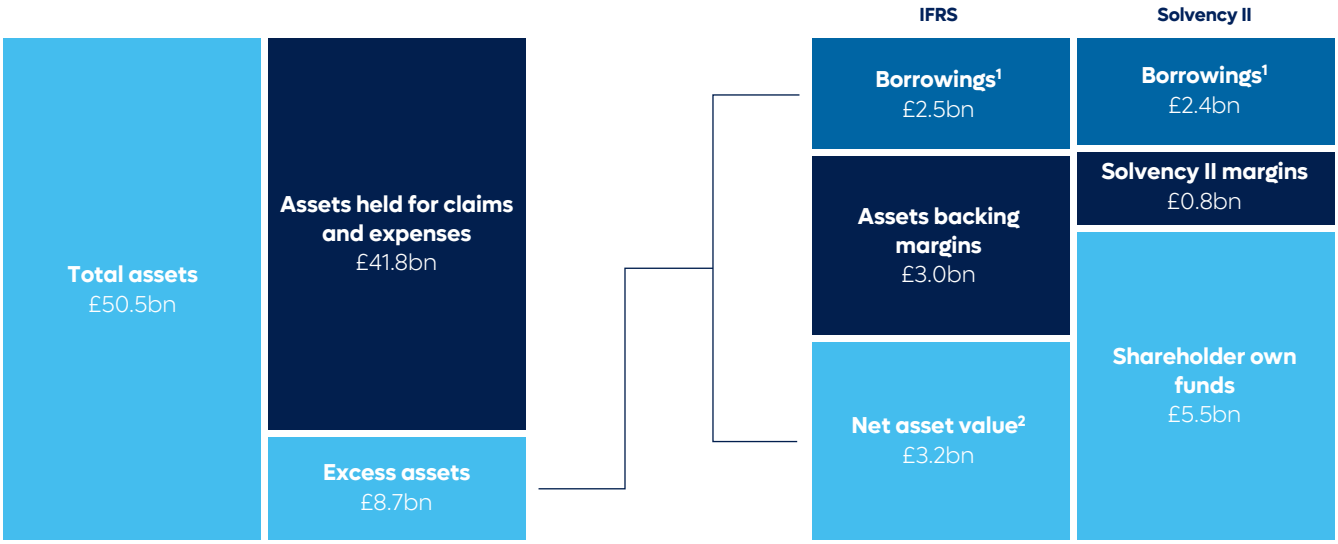
IFRS reconciliation to Solvency II

IFRS Reconciliation to Solvency II	**30 June 2026 £m**	30 June 2025 £m	31 December 2025 £m
IFRS net assets*	**3,669**	3,568	3,495
Add amortised cost value of Tier 2 subordinated debt and related accrued interest	**2,141**	2,139	2,093
Differences in accrued interest on RT1 notes	**(14)**	(14)	(15)
Add back CSM (net of reinsurance)*	**4,363**	4,387	4,796
Difference in BEL (net of reinsurance)*	**(1,311)**	(813)	(954)
Removal of RA (net of reinsurance)*	**232**	219	227
Add risk margin	**(300)**	(318)	(324)
Differences in deferred tax*	**(768)**	(892)	(960)
Differences in other asset/liability values	**(60)**	(48)	(25)
Own Funds - Available	**7,952**	8,228	8,333
Ineligible capital	**(575)**	(309)	(412)
Own Funds - Eligible	**7,377**	7,919	7,921
Own Funds - Available reconciliation to Equity Own Funds	**£m**	£m	£m
Own Funds - Available	**7,952**	8,228	8,333
Deduct notional RT1 and Tier 2 debt	**(2,526)**	(2,526)	(2,526)
Equity own funds	**5,426**	5,702	5,807

* 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora.

PIC Solvency II and IFRS excess assets

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



1. 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.
2. RT1 debt is excluded from the net asset value and is included in the borrowings number.

Financial statements (unaudited)

Statement of comprehensive income for the Group
For the six months ended 30 June 2026

	6 months to 30 June 2026 £m	6 months to 30 June 2025 £m (Restated*)	12 months to 31 December 2025 £m (Restated*)
Insurance revenue	**1,486**	1,338	2,758
Insurance service expense	**(1,279)**	(1,142)	(2,358)
Net expense from reinsurance contracts held	**(69)**	(43)	(98)
Insurance service result	**138**	153	302
Total investment return	**175**	1,085	2,723
Net finance income/(expense) from insurance contracts	**817**	(922)	(2,661)
Net finance (expense)/income from reinsurance contracts	**(144)**	5	268
Net financial result	**848**	168	330
Other operating expenses	**(142)**	(79)	(195)
Other finance costs	**(61)**	(63)	(126)
Profit before taxation	**783**	179	311
Tax charge	**(192)**	(40)	(69)
Profit and total comprehensive income for the period	**591**	139	242

- 31 December 2025 and 30 June 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora. See Note 1 for details.

Financial statements (unaudited) (continued)

Statement of financial position for the Group
As at 30 June 2026

	30 June 2026 £m	30 June 2025 £m (Restated*)	31 December 2025 £m (Restated*)
Assets			
Investment properties	**1,099**	870	900
Financial investments	**54,358**	51,452	54,793
Derivative and other financial assets	**28,819**	28,772	29,395
Deferred tax assets	**230**	437	419
Current tax assets	**8**	6	3
Reinsurance contract assets	**4,429**	2,849	4,614
Prepayments	**—**	1	2
Receivables	**516**	412	130
Cash and cash equivalents	**688**	731	640
Total Assets	**90,147**	85,530	90,896
Equity			
Share capital	**1,226**	1,226	1,226
Share premium	**524**	524	524
Other reserves	**60**	60	60
Retained profit	**1,415**	1,314	1,241
Total Equity attributable to shareholders	**3,225**	3,124	3,051
Tier 1 notes	**444**	444	444
Total Equity	**3,669**	3,568	3,495
Liabilities			
Insurance contract liabilities	**49,953**	46,307	52,075
Borrowings	**2,065**	2,063	2,064
Derivative and other financial liabilities	**33,858**	33,103	33,054
Other payables	**518**	394	171
Accruals	**84**	95	37
Total Liabilities	**86,478**	81,962	87,401
Total Equity and Liabilities	**90,147**	85,530	90,896

- 31 December 2025 and 30 June 2025 comparatives have been restated following the alignment of PIC's accounting policies with Athora. The current period results also reflect the impact of aligning estimation techniques with Athora. See Note 1 for details.

Notes to the financial statements (unaudited)

1. Changes in accounting policies and estimation techniques

Following the completion of the acquisition of PIC by Athora Holding Ltd ("Athora") on 27 March 2026, the Group has chosen to voluntarily make changes to accounting policies and review estimation techniques to align with those of Athora. These primarily relate to the application of IFRS 17 Insurance contracts. The new approaches continue to be based on reliable methods and suitable inputs, and consistency of accounting policies with Athora is considered to be more relevant to all users of the accounts.

The overall net of tax impact on the Group is an increase in retained earnings of £91 million. Accounting policy changes result in a reduction in opening 2026 retained earnings of £513 million, with changes in estimation techniques increasing profit after tax and retained earnings for the period by £604 million.

The following sections set out the nature and impacts of the changes.

(a) Changes in accounting policies

The changes in accounting policies relate to three key areas, and have all been applied retrospectively, resulting in the restatement of comparative periods.

1. Risk adjustment ("RA") disaggregation:
A change in IFRS 17 policy from (i) disaggregating the time value of money and changes in the time value of money on the RA and presenting them separately in the net financial result to (ii) an approach that does not disaggregate these effects, with changes in the time value of money on the RA now adjusting the Contractual Service Margin ("CSM"). Interest accretion on the RA is now also presented in the insurance revenue. Measurement of the RA in the statement of financial position remains unchanged.

2. Financial instrument dealing costs (bid/offer spread):
The presentation of bid/offer spread costs under IFRS 9 has been changed from (i) recognition within expenses in the Income Statement to (ii) inclusion within total investment return/(loss). As a consequence, bid/offer spread costs related to financial instruments sourced to back new business written are no longer included within IFRS 17 acquisition cash flows and deferred against any initial CSM, they are immediately recognised within total investment return.

3. Investment management expenses:
A change in IFRS 17 policy from (i) inclusion of all investment management expenses associated with assets backing insurance contracts within fulfilment cash flows to (ii) inclusion of investment management expenses related to assets backing investment components only (i.e. deferred annuities/annuities in payment in the guarantee period).

The following tables show the impact of the restatements for each financial statement line item affected for each prior period presented.

Statement of comprehensive income for the Group

	6 months to 30 June 2025			12 months to 31 December 2025		
	As reported £m	Change in accounting policy £m	As restated £m	As reported £m	Change in accounting policy £m	As restated £m
Insurance revenue[1]	1,362	(24)	1,338	2,804	(46)	2,758
Insurance service expense[2]	(1,162)	20	(1,142)	(2,355)	(3)	(2,358)
Net expense from reinsurance contracts held[1]	(58)	15	(43)	(139)	41	(98)
Insurance service result	**142**	**11**	**153**	**310**	**(8)**	**302**
Total investment return[3]	1,131	(46)	1,085	2,789	(66)	2,723
Net finance expense from insurance contracts[4]	(880)	(42)	(922)	(2,729)	68	(2,661)
Net finance (expense)/income from reinsurance contracts[4]	(13)	18	5	310	(42)	268
Net financial result	**238**	**(70)**	**168**	**370**	**(40)**	**330**
Other operating expenses[5]	(112)	33	(79)	(220)	25	(195)
Other finance costs	(63)	—	(63)	(126)	—	(126)
Profit before taxation	**205**	**(26)**	**179**	**334**	**(23)**	**311**
Tax charge	(47)	7	(40)	(75)	6	(69)
Profit and total comprehensive income for the period	**158**	**(19)**	**139**	**259**	**(17)**	**242**

1. Primarily due to the inclusion of interest accreted on the RA included in insurance revenue as a result of the policy change not to disaggregate movements, partially offset by the release of a higher CSM.
2. Lower investment and bid/offer spread expenses, along with second order impacts from all policy changes on losses/reversal of losses on onerous contracts.
3. Financial instrument dealing costs (bid/offer spread) are now included in net gains and losses on financial instruments measured at fair value through profit or loss.
4. Primarily due to the removal of movements related to the RA for non-financial risk from the net financial result, partially offset by higher CSM interest accretion following the increase in opening CSM.
5. Mainly due to the exclusion of back-book financial instrument dealing costs (bid/offer spread).

Notes to the financial statements (unaudited) (continued)

Statement of financial position for the Group (Condensed)

	as at 31 December 2025			as at 30 June 2025			as at 31 December 2024		
	As reported £m	Change in accounting policy £m	As restated £m	As reported £m	Change in accounting policy £m	As restated £m	As reported £m	Change in accounting policy £m	As restated £m
Assets									
Deferred tax assets[1]	248	171	419	265	172	437	283	165	448
Reinsurance contract assets[2]	3,793	821	4,614	1,994	855	2,849	2,036	822	2,858
All other assets	85,863	—	85,863	82,244	—	82,244	81,278	—	81,278
Total Assets	89,904	992	90,896	84,503	1,027	85,530	83,597	987	84,584
Equity									
Total Equity attributable to shareholders[3]	3,564	(513)	3,051	3,639	(515)	3,124	3,858	(496)	3,362
Tier 1 notes	444	—	444	444	—	444	444	—	444
Total Equity	4,008	(513)	3,495	4,083	(515)	3,568	4,302	(496)	3,806
Liabilities									
Insurance contract liabilities[4]	50,570	1,505	52,075	44,765	1,542	46,307	44,303	1,483	45,786
All other liabilities	35,326	—	35,326	35,655	—	35,655	34,992	—	34,992
Total Liabilities	85,896	1,505	87,401	80,420	1,542	81,962	79,295	1,483	80,778

1. Accounting policy changes attract tax at 25%.
2. Financial movements in the RA for non-financial risk now adjust the CSM, rather than being recognised in the net financial result and retained earnings, with the increase mainly reflecting historic reductions in the RA for non-financial risk due to rising interest rates.
3. Cumulative impact of policy changes, net of deferred tax.
4. For further details of the adjustments in insurance contract liabilities refer to the table below.

	As at 31 December 2025 £m	As at 30 June 2025 £m	As at 31 December 2024 £m
Insurance contract liabilities (as reported)	50,570	44,765	44,303
Adjusted for:			
RA disaggregation[1]	1,010	1,064	1,010
Financial instrument dealing costs (bid/offer spread)[2]	352	321	319
Investment management expenses[3]	143	157	154
Insurance contract liabilities (as restated)	**52,075**	**46,307**	**45,786**

1. Increase in CSM related to historical economic movements in the RA due to rising interest rates.
2. Increase in CSM from no longer deferring new business bid/offer spread costs.
3. Increase in CSM of £287 million (£344 million as at 30 June 2025; £343 million as at 31 December 2024) and a reduction in fulfilment cash flows of £144 million (£187 million as at 30 June 2025; £189 million as at 31 December 2024) from no longer including investment management expenses in relation to annuities in payment outside the guaranteed period. The fulfilment cash flows are measured at current discount rates and the CSM is at locked-in discount rates.

(b) Changes in estimation techniques

In addition to the changes in accounting policy noted above, the following changes in estimation techniques were made at the date of the acquisition by Athora:

1. Discount rates:
The estimation technique used to determine the yield on the discount rate reference portfolio was aligned to the approach used by Athora, including changes in the allowance for expected credit risk and cash flow mismatches. The change results in the recognition of a gain through profit and loss of £704 million.

2. Maintenance expenses:
The estimation of determining attributable maintenance expenses was aligned to the approach used by Athora, with the assumptions now aligning more closely with the assumptions used for Solvency reporting. This change results in the recognition of a gain through profit or loss of £101 million.

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 ("CFO") review. The methodology used to calculate each APM is consistent with previous periods unless stated otherwise. Comparative APMs have been updated to reflect the restatement described in Note 1.

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.	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 CSM.	A reconciliation is provided in the CFO review section on page 16.
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 CFO review section on page 15.
Equity own funds ("EOF")	EOF is defined as own funds available to meet the Solvency Capital Requirement ("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 20.
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 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 are provided in the CFO review section on page 18.
Solvency surplus	Solvency surplus measures the surplus of available capital above required capital, which is defined as Own Funds less SCR.	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 are provided in the CFO review section on page 19.

Appendix 1: Overview of reporting bases

The financial model

The Group's strategy is to acquire the obligations to pay the pensions of retired and deferred members of pension schemes, and to manage the assets associated with those obligations, so as to make a margin on those assets over the very long-term.

Pension Insurance Corporation plc is authorised to write long-term insurance business by the Prudential Regulation Authority ("PRA") and is regulated by the PRA and the Financial Conduct Authority. We operate in a highly regulated environment where the PRA requires us to invest our assets and measure our liabilities in accordance with strict and detailed rules and guidance. The PRA also requires us to hold capital over and above the assets required to pay out policyholder benefits, as an additional safeguard for policyholders.

Our main income derives from insurance contract premiums and investment returns. Our principal outgoings are pension-related payments to policyholders, investment management expenses and general management expenses, against which we maintain actuarially calculated reserves and provisions.

As a long-term business, we complement our IFRS and Solvency II disclosures with AOPBT, an APM that captures the inherent future value to shareholders arising from the emerging margins in our business.

Presentation of financial results

The IFRS results for 2026 and 2025 are unaudited and they have not been reviewed in accordance with International Standard on Review Engagements 2410. The 2025 half year and full year IFRS basis results have been restated following alignment of accounting policies with Athora. The first time the Group's restated financial statements will be audited is for the year ending 31 December 2026.

The Solvency II results for the 2026 and 2025 half years are unaudited. The 2025 full year results have been derived from the 2025 Solvency and Financial Condition Report, which included an unqualified audit report from the auditor in respect of compliance with the rules and Solvency UK regulations as set out by the PRA.

Because of the nature of our business, we present our results on two different bases, both of which provide different insights into the Group.

The following paragraphs provide a summary of the two methods.

IFRS

The half year IFRS results are prepared on the same basis as those required for annual statutory reporting purposes. The insurance contract results are prepared on an IFRS 17 basis, measuring liabilities using best estimate assumptions of the present value of future cash flows and an explicit RA for non-financial risk. Any new business profits at inception are deferred as a CSM on the statement of financial position and are released as revenue over the lifetime of the business as coverage is provided.

The discount rate used to value the future cash flows and the RA is derived from the yield on the asset portfolio that reflects the characteristics of the liabilities that we hold, as well as anticipated assets which collectively represent a reasonable reference portfolio. An adjustment is made to the asset yield to remove the impact of credit risk and any remaining cash flow mismatches.

Solvency II

The Solvency II results are prepared in accordance with the financial reporting provisions of the PRA Rules and associated legislation and regulations.

Under the Solvency UK regime, firms can either follow a prescribed approach to calculating required regulatory capital (the standard formula approach), or they can apply to the supervisory regulatory body to use an Internal Model, developed by the Group but subject to comprehensive review and approval by the regulatory body, in our case the PRA.

PIC initially obtained approval from the PRA for its Internal Model, which we believe better reflects the risk profile of the Group's business, in December 2015.

Appendix 2: Glossary

Term	Definition
Adjusted equity	Adjusted equity is an APM to assess the financial performance and position of the Group. Equals total equity plus 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.
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.
CO_2e	Carbon dioxide equivalent.
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 Solvency II 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.
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 RA for non-financial risk.

Appendix 2: Glossary (continued)

Term	Definition
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 reporting date that remains in force at the reporting date.
Internal Model	For Solvency UK reporting, a bespoke model used by an insurer to determine the 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, 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.
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 UK 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.
Policyholder	An individual who holds an insurance policy with an insurer. For bulk annuity firms, 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.
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 arises 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 UK 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).

Appendix 2: Glossary (continued)

Term	Definition
Solvency UK or Solvency II	The UK prudential regulatory regime for insurers, designed to align capital requirements with an insurer's risk profile and ensure policyholder protection. Solvency UK replaced the retained EU Solvency II framework from 31 December 2024 following reforms implemented by HM Government and the PRA. In this report, 'Solvency UK' is used when referring to the regulatory framework, while 'Solvency II' is retained when referring to results and metrics where required by PRA guidance or where the measure remains commonly recognised.
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 UK. 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.
Stewardship Code (UK)	Stewardship is the responsible allocation, management and oversight of capital. The Stewardship Code sets standards for those investing money on behalf of UK savers and pensioners. It is a voluntary code for asset owners, asset managers and service providers.
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 Own Funds over the Solvency Capital Requirement.
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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