



PENSION CORPORATION ANNOUNCES 2011 ANNUAL RESULTS

London, 28 March 2012 – Pension Corporation ("PC"), a leading provider of risk management solutions to defined benefit pension funds, today announces the results for its insurance operations and in particular Pension Insurance Corporation ("PIC"), for the 12 months to 31st December 2011.

2011 highlights:

- New pension insurance business of more than £600 million, across 11 transactions, for clients including Honda and the London Stock Exchange
- New Business Value¹ of £65 million
- Three client firsts:
 - (i) The first ever insurance transaction to include the covering of future retirees
 - (ii) Possibly the most rapid pension insurance buyout, completed in eight hours
 - (iii) The industry's first Policyholder Forums
- Now £4.7 billion in balance sheet assets and almost 55,000 pension fund members insured
- Embedded Value of £671 million as at 31 December 2011, up from £631 million in 2010²
- Pre-tax IFRS profit of £17 million (£81 million in 2010), down predominantly because of wider credit spreads against a historically low gilt yield
- No corporate bond defaults as a result of careful management of our assets
- Strong balance sheet with year-end solvency ratio of 190% of the required minimum
- Further tranches of longevity exposure reinsured; PIC has now reinsured longevity exposure in respect of over £3 billion of liabilities
- A strong start to 2012

¹ New Business Value is shown pre-cost of capital

² EV is shown as calculated after cost of capital. The 2010 figure shown above has been restated from the £668m originally reported to reflect the Group's revised expectations of its long-term business mix

Sir Mark Weinberg, Group Chairman, said:

“Overall, PIC had a strong year. The business remains profitable, strong and continues to grow, although the overall total of business written was smaller than in previous years. Despite the economic turmoil during the summer, we saw no corporate defaults in our bond portfolio in 2011 and the comprehensive hedges we have in place on our interest rate and inflation exposures reinforced our high levels of security. Good news for our clients and policyholders.

“The second half of the year was torrid for many pension trustees, who saw funding positions suddenly worsen as a consequence of the Eurozone crisis in the summer and historically low Gilt yields. For some trustees who had been in the advanced stages of insuring their liabilities this proved problematic, making it more difficult to complete transactions. However, 2012 has started very strongly for PIC with a number of transactions completed, or in the final stages of completion. This includes a recently announced, ground-breaking transaction to insure an active pension scheme. We look forward to providing further innovative solutions for clients during 2012.”



During 2011, PIC's focus on tailored client solutions brought three significant innovations. The first was in a c.£200 million buy-in transaction with the Trustees of the London Stock Exchange Retirement Plan, to insure the Plan's pensioner members. PIC created a unique and innovative structure, whereby the scheme's current pensioners were insured at the point of transaction and future pensioners are brought into the arrangement annually. This is the first time this flexibility has been made available.



The second was as part of a pension insurance buyout with the Trustees of the George Hammond PLC Retirement Benefits Plan. The pension insurance buyout marked the end of a strategic de-risking programme which the Trustees had in place. PIC's

responsiveness enabled the Trustees to move very quickly to capitalise on improved affordability, so taking advantage of favourable market movements. In this transaction heads of terms and risk transfer were concluded in about eight hours from enquiry.

The third was the development of PIC's Policyholder Forum programme, which we believe is the first of its kind in the industry. These Forums help develop a closer relationship with our policyholders – allowing them to meet with and question senior management about the company that has secured their pension benefits. This gives a level of transparency and accountability that is unmatched in the industry. The PIC Forums create a sense of community, building on the values formerly intrinsic to the defined benefit pension system.

PIC built on its pioneering risk management work and reinsured further tranches of longevity exposure, taking advantage of the reinsurers' ability to diversify our longevity risk with their substantial mortality risks. We have now reinsured some 2/3rds of our longevity exposure. Our emphasis on first and foremost managing liabilities continues to ensure PIC remains a secure home for pensions.

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Notes to Editors:

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About Pension Corporation

Pension Corporation is a leading provider of risk management solutions to the trustees and sponsors of defined benefit pension funds. Its FSA authorised and regulated insurance company, Pension Insurance Corporation ("PIC"), brings safety and security to scheme members' benefits through innovative, tailored solutions. PIC has nearly £5bn in balance sheet assets and has insured more than 50,000 pension fund members. Its solutions include pension insurance buyout, pension insurance buy-in

and longevity risk insurance. It has transacted both the UK's first pension insurance buyout of liabilities in excess of £1 billion, as well as the first public sector backed pension insurance buyout. Other clients include FTSE 100 companies and several multinationals. PIC is proud to work with pension fund trustees to maximise member benefits. For further information please visit www.pensioncorporation.com