

Rothestay
Protecting Pensions

Your future
in safe hands

Rothestay Life Plc

Interim condensed consolidated financial statements for
the six months ended 30 June 2025



Our purpose

We are dedicated
to securing the
future for every one
of our policyholders.



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Rothsay refers to Rothsay Life Plc (RLP) and its subsidiaries, together, the Group.

Forward-looking statements contained in this document involve risk and uncertainty as they depend on circumstances that may or may not occur and the Company expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this document. Past performance cannot be relied on as a guide to future performance.

At a glance

Purpose-built to protect pension schemes and their members' pensions

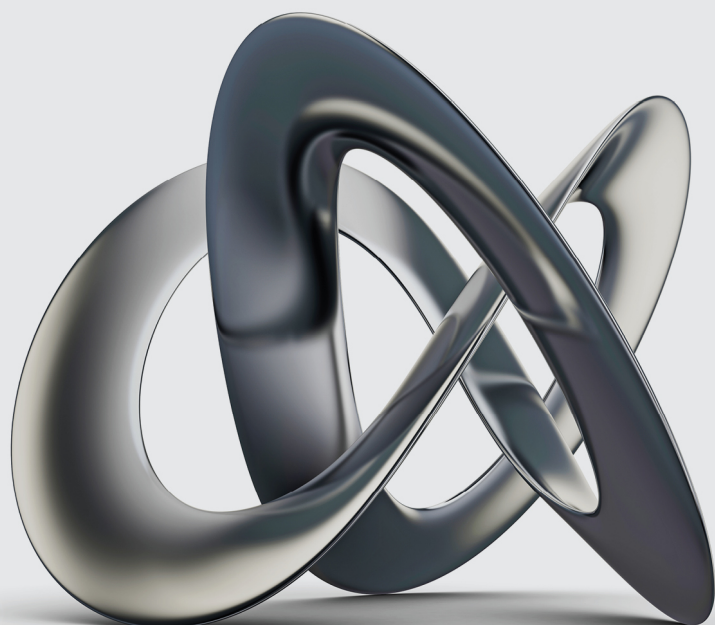
Who we are

Rothsay is the largest UK specialist pensions insurer, purpose-built to protect pension schemes and their members' pensions. Our singular focus is to secure pension annuities for the future, providing certainty for our policyholders.

Our careful approach to investment, prudent underwriting and service excellence mean we are trusted to provide pension solutions by the pension schemes of some of the UK's best known companies including British Airways, Cadbury, the Civil Aviation Authority, The Co-operative, Morrisons, NatWest, Smiths Industries and Telent.

Using sophisticated risk management, our expert in-house investment team is continually developing new ways to drive predictable, dependable returns that reduce risk and create real security.

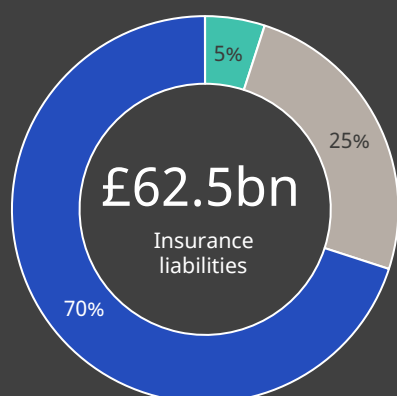
Today, we manage over £69bn in assets, secure the pensions of nearly one million people, and pay out, on average, over £350m in pension payments each month. We are safeguarding the future for every one of our policyholders, and providing long-term value to our shareholders.



As part of our long-term growth strategy, we have prepared our business to have the capital capacity for even the largest risk transfer transactions which enter the market.

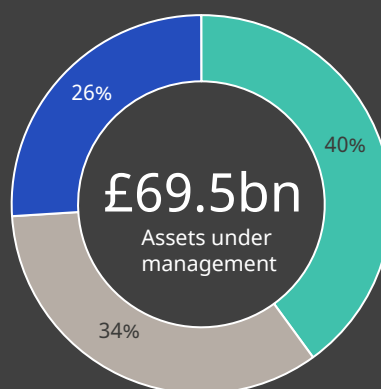


➤ **Securing pension annuities from pension schemes and other insurers**



- Insurance company acquisitions, 5%
- Annuity back-book acquisitions, 25%
- Pension buy-ins/buy-outs, 70%

➤ **Backed by high quality investments**



Split of financial investments excluding derivatives

- Government securities & cash, 40%
- Corporate bonds & infrastructure debt, 34%
- Secured lending & mortgages, 26%

Performance at a glance

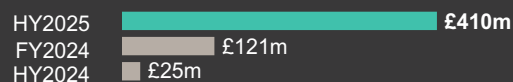
New business premium APM¹

£0.3bn



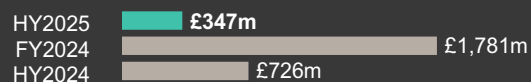
IFRS profit before tax

£410m



Adjusted operating profit APM

£347m



Solvency Capital Requirement (SCR) Coverage APM

266%



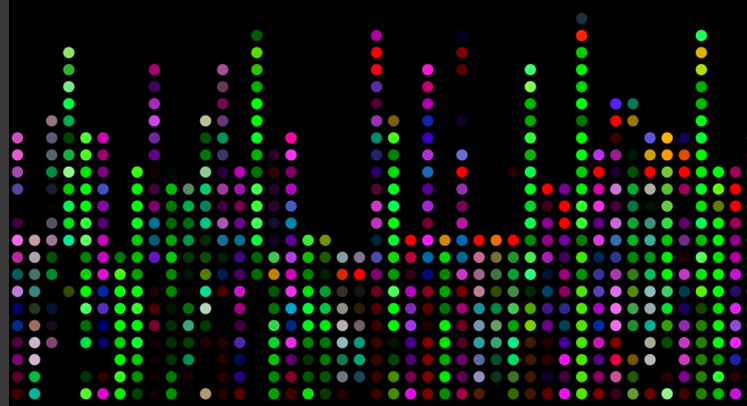
Longevity reinsured APM

90%



Policyholder satisfaction

97%



Number of policies

939,859

HY2025	939,859
FY2024	1,004,920
HY2024	1,008,317

Paid to policyholders in the period

£2.1bn

HY2025	£2.1bn
FY2024	£3.8bn
HY2024	£1.7bn

Assets under management APM

£69.5bn

HY2025	£69.5bn
FY2024	£70.8bn
HY2024	£68.7bn

1. **APM** – Alternative Performance Measure;
please see page 19 for further details.

A glossary of terms used can be found
on page 75.

Section **one**

Strategic report



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Every decision that we make is informed by our cautious approach to risk management, conservative investment philosophy and sophisticated technology platform. We challenge ourselves to think creatively so that our business model is best placed to meet the needs of our policyholders, both now, and in the future.





Providing security for nearly
one million pensioners is at the
heart of what we do.

Tom Pearce
Chief Executive Officer



Chief Executive's statement

The UK's pension risk transfer market has experienced significant growth over recent years. Improved funding levels driven by the increase in the interest rates environment, alongside a prolonged period of contributions from sponsors, are making the journey to buy-out increasingly achievable for many pension schemes.

UK pension insurers like Rothsay have been preparing for the high levels of scheme demand we have been experiencing, for a number of years, investing accordingly in our ability to execute previously unprecedented volumes of new business. At the same time, new entrants are also joining the bulk purchase annuity market.

Consequently, the increase in schemes' appetite to de-risk is being met by a corresponding increase in insurers' capacity and capabilities to meet this demand. This dynamic is driving competition and innovation amongst insurers in the market, with positive outcomes for schemes.

Over the first half of 2025, we have maintained our disciplined approach to new business, remaining patient in this competitive market environment to ensure that returns are attractive. We have assisted six pension schemes to de-risk (FY2024: 7, HY2024: 4), generating £0.3bn of new business premiums (**APM**) (FY2024: £15.7bn, HY2024: £9.5bn).

Since the half year we have either completed or are in exclusivity on a further £4.2bn of business. We expect this number to increase as we see more schemes look to secure their members benefits with insurers. In line with recent years we expect to see increased demand, but not as high as in the previous last two years.

As we look ahead to the rest of 2025, we are seeing a significant pipeline of pension risk transfer transactions which, due to our substantial capital resources combined with the proven strength of our execution capabilities, we are very well-positioned to capitalise on.

IFRS pre-tax profits

£410m

HY2024: £25m

Adjusted
operating profit (**APM**)

£347m

HY2024: £726m

New business
premium (**APM**)

£0.3bn

HY2024: £9.5bn

RLP SCR
coverage (**APM**)

266%

FY2024: 264%

Chief Executive's statement **continued**

As part of our long-term growth strategy, we have prepared our business to have the capital capacity for even the largest risk transfer transactions which enter the market. We combine this with the ability to provide best-in-class execution capabilities and underwriting expertise, including delivering innovative solutions across all aspects of the pensions de-risking process, regardless of the size of the scheme.

We have therefore continued to invest throughout the first half of 2025 in our capabilities to provide pension schemes looking to de-risk with the simplest path to locking in their current positive funding levels quickly and securely through a bulk annuity policy. At the same time, we are also able to provide bespoke solutions offering execution certainty for insurers with annuity back-books they wish to sell, through investing in the capabilities which allow us to seamlessly take on in-force annuity portfolios and the assets that support them.

Throughout the first six months of this year, our in-house asset management team has continued to patiently invest the £15.7bn of new business premiums generated in 2024 in line with our long-term investment strategy which seeks to reduce exposure to unrewarded risk and provide real security for people's pensions in the future.

As part of this deployment, during the first half of 2025, we made a £150m commitment to a new unsecured debt facility for social housing retrofit launched by the National Wealth Fund (NWF) and The Housing Finance Corporation (THFC).

We were able to make this commitment as the NWF provided an initial £150m financial guarantee to support THFC to make long-term, unsecured loans to help registered providers retrofit their social housing stock in the UK, significantly reducing the sector's energy consumption and emissions. As a result of the NWF's support, Rothesay committed to provide THFC with 100% of the initial £150m investment, demonstrating how the NWF's guarantee can unlock long-term unsecured capital for the social housing sector at pricing usually reserved for secured lending.

The partnership represents the first occasion that the NWF has provided guarantees for this purpose to bond market investors. We were pleased that the Chancellor of the Exchequer supported our collaboration and agree with the Government that innovative partnerships like these have the potential to unlock significant volumes of institutional capital into vital parts of the UK economy.

Throughout the first six months of 2025, we continued to see volatility in financial markets due to geopolitical events as well as the ongoing uncertainty in the path of interest rates and inflation.

As a business, Rothesay is designed to protect pensions through even the most difficult times and current market conditions are demonstrating once again the value of our purpose-built risk management systems. Throughout its history, Rothesay has invested in building its own in-house technology platform which allows us to navigate and manage these risks. Our technology offers real-time financial reporting, analytics, risk and capital management and portfolio management.

Rothesay's senior executive team is therefore provided with highly granular daily balance sheets and detailed risk positions through end-to-end integration of assets, liabilities and regulatory analytics, allowing the business to react quickly and decisively to even rapidly changing economic conditions. The result means we can provide our policyholders with the highest levels of pension security while taking advantage of opportunities in real time as they become available in the market.

Rothesay's strong SCR coverage (**APM**) of 266% (FY2024: 264%, HY2024: 247%), above our target operating range, gives us significant excess capital to write further new business and capitalise on the opportunities we are seeing in the market in 2025 and beyond, positioning us well for the future opportunities we are seeing.

Following the end of the first half of the year, the Board approved an interim dividend of 93p per share (2024: 69p per share).

In June 2025, we were delighted to receive the Risk Transfer Provider of the Year award at Professional Pensions' UK Pensions Awards.

Chief Executive's statement **continued**

Group performance

Adjusted operating profits (**APM**) for 2025 were £347m (FY2024: £1,781m, HY2024: £726m), which is primarily due to profits generated by Rothsay's in-force book. Operating profits were increased by economic gains leading to IFRS pre-tax profits of £410m (FY2024: £121m, HY2024: £25m).

The Group's assets under management (**APM**) reduced due to the rise in long-term interest rates over the first half of 2025 and the run-off of in-force business, to £69.5bn (FY2024: £70.8bn, HY2024: £68.7bn).

Risk and capital management

As already noted, the first half of 2025 has continued to see volatility in markets. The duration of our liabilities and our liability-matching assets means that Rothsay's assets and liabilities are sensitive to long-term interest rates. Our sophisticated in-house risk management systems allow us to manage this risk and respond quickly to a changing economic environment.

Our investment portfolio is focused on highly rated assets, many of which benefit from high quality security or collateral. The quality of our investments, combined with active monitoring and management of our credit portfolio, means that we continue to be well-positioned to withstand adverse market conditions.

We continue to hedge market and longevity risk exposures and benefit from robust collateral arrangements which mitigate counterparty risk.

Rothsay manages its longevity risk through unfunded, collateralised longevity swaps and has not utilised any funded reinsurance. Under these longevity swaps, Rothsay retains the assets and pays a series of reinsurance premium amounts over time based on expected longevity and receives a series of reinsurance claim amounts based on actual experience. This allows us to hedge longevity risk whilst minimising counterparty risk exposure, 90% of our longevity exposure is reinsured (**APM**) (FY2024: 90%, HY2024: 86%).

Following the implementation of the Treasury's reforms to the Solvency II matching adjustment last year, we continue to explore new ways, like our partnership with the NWF, in which we can invest in UK infrastructure, clean energy and other forms of productive finance. We agree with the Government that a significant opportunity remains to unlock further investment in UK assets from across the pension sector, driving growth in the economy while continuing to provide the highest levels of pension security for our policyholders.

We also continue to engage thoughtfully on key issues with external stakeholders including our regulators, Government and wider industry in order to help shape future reforms. In particular, we look to participate in all relevant regulatory and Government consultations where they may directly or indirectly impact our business, the wider market or our policyholders.

Our policyholders

Providing nearly one million people with a safe and secure pension is at the heart of what we do. We pride ourselves on the level of service we provide and I am glad to report that we maintained high service standards during the first half of 2025, with over 97% (FY2024: 96%, HY2024: 95%) of those surveyed rating the quality of service received as good or excellent.

Following our agreement to acquire the Scottish Widows in-force bulk annuity portfolio from Lloyds Banking Group in March 2024, we have worked closely with the teams at Lloyds Banking Group and Scottish Widows to transition the portfolio's members to their new long-term home at Rothsay. I am therefore delighted that, following the successful completion of the Part VII process, the Scottish Widows policyholders officially became Rothsay policyholders on 11 June this year.

Board changes

Bruce Carnegie-Brown was appointed an independent Non-Executive Director and Chair Designate of Rothsay from 1 May 2025. Post period end, Bruce succeeded Naguib Kheraj as Rothsay's Chair from 1 July 2025, and Naguib stepped down from the Board on 30 June 2025 following almost 11 years of service, including the last seven years as Chair.

Chief Executive's statement **continued**

I would like to express my huge thanks to Naguib for the exceptional contribution he has made to Rothestay. With his deep financial and business expertise, he has provided valuable counsel to the Executive Team over his nearly 11 years' service on the Board. He has carefully and calmly chaired the outstanding growth of our business and has truly embodied our values of collaboration, leadership, hard work and a dedication to excellence in everything we do.

Bruce brings tremendous and highly relevant experience from both his executive and non-executive careers, and I look forward to working with him.

After almost eighteen years on Rothestay's Board, Addy Loudiadis made the decision to retire from her Non-Executive position as Founder Director and step down from the Board on 3 April 2025.

Addy has made an invaluable contribution not only to Rothestay but to the whole financial services industry, playing a leading role in developing the UK's pension risk transfer market. I would like to take this opportunity to wish Addy the very best in her well-earned retirement from the business and to thank her for all she has contributed to Rothestay's success and growth. I am also delighted that Addy will remain on the Board of the Rothestay Foundation, supporting its work to improve the quality of life for some of the most vulnerable older people living in the UK.

ECB partnership: Title Partner of Test Cricket

2025 marked Rothestay's second year of our multi-year partnership with the England and Wales Cricket Board (ECB), the national governing body of cricket. Through the partnership, Rothestay became an Official Partner of England Cricket and the Official Title Partner of Men's and Women's Test Cricket. Rothestay is also the title sponsor of the County Championship, the oldest and most prestigious domestic competition in England and Wales.

Rothestay branding featured prominently at this year's England Men's Test Matches against Zimbabwe as well as at the England v India Rothestay Test Series. We look forward to continuing to partner with the ECB to support the future of cricket and helping to inspire all generations by making cricket a game for everyone.

Pathway to Net Zero

At Rothestay, we are clear that embedding sustainability principles across our business plays a fundamental role in us being able to deliver on our central purpose: providing our policyholders with security for the future. We will continue to refine our approach in line with changing expectations, and evolving risks and opportunities, to ensure we meet the needs of our stakeholder community.

Fundamental to achieving our long-term goal to transition our investment portfolio to Net Zero greenhouse gas emissions by 2050 is our ability to model how issuers or sectors may decarbonise out to 2050. To achieve this, we are refining a Net Zero transition plan for our portfolio which will also help us understand the key drivers and dependencies which may impact our ability to achieve our targets. This project has been a priority for Rothestay over the last 12 months and the publication of our first transition plan will mark the next key step on our journey to Net Zero.

We were pleased that Rothestay's MSCI Environmental, Social and Governance (ESG) rating has been upgraded this year to AAA, the highest possible rating.

For more information, please see both our 2024 Sustainability and Climate Reports, the latter of which is aligned with the Task Force on Climate-related Financial Disclosures. The reports can be downloaded from our website at:

www.rothestay.com/about-us/environmental-social-governance/our-reports-and-governance.

Chief Executive's statement **continued**

Charitable donations

We encourage our employees to support charities personal to them through our matched giving policy, which gives everyone an annual allowance of £1,000 to be matched 1:1. In addition to this, to recognise that many of our employees may want to support relief efforts relating to current global conflicts, we offer an additional £1,000 allowance for donations to a charity of their choice to be matched 4:1. Therefore the total amount that charities could receive from Rothesay based on an employee donation is £7,000.

The Rothesay Foundation has continued to build on the momentum of recent years to deliver meaningful and practical support to older people living in deprivation across the UK.

So far in 2025, through its expanded partnership with Age UK, supported by £2.47m of additional funding over two years, the Foundation has helped 9,572 older people check whether they are eligible for unclaimed benefits. Support is provided both in person and via a dedicated advice line, helping individuals understand their entitlements, make a claim, and following up to ensure they are now receiving the benefits.

To date, the programme has helped identify approximately £45m in benefits for pensioners in need, identifying, on average, an extra £4,760 in benefits per person per year. The partnership was recognised at the 2025 Third Sector Business Charity Awards, winning in the Banks and Financial Services category.

As part of the extended partnership, Age UK is now following up with individuals on the progress and outcome of their claim, ensuring they receive the help they need to successfully navigate the benefits process and to better understand any barriers or challenges they may be experiencing. So far, with the Rothesay Foundation's support, they have followed up directly with over a thousand elderly people.

Looking forward

A buoyant and competitive pension risk transfer market is generating exciting new business opportunities with positive outcomes for schemes and their members as insurers continue to invest in providing innovative de-risking solutions.

Rothesay is ideally placed to take advantage of this market opportunity, with a significant capital surplus backed by our two long-term, supportive shareholders. This, combined with our track record of executing large innovative transactions, means we are able to capitalise on the growth opportunities in our market while maintaining pricing discipline to ensure returns are attractive. We expect this unique combination of our capital position, execution capabilities and shareholder support will allow us to grow our assets under management over the next few years.

As always, throughout this growth, we will remain relentlessly focused on our core purpose of securing the future for our policyholders, protecting their pensions while providing service excellence, and delivering long-term value to our shareholders.



Tom Pearce
Chief Executive Officer
15 August 2025



Business review

New business

As funding for many pension schemes has improved, de-risking has become increasingly affordable leading to a buoyant market and a positive future pipeline of new business opportunities, including with a number of very large pension schemes for whom de-risking is now increasingly feasible. Given our financial strength and track record of executing large complex transactions, we are well-positioned for such developments.

At the same time, though, the increase in schemes' appetite to de-risk is being met by a corresponding increase in the insurance market's capacity and capabilities to meet this demand and write record levels of business. This dynamic is driving competition and innovation amongst insurers, with positive outcomes for schemes.

Over the first half of 2025, we maintained our disciplined approach to new business, remaining patient in this competitive market environment to ensure that returns are attractive. We have assisted six pension schemes to de-risk (FY2024: 7, HY2024: 4), generating £0.3bn of new business premiums (**APM**) (FY2024: £15.7bn, HY2024: £9.5bn).

Investment activity

Our in-house team is responsible for the management of Rothsay's £69.5bn asset portfolio. Assets are sought which match our liability cash flows and provide an appropriate risk-adjusted return. Rothsay operates a cautious investment strategy which seeks to diversify exposure and actively manage risk. We are constantly looking for new ways to optimise risk and achieve the dependable returns that create real security for people's pensions in the future.

Rothsay's investment portfolio is focused on highly rated assets with over half of our rated assets having a rating of AAA or AA. The portfolio can be divided into three broad categories:

- **Cash and government bonds** – This part of the portfolio is available for future investment and to meet collateral calls and cash requirements and also backs some of our very long-dated cash flows.
- **Corporate bonds and infrastructure debt** – We also invest in a diversified portfolio of corporate bonds, including regulated infrastructure such as energy and transportation.
- **Secure, illiquid assets** – These assets include loans secured against property, mortgages and other secured lending. They are attractive because investors are rewarded for illiquidity rather than credit risk. Structural features such as collateral, covenants and other security features mean that recoveries in the event of default are maximised and credit risk minimised.

Our £26bn holding of corporate and infrastructure bonds is invested in high quality investment grade issuers and of those only £0.6bn is rated BBB- (FY2024: £0.6bn, HY2024: £0.3bn). Rothsay holds only £27m of sub-investment grade bonds (FY2024: £30m, HY2024: £24m).

As at 30 June 2025, our total lifetime mortgage portfolio has increased to £6.6bn (FY2024: £6.4bn, HY2024: £6.4bn) or 10% of assets under management (FY2024: 9%, HY2024: 9%). We remain cautious in underwriting mortgages in a challenging market, with newly originated lifetime mortgages having an average loan-to-value ratio of 29% (FY2024: 27%, HY2024: 26%).

We also continue to fund long-term, fixed rate mortgages in the UK and the Netherlands, and have further diversified into French home loans. As at 30 June 2025, our long-term fixed rate mortgage portfolio remains at £2.3bn (FY2024: £2.3bn, HY2024: £1.7bn).

Business review **continued**

Responsible investment

The in-house investment team, alongside dedicated sustainability analysts, consider material sustainability factors as part of the investment process and these factors are formally documented in all committee approval papers for new investments in order to ensure that appropriate account is taken of them.

We are transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050. Last year we published a commitment to achieving a 50% Carbon Intensity reduction across our total investment portfolio by 2030, building on our target, introduced the year prior, to see a similar reduction across our publicly traded corporate debt portfolio. We estimate that the Carbon Intensity of our portfolio had fallen by 41% against the estimate we made for year-end 2019. This is based upon measurements covering 92% of our portfolio.

Fundamental to achieving our long-term goal to transition our investment portfolio to Net Zero greenhouse gas emissions by 2050 is our ability to model how issuers or sectors may decarbonise out to 2050. To achieve this, we are refining a Net Zero transition plan for our portfolio which will also help us understand the key drivers and dependencies which may impact our ability to achieve our targets. This project has been a priority for Rothsay over the last twelve months and the publication of our first transition plan will mark the next key step on our journey to Net Zero.

In the first half of 2025, we were pleased that Rothsay's MSCI Environmental, Social and Governance rating was upgraded to AAA, the highest possible rating.

We are a signatory to the FRC's UK Stewardship Code 2020 and publish an annual Stewardship Report. We are also a signatory to the UN Principles for Responsible Investing, a supporter of the Task Force on Climate-related Financial Disclosures as well as the Climate Financial Risk Forum and an adopter of the Sustainability Reporting Standard for Social Housing.

For more information, please see our 2024 Sustainability and Climate reports, the latter of which is aligned with the Task Force on Climate-related Financial Disclosures.

Operations and policyholder service

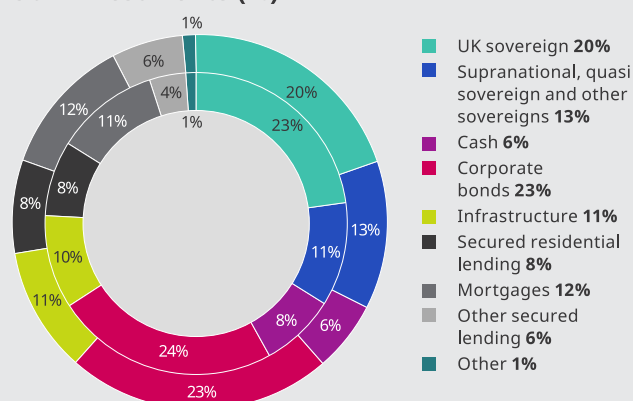
As noted in the Chief Executive's statement, during the first half of 2025, over 97% (FY2024: 96%, HY2024: 95%) of policyholders rated the quality of service they received as good or excellent. Our industry leading complaint levels remain low, of which only 0.8 complaints per 1,000 policyholders were upheld following a thorough investigation (FY2024: 0.65 complaints per 1,000, HY2024: 0.63 complaints per 1,000).

The following charts provide a breakdown of our financial assets excluding derivatives at 30 June 2025 and 31 December 2024 by sector and geography.

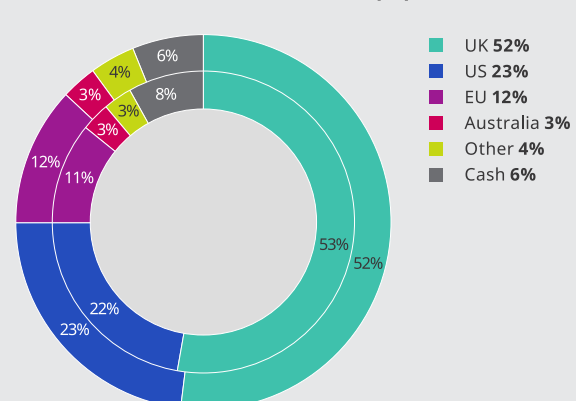


Outer circle: HY2025
Inner circle: FY2024

Our investments (%)



International diversification (%)





We have maintained our disciplined approach to new business to ensure returns are attractive.

Graham Butcher
Chief Financial Officer



Financial review

The financial review describes the financial performance of Rothsay Life Plc and its subsidiaries.

Financial performance

Adjusted operating profits (**APM**) for the first half of 2025 were £347m (FY2024: £1,781m, HY2024: £726m).

Adjusted operating profits (**APM**) were reduced by the net increase in the Contractual Service Margin (CSM) and borrowing costs, and increased by economic gains, leading to IFRS pre-tax profits of £410m (FY2024: £121m, HY2024: £25m).

The financial performance analysis shown in the table below provides an explanation of the way in which profits have been generated. Further explanation of the line items can be found in the notes on Alternative Performance Measures on page 71.

Profits generated on the in-force book (**APM**) were £349m (FY2024: £1,104m, HY2024: £282m). These profits mainly arose from investment returns on surplus assets and the release of the risk adjustment as the business runs off. Profits generated on the in-force book also includes the outperformance in relation to new investments made during the period relative to those assumed in new business underwriting.

Economic gains during 2025 were primarily driven by the performance of government bonds received as part of premiums paid to Rothsay for liabilities taken on in 2024.

Financial performance (Alternative analysis of profit generation) (APM)	HY2025 £m	FY2024 £m	HY2024 £m
New business profit	11	886	565
Acquisition expenses allocated to new business	(5)	(196)	(124)
Performance of the in-force book	349	1,104	282
Non-economic assumption changes and model refinement	(8)	(13)	3
Adjusted operating profit before tax	347	1,781	726
Increase in CSM	(22)	(735)	(364)
Asset/(liability) for future new business acquisition costs	20	—	(28)
Borrowing costs	(84)	(164)	(71)
Economic gains/(losses)	149	(761)	(238)
IFRS profit before tax	410	121	25

IFRS profit
before tax

£410m

HY2024: £25m

RLP solvency
capital requirement
(APM)

266%

FY2024: 264%

New
business premium
(APM)

£0.3bn

HY2024: £9.5bn

Financial review continued

IFRS income statement highlights

The key line items in the condensed consolidated statement of comprehensive income are summarised in the table below:

Income statement highlights	HY2025 £m	FY2024 £m	HY2024 £m	Commentary
Insurance service result	267	696	222	The insurance service result is the difference between the actual and reserved cost of delivering insurance service, predominantly driven by the release of the CSM and Risk Adjustment (RA) in the period due to services provided and risk expired.
Net financial result	611	144	130	The net financial result is primarily driven by interest earned on assets above liabilities plus the impact of changes in economic conditions.
Operating expenses	(117)	(81)	(37)	Operating expenses are exclusive of costs included in fulfilment cashflows and attributable acquisition costs. A breakdown of expenses is provided in note B.3.
Finance costs	(351)	(638)	(290)	Finance costs represent interest payable on borrowings and on collateral. For further details see note B.4.
Profit before tax	410	121	25	

IFRS statement of financial position

The key line items in the condensed consolidated statement of financial position are summarised in the following table:

Statement of financial position highlights	HY2025 £m	FY2024 £m	HY2024 £m
Financial investments	114,597	117,428	111,602
Reinsurance contract assets	258	302	163
Deferred tax asset	540	569	602
Other assets	5,914	5,316	4,265
Total assets	121,309	123,615	116,632
Share capital and share premium	684	684	510
Tier 1 notes	793	793	793
Reserves	3,131	2,839	3,147
Total equity	4,608	4,316	4,450
Insurance contract liabilities	62,477	64,222	61,242
Reinsurance contract liabilities	273	223	434
Payables and financial investment liabilities	51,023	51,976	47,209
Borrowings	2,569	2,616	3,006
Other liabilities	359	262	291
Total liabilities	116,701	119,299	112,182
Total equity and liabilities	121,309	123,615	116,632

Financial review continued

Assets under management (APM)

Assets under management (**APM**) reflects net derivative values and can be derived by adjusting the total assets shown in the table on the previous page for reinsurance, payables, derivatives, collateralised financing and deferred tax. Assets under management (**APM**) have decreased from £70.8bn as at 31 December 2024 to £69.5bn as at 30 June 2025, primarily driven by the rise in interest rates. A reconciliation of assets under management is provided in the notes on Alternative Performance Measures on page 71.

Insurance liabilities

Insurance contract liabilities, which consist of the best estimate liabilities, the risk adjustment and the CSM, decreased from £64.2bn as at 31 December 2024 to £62.5bn as at 30 June 2025. This move was primarily driven by the run off of in-force business (see notes E.1 and E.2).

Total equity and adjusted equity (APM)

The increase in total equity (an increase of £292m from £4,316m at 31 December 2024 to £4,608m at 30 June 2025) was primarily driven by IFRS net profits partially offset by £16m of RT1 coupons paid (net of tax) during 2025.

Adjusting total equity for the CSM net of tax and the value of the sterling-denominated RT1 debt gives adjusted equity (**APM**) of £8.3bn (FY2024: £8.0bn, HY2024: £7.8bn). This provides a useful valuation metric which includes the expected future profits on Rothsay's in-force business.

Alternative Performance Measures

Rothsay's strategy is focused on protecting the security of policyholder benefits, growth through writing value-driven new business and, ultimately, delivering sustainable shareholder value.

In the opinion of the Directors, both the prescribed IFRS results and disclosures, as well as a number of Alternative Performance Measures (**APM**), are necessary to fully reflect long-term value or changes to capital requirements. Rothsay therefore includes within these accounts a number of Alternative Performance Measures (**APMs**) which focus on value generation and capital strength to reflect the performance of Rothsay. Further information on Rothsay's APMs can be found on page 71 including definitions, why the measure is used and, if applicable, how the APM can be reconciled to the nearest Generally Accepted Accounting Policy measure. Rothsay uses the symbol **APM** to highlight APMs throughout the financial statements.

Risk and capital management

Rothesay is well-positioned for growth due to a strong capital position.

Rothesay's capital management framework is designed to meet the following objectives:

- To ensure that our liabilities to policyholders can be met in a full and timely manner.
- To give long-term confidence in Rothesay.
- To satisfy our regulatory obligations.
- To match the profile of our assets and liabilities, taking account of the risk inherent in the business.
- To allocate capital efficiently to support new business growth.
- To retain financial flexibility by maintaining strong liquidity.
- To provide an appropriate return to shareholders.

Rothesay aims to maintain solvency coverage in the range of 140% to 160% of the regulatory solvency capital requirement (SCR) **(APM)**. We started the period with capital surplus well above our target operating range, but as we write new business the solvency coverage is expected to move closer to our target operating range.

We operate a dynamic capital management framework which reflects the sensitivity of different performance measures. Our access to real-time solvency information and balance sheet sensitivities allows us to tailor our hedging strategy to manage the trade-offs between the solvency capital position and the embedded value of the business in such a way as to protect the long-term value of the business.

As at 30 June 2025, Rothesay had a Group SCR coverage ratio **(APM)** of 266% (FY2024: 264%, HY2024: 247%), meaning that we still have very material excess capital available to support further new business.

Solvency position of RLP	HY2025 £m	FY2024 £m	HY2024 £m
Tier 1 capital unrestricted	6,206	6,013	5,939
Tier 1 capital restricted	980	984	975
Tier 2 capital	1,732	1,733	2,135
Tier 3 capital	482	471	461
Own Funds available to meet SCR	9,400	9,201	9,510
Ineligible capital	(555)	(573)	(843)
Own Funds (APM) eligible to meet SCR	8,845	8,628	8,667
SCR	(3,319)	(3,262)	(3,506)
Surplus above SCR	5,526	5,366	5,161
SCR coverage (APM)	266%	264%	247%
SCR coverage without transitional solvency relief	259%	258%	240%

The Board approved the payment of an interim dividend of 93p per share on 15 August 2025. Had the dividend been recognised on 30 June 2025 then SCR coverage at Group would have reduced by 15% on a pro forma basis.

Some of the new business written remains outside Rothesay's matching adjustment portfolio in order to provide flexibility in transitioning assets to our long-term investment strategy. The business is eligible for inclusion in the matching adjustment portfolio and moving the business would improve both Own Funds and the SCR requirement because the matching adjustment could then be used in calculating the Technical Provisions. These liabilities include an allowance for the volatility adjustment in the discount rate.

The following table provides a breakdown of the SCR, post-diversification benefit, between modules. Insurance is mostly longevity risk, which reduced over the past year mainly due to reinsurance transacted. Market risk is dominated by spread risk, i.e. the risk that credit spreads widen.

Risk and capital management continued

Composition of SCR (%)	HY2025	FY2024	HY2024
Market risk	72	69	64
Insurance risk	14	17	24
Operational risk	7	7	6
Counterparty risk	7	7	6

An analysis of the change in surplus capital above the SCR is shown in the table below. Surplus above the SCR has increased from £5,366m to £5,526m driven by surplus capital released from Rothesay's in-force book, primarily due to the run-off of the SCR and risk margin. This was partially offset by the solvency impact associated with the sale of government bonds received as premium assets in 2024. The sale of these government bonds in 2025 reduced the discount rate used to value the liabilities in the matching adjustment portfolio. This increased the short-term strain associated with under deployment, as shown in the table below. Once the cash generated from these sales has been reinvested in line with Rothesay's long-term target asset allocation, this impact is expected to reverse and Rothesay's solvency surplus is projected to improve.

Differences between IFRS accounting standards and Solvency II mean that management actions and changes in economic conditions can have very different impacts on the two bases. All numbers are shown net of tax impacts and allow, where relevant, for changes in transitional solvency relief. The analysis of change in surplus for HY2024 has been remapped onto the categories which align with the HY2025 breakdown.

Change in surplus	HY2025 £m	FY2024 £m	HY2024 £m
Opening position	5,366	5,457	5,457
New business (on a fully invested basis)	(24)	(910)	(504)
Performance of the in-force book	345	942	386
Non-economic assumption changes	(4)	14	9
New business acquisition expenses	(5)	(196)	(124)
Short-term impact of under deployment	(121)	(253)	(452)
Operating surplus generation	191	(403)	(685)
Economic conditions	(32)	634	355
Borrowing costs	(79)	(154)	(70)
Other non-operating variances	80	(73)	(116)
Non-operating surplus generation	(31)	407	169
Total surplus generation	160	4	(516)
Eligible new capital raised less dividends paid	—	(95)	220
Closing surplus	5,526	5,366	5,161

Viability and going concern

Viability statement

Rothesay's strategy and business model centres on long-term pension security for our policyholders. This focus leads management and the Board to consider the viability of Rothesay on an ongoing basis. The viability of Rothesay is linked to our ability to generate profits and maintain solvency and liquidity over a period of time.

Why we assess viability

The Board's assessment of viability is a central process within our risk management and strategic planning framework. Rothesay has been purpose-built to protect pensions and ensuring the Group remains viable is critical to protecting our policyholders' pensions.

The period we assess

Making a viability assessment requires the principal risks of the Group to be thoroughly understood and regularly updated for changes.

Rothesay's own views of risk and associated capital requirements have been investigated through the Own Risk and Solvency Assessment (ORSA), including consideration of the way in which future changes to Rothesay's risk profile and also external influences may impact on the Group's solvency needs and ability to execute the business plan. The ORSA, approved by the Board in January 2025, considers risks across a five-year time horizon and therefore it is felt appropriate for the viability assessment to be considered across the same time horizon. Rothesay recognises that the Group has policyholder liabilities which extend beyond the five-year horizon but considers that year-by-year projections beyond the five-year period are likely to be unreliable given everything that might happen in that time. However, given the projected financial position of the Group in five years' time on a range of scenarios, the Board does not consider there to be any going concern or viability issues beyond this timeframe.

How we assess viability

The ORSA includes a number of forward-looking scenarios intended to test the impact of stresses and scenarios that may impact Rothesay's ability to execute its business plan. Scenarios considered include shocks to new business (up and down), liquidity, financial markets (including the global financial crisis) and longevity. Financial market stresses are calibrated to ensure that they capture the potential impact of climate change on our investments. More details on point-in-time stress testing can be found in note E of the financial statements. The ORSA also includes reverse stress testing. The results demonstrate the robustness of Rothesay's solvency and provide insight into the way in which the business plan would need to be adapted to respond to extremely adverse conditions. Management and the Board believe Rothesay is well-capitalised on both a regulatory and economic capital basis.

Given the dynamic nature of the market, the strategic business plan is based on a period of five years and is prepared on a rolling basis and reviewed and approved by the Board. The business plan is refreshed if there are material changes to the business model or market environment. The business plan is centred around Rothesay's projected new business targets, with assumptions about pricing, reinsurance, longevity, investment strategy, revenue generation, expenses and leverage based on Rothesay's existing business and target operating model. In certain scenarios where there is very material new business growth, the plan also assumes that new equity would be provided by our shareholders. In the near term, IFRS pre-tax profits are largely driven by profit emergence on the Rothesay back-book. New business then generates CSM which is released into IFRS profits over the longer term.

Our assessment of viability and going concern

Given Rothesay's significant surplus capital, the analysis showed that the Group can withstand very material adverse shocks. Based on the results of this analysis and consideration of viability, as the Group is holding surplus capital above its target operating range, the Board has a reasonable expectation that Rothesay will be able to continue in operation and meet its liabilities and obligations as they fall due over the five-year period of the assessment. The same analysis also informs the Board's assessment of Rothesay's ability to continue to adopt the going concern basis of accounting.

Report of the Directors

The Directors present their interim condensed consolidated financial statements for Rothsay Life Plc (the Company, Rothsay or RLP), registered number 06127279, for the period ended 30 June 2025. RLP is a registered public limited company incorporated and domiciled in London, United Kingdom.

Comparative information has been presented for the year ended 31 December 2024 and the period ended 30 June 2024.

The Directors of Rothsay confirm that to the best of their knowledge these interim condensed consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and that the interim financial report includes a fair review of the information, namely:

- An indication of important events that have occurred during the six months ended 30 June 2025 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the six months ended 30 June 2025 and any material changes in the related-party transactions described in the last Annual Report.

During 2025 and up to the date of this report, the following changes to the Board took place:

- Bruce Carnegie-Brown was appointed as an independent Non-Executive Director and Chair Designate on 1 May 2025 and as Chair on 1 July 2025.
- Addy Loudiadis stood down from the Board on 3 April 2025.
- Naguib Kheraj stood down from the Board on 30 June 2025.

Post balance sheet event

On 15 August 2025, the Board approved a dividend of 93p per share. Had the dividend been paid on 30 June 2025 then the profit and loss would have fallen by £493m to £2,635m.

Rothsay Life Plc

Board of Directors

Chair

Bruce Carnegie-Brown

Executive Directors

Tom Pearce

Graham Butcher

Shareholder Non-Executive Directors

Tim Corbett

Geoff Craddock

Arjun Gupta

Robin Jarratt

Independent Non-Executive Directors

Lisa Arnold

Angela Darlington

Katherine Garner

Ed Giera

Heather Jackson

Terry Miller

Sophie O'Connor

The financial statements were authorised for issue by the Board of Directors on 15 August 2025.

ON BEHALF OF THE BOARD



Tom Pearce

Chief Executive Officer
15 August 2025

Section **two**

Financial Statements



In this section

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The financial statements
set out the consolidated
results for Rothsay Life Plc and
its subsidiaries for the
period ended 30 June 2025.



Condensed consolidated statement of comprehensive income

For the period ended 30 June 2025

	Notes	HY2025 £m	FY2024 £m	HY2024 £m
Insurance revenue	B.1	2,270	4,234	1,841
Insurance service expense	B.1	(1,928)	(3,475)	(1,558)
Net expense from reinsurance contracts held	B.1	(75)	(63)	(61)
Insurance service result		267	696	222
Total investment return/(loss)	B.2	992	(1,696)	(959)
Finance (expense)/income for insurance contracts issued	B.2	(278)	2,031	1,154
Finance expense for reinsurance contracts held	B.2	(103)	(191)	(65)
Net insurance finance result		(381)	1,840	1,089
Net insurance and investment result		878	840	352
Operating expenses	B.3	(117)	(81)	(37)
Finance costs	B.4	(351)	(638)	(290)
Profit before tax		410	121	25
Income tax expense	B.5	(100)	(27)	—
Profit for the period/year		310	94	25

	Note	HY2025 £m	FY2024 £m	HY2024 £m
Profit for the financial period/year		310	94	25
Other comprehensive (loss)/income:				
Items that are or may be reclassified to profit or loss		—	—	—
Cash flow hedges:				
Fair value (losses)/gains during the period/year	C.3	(2)	4	1
Total comprehensive income for the period/year		308	98	26

All income and expenses are related to continuing operations.

Notes A–H form an integral part of these financial statements.

Condensed consolidated statement of financial position

As at 30 June 2025

	Notes	HY2025 £m	FY2024 £m	HY2024 £m
Assets				
Property, plant and equipment		57	47	37
Lease – right-of-use assets		57	48	51
Financial investments	D.1	114,597	117,428	111,602
Deferred tax asset	G.1	540	569	602
Reinsurance contract assets	E.2	258	302	163
Accrued interest and prepayments		982	1,062	925
Receivables		4,592	3,946	2,987
Cash and cash equivalents		223	210	247
Assets held for sale		3	3	18
Total assets		121,309	123,615	116,632
Equity and liabilities				
Equity				
Share capital	C.1	529	529	510
Share premium	C.3	155	155	—
Tier 1 notes	C.2	793	793	793
Hedging reserve	C.3	3	5	2
Profit and loss reserve	C.3	3,128	2,834	3,145
Total equity		4,608	4,316	4,450
Liabilities				
Insurance contract liabilities	E.1	62,477	64,222	61,242
Reinsurance contract liabilities	E.2	273	223	434
Payables and financial investment liabilities	D.2	51,023	51,976	47,209
Leasehold liabilities		69	60	63
Borrowings	D.3	2,569	2,616	3,006
Accruals		290	202	228
Total liabilities		116,701	119,299	112,182
Total equity and liabilities		121,309	123,615	116,632

Notes A–H form an integral part of these financial statements. The financial statements on pages 26 to 70 were approved by the Board of Directors on 15 August 2025 and signed on its behalf by:



Tom Pearce
Chief Executive Officer
15 August 2025
Company number 06127279

Condensed consolidated statement of changes in equity

For the period ended 30 June 2025

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Hedging reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2025		529	155	793	5	2,834	4,316
Effective portion of change in fair value of cash flow hedges	C.3	—	—	—	(2)	—	(2)
Tier 1 note coupon	C.2, C.3	—	—	—	—	(23)	(23)
Tier 1 coupon tax relief	C.2, C.3	—	—	—	—	7	7
Profit for the financial period	C.3	—	—	—	—	310	310
As at 30 June 2025		529	155	793	3	3,128	4,608

For the year ended 31 December 2024

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Hedging reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2024		510	—	793	1	3,137	4,441
Dividends paid	C.3, C.4	—	—	—	—	(361)	(361)
Effective portion of change in fair value of cash flow hedges		—	—	—	4	—	4
Share issuance	C.1, C.3	19	155	—	—	—	174
Tier 1 note coupon	C.2, C.3	—	—	—	—	(47)	(47)
Tier 1 coupon tax relief	C.2, C.3	—	—	—	—	11	11
Profit for the financial year	C.3	—	—	—	—	94	94
As at 31 December 2024		529	155	793	5	2,834	4,316

For the period ended 30 June 2024

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Hedging reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2024		510	—	793	1	3,137	4,441
Profit for the period	C.3	—	—	—	—	25	25
Adjustment to retained earnings	C.3	—	—	—	—	1	1
Tier 1 note coupon	C.2, C.3	—	—	—	—	(23)	(23)
Tier 1 coupon tax relief	C.2, C.3	—	—	—	—	5	5
Effective portion of change in fair value of cash flow hedges	C.3	—	—	—	1	—	1
As at 30 June 2024		510	—	793	2	3,145	4,450

Condensed consolidated cash flow statement

For the period ended 30 June 2025

	Notes	HY2025 £m	FY2024 £m	HY2024 £m
Cash flows from operating activities				
Profit for the period/year		310	94	25
Adjustments for non-cash movements in net profit for the period/year				
Exchange rate movement on USD borrowings		(49)	6	2
Property, plant and equipment depreciation		1	2	1
Lease – right-of-use asset depreciation		3	5	3
Amortisation of debt costs	B.4	2	8	2
Financing charge on leasehold liabilities		2	3	2
Interest income	B.2	(1,667)	(3,089)	(1,456)
Interest expense	B.4	336	627	286
Income tax expense/(credit)	B.5	61	(39)	—
Hedging reserve	C.3	(2)	4	1
Net decrease/(increase) in operational assets				
Financial investments	D.1	2,831	(18,460)	(12,634)
Assets held for sale		—	124	109
Deferred tax asset	G.1	30	68	35
Reinsurance contract assets	E.2	44	(86)	53
Receivables		(701)	(1,758)	(818)
Prepayments		5	(23)	(30)
Net (decrease)/increase in operational liabilities				
Insurance contract liabilities	E.1	(1,745)	9,592	6,612
Reinsurance contract liabilities	E.2	49	(238)	(27)
Financial investment liabilities	D.2	(832)	10,652	5,996
Other payables	D.2	(122)	196	50
Accrued expenses		(1)	7	13
Cash flows used in operating activities		(1,445)	(2,305)	(1,775)
Interest paid		(246)	(589)	(228)
Interest received		1,742	2,918	1,428
Taxes paid		—	(136)	(126)
Net cash flows generated from/(used in) operating activities		51	(112)	(701)
Cash flows from (used in)/generated from financing activities				
Proceeds from issuance of ordinary share capital (including share premium)	C.1	—	174	—
Interest payments on Tier 1 notes	C.3	(22)	(47)	(23)
Cash outflows for leases		(5)	(9)	(5)
Dividends paid	C.4	—	(361)	—
Repayment of borrowings	D.3	—	(400)	—
Proceeds from issuance of debt (net of issuance costs)	D.3	—	754	754
Net cash flows (used in)/generated from financing activities		(27)	111	726
Net cash outflows used in investing activities				
Acquisitions of property, plant and equipment		(11)	(22)	(11)
Net cash outflows used in investing activities		(11)	(22)	(11)
Net increase/(decrease) in cash and cash equivalents		13	(23)	14
Cash and cash equivalents at 1 January		210	233	233
Cash and cash equivalents at 30 June/31 December		223	210	247

Notes to the financial statements

Note A – Material accounting policy information

A.1 Basis of preparation and consolidation

The interim condensed consolidated financial statements of Rothsay for the six-month period ended 30 June 2025 have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. The financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2024 were approved by the Board of Directors on 14 February 2025 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements do not include all of the notes included in the annual financial report. Accordingly, this report should be read in conjunction with the annual report and accounts for the year ended 31 December 2024, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards.

During the preparation of the interim condensed consolidated financial statements, Rothsay selects accounting policies and makes estimates and assumptions that impact on the items reported and their presentation. The Audit Committee reviews the reasonableness of these judgements and assumptions as well as the appropriateness of the accounting policies applied. Judgements are decisions which management has made in the process of applying Rothsay's accounting policies. Key considerations of the standard include:

- Assessment of the significance of insurance risk transferred to Rothsay in determining whether a contract should be accounted for as an insurance or investment contract (see note A.2).
- Assessment of the level of aggregation of insurance and reinsurance contracts which includes identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently (see note E).
- The method used to measure the risk adjustment for non-financial risk (see note E.4(e)).

Estimates are based on evidence available at the accounting date and opinions provided by subject matter experts. Actual results may vary from the estimates provided. As new facts become available estimates will be updated. Items considered particularly susceptible to changes in estimates are noted below:

- Fair value of financial investments where quoted market prices are not available (see note D.1).
- Measurement of (re)insurance contract liabilities (see note E).

The Directors have considered the appropriateness of adopting the going concern basis for the preparation of the interim financial statements. The Board has considered forward-looking scenarios intended to test the impact of stresses and scenarios that may impact Rothsay's ability to execute its business plan. The results demonstrate the robustness of Rothsay's solvency. Management and the Board believe Rothsay is well capitalised on both a regulatory and economic capital basis and therefore the Board believes it is appropriate to continue to adopt the going concern basis of accounting (see Viability and going concern section).

The interim condensed consolidated financial statements of Rothsay are presented in sterling (£) rounded to the nearest million (£m) except where otherwise stated.

Rothsay presents its interim condensed consolidated statement of financial position broadly in order of liquidity.

Notes to the financial statements **continued**

Note A – Material accounting policy information (continued)

A.1 Basis of preparation and consolidation (continued)

Assets and liabilities are offset and the net amount reported in the condensed consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the interim condensed consolidated income statement unless required or permitted by IFRS.

There is no seasonality or cyclicity in Rothestay's business operations.

All of Rothestay's business risks and returns are within one business segment (i.e. long-term insurance annuities business). This includes the premiums generated on inwards reinsurance contracts; refer to note B1 for Rothestay's total insurance revenue. Rothestay's insurance operations are within the United Kingdom.

A.2 Contract classification

Contracts under which Rothestay accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder are classified as insurance contracts. Rothestay has classified its policyholder contracts as insurance contracts based on a contract-by-contract assessment of substantive rights and obligations. Rothestay uses judgement to assess whether a contract transfers significant insurance risk and whether the transferred insurance risk is significant by considering scenarios with commercial substance in which Rothestay has the possibility of a significant loss. For Rothestay, the most material such risk is longevity risk, i.e. the risk that the policyholder lives for longer than expected. Unless otherwise stated, insurance contracts issued also includes reinsurance contracts issued by Rothestay.

Contracts that do not transfer significant insurance risk are investment contracts.

A.3 Accounting policies and changes in accounting policies

The following amendment to existing standard was effective on 1 January 2025 and has no impact on Rothestay:

- Amendments to IAS 21, *Foreign Exchange* - Lack of Exchangeability.

The following amendment to existing standard is not yet effective and is expected to have no impact on Rothestay:

- Amendments to IFRS 9 and IFRS 7 regarding classification and measurement of financial instruments, effective for reporting periods beginning on or after 1 January 2026.

The following new accounting standards that are not yet effective in 2025:

- IFRS 18, *Presentation and Disclosure in Financial Statements*, effective for reporting periods beginning on or after 1 January 2027. This will impact the presentation of the statement of income of Rothestay and additional disclosures in relation to management performance measures.
- IFRS 19, *Subsidiaries without Public Accountability: Disclosures*, effective for reporting periods beginning on or after 1 January 2027. This new accounting standard is not expected to have any impact on Rothestay.

Notes to the financial statements **continued**

Note B – Income statement notes

B.1 Insurance service results

Analysis of the total insurance revenue, insurance service expenses and net expense from reinsurance contracts held recognised during the period is shown in the following table. Note that Rothsay has not written any onerous insurance contracts nor have any insurance contracts that became onerous during the period. Consequently, Rothsay has not recognised any losses from onerous insurance contracts in the profit or loss.

	HY2025 £m	FY2024 £m	HY2024 £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
– Expected insurance service expense incurred during the period	1,904	3,449	1,538
– Change in the risk adjustment for non-financial risk	7	11	5
– CSM recognised in profit or loss for the services provided during the period	332	725	276
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	27	49	22
Total insurance revenue	2,270	4,234	1,841
Insurance service expense			
Incurred claims and other incurred insurance service expenses	(1,901)	(3,426)	(1,536)
Amortisation of insurance acquisition cash flows	(27)	(49)	(22)
Total insurance service expense	(1,928)	(3,475)	(1,558)
Insurance service result before reinsurance contracts held	342	759	283
Net expense from reinsurance contracts held			
Amounts relating to changes in liabilities for remaining coverage:			
– Expected recovery for insurance service expenses incurred during the period	(1,446)	(2,546)	(1,205)
– Net cost recognised in profit or loss for the services received	(68)	(62)	(49)
– Amounts relating to recovery in insurance acquisition cash flows	3	5	2
Total allocation of reinsurance premiums paid	(1,511)	(2,603)	(1,252)
Amounts recoverable for claims and other expenses incurred during the period	1,439	2,545	1,193
Amounts relating to recovery in insurance acquisition cash flows	(3)	(5)	(2)
Amounts recoverable from reinsurers	1,436	2,540	1,191
Total net expense from reinsurance contracts held	(75)	(63)	(61)
Total insurance service result	267	696	222

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

B.2 Investment return and net insurance finance (expense)/income

Net foreign exchange (expense)/income is not shown in the table below because it is not material.

	HY2025 £m	FY2024 £m	HY2024 £m
Interest income on financial investments at fair value through profit or loss (FVTPL)	1,667	3,089	1,456
Unrealised losses on financial investments and liabilities at FVTPL	(1,170)	(4,929)	(2,429)
Realised gains on financial investments and liabilities at FVTPL	520	200	41
Investment management expenses	(25)	(56)	(27)
Total investment return/(loss)	992	(1,696)	(959)
Finance (expense)/income from insurance contracts issued			
Interest accreted to insurance contracts using current financial assumptions on fulfilment cash flows	(1,530)	(2,745)	(1,244)
Interest accreted to insurance contracts using locked-in rate on the CSM	(96)	(173)	(83)
Effects of changes in interest rates and other financial assumptions	1,348	4,949	2,481
Total finance (expense)/income from insurance contracts issued	(278)	2,031	1,154
Finance expense from reinsurance contracts held			
Interest accreted to reinsurance contracts using current financial assumptions on fulfilment cash flows	(86)	(178)	(88)
Interest accreted to reinsurance contracts using locked-in rate on the CSM	8	8	5
Effects of changes in interest rates and other financial assumptions	(26)	(22)	19
Effect of changes in non-performance risk of reinsurers	1	1	(1)
Total finance expense from reinsurance contracts held	(103)	(191)	(65)
Total net insurance finance (expense)/income	(381)	1,840	1,089
Represented by:			
Amounts recognised in profit or loss	611	144	130
Amounts recognised in other comprehensive income	—	—	—

Given the approach to interest rate hedging, Rothsay is effectively over-hedged on an IFRS 17 basis. During the first half of 2025, long-term interest rates were higher driving losses (unrealised losses) on the financial investments.

Interest accreted to insurance contracts using current financial assumptions on fulfilment cash flows is the change in the carrying amount of the fulfilment cashflows due to accruing interest over time. The interest rates used to determine this amount are based on those prevailing at the beginning of the period. Interest accreted to insurance contracts using locked-in rate on the CSM reflects the change in the carrying amount of the CSM due to accruing interest over time using interest rates that were prevailing when the insurance contracts were written. The interest accretion in H1 2025 is higher than H1 2024 due to the new business written between reporting periods and the change in the interest rate expectations between periods.

Effects of changes in interest rates and other financial assumptions represent the change in the liabilities due to updated economic assumptions. This also includes the basis differences arising when determining adjustments to the CSM using the locked-in economic assumptions versus current economic assumptions.

The components of finance income and expenses arising from reinsurance contracts are measured in a similar way to the underlying insurance contracts but also includes a consideration for the effect of changes in non-performance risk of reinsurers.

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

B.3 Operating expenses

Operating expenses are presented net of expenses attributed to insurance acquisition cash flows and other directly attributable expenses incurred by Rothsay relating to the fulfilment of the group of insurance contracts in the reporting period. Directly attributable expenses are included in measurement of fulfilment cash flows of the group of insurance contracts and recognised in insurance service expenses as incurred. Costs that are not directly attributable to a portfolio of insurance contracts are recognised in operating expenses as incurred.

The costs of acquiring new business are treated as insurance acquisition cash flows which are amortised in the insurance service expense over time. Where costs are incurred on business that is expected to be written in a subsequent period, an insurance acquisition asset is established.

Expenses can be broken down as follows. The allocation between rows has been updated, impacting full year 2024 such that the fulfilment cashflows for expenses relating to new business (of £28m) which were incurred after the schemes were inceptioned are shown with attributable acquisition costs:

	HY2025 £m	FY2024 £m	HY2024 £m
Attributable acquisition costs and new business acquisition costs incurred after scheme inception	25	196	96
Fulfilment cash flows (excluding all new business acquisition costs)	43	79	39
Non-attributable costs	117	81	37
Expenses	185	356	172

Other non-attributable costs have increased due to lower allocations against new business.

For half year 2025, attributable acquisition costs includes an insurance acquisition asset of £20m which is held to be included in the measurement of future insurance contracts (FY2024: nil, HY2024: nil).

B.4 Finance costs

	HY2025 £m	FY2024 £m	HY2024 £m
Interest payable on collateral	113	246	130
Interest payable on collateralised agreements and financing	154	228	89
Total interest payable on collateral and collateralised agreements	267	474	219
Interest payable on borrowings from related parties	9	18	9
Interest payable on third-party borrowings	72	143	60
Financing charge on leasehold liabilities	3	3	2
Total borrowing costs	84	164	71
Net finance costs	351	638	290

Debt issuance expenses associated with the issue of subordinated loans are recognised over the term of the loan within interest payable.

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

B.5 Income tax expense

The major components of income tax for the period ended 30 June 2025, year ended 31 December 2024 and period ended 30 June 2024 are set out below:

	HY2025 £m	FY2024 £m	HY2024 £m
Current income tax:			
UK corporation tax	61	—	—
Loss carry back to prior year	—	(34)	(31)
Adjustment in respect of prior year	—	(6)	(4)
Total current income tax	61	(40)	(35)
Deferred tax:			
Origination and reversal of temporary differences	39	67	35
Total deferred tax	39	67	35
Total tax in the interim condensed consolidated statement of comprehensive income	100	27	—

The tax expense in the consolidated statement of comprehensive income for the financial period and the standard rate of corporation tax in the UK of 25.00% (FY2024: 25.00%, HY2024: 25.00%) is reconciled below:

	HY2025 £m	FY2024 £m	HY2024 £m
Profit on ordinary activities before taxation	410	121	25
Tax calculated at UK standard rate of corporation tax of 25.00%	103	30	6
Adjustment in respect of prior year	—	(6)	(4)
Temporary differences	(1)	—	—
Impact of tax losses carried back at lower tax rate	—	3	2
Effect of tax sharing arrangement	(2)	—	(4)
Total tax expense reported in the interim condensed consolidated statement of comprehensive income	100	27	—

The Government of the United Kingdom, where the holding company of the Group is incorporated, enacted the Pillar Two income taxes legislation, with effect from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. Based on the results for the period, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2024 and year ending 31 December 2025. As such, no top-up tax has been accrued during the period.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the financial statements **continued**

Note C – Equity

C.1 Share capital

At 30 June 2025, 31 December 2024 and 30 June 2024, share capital comprised:

	HY2025		FY2024		HY2024	
	No.	£m	No.	£m	No.	£m
Authorised share capital (ordinary shares of £1 each)	529,573,825	529	529,573,825	529	510,528,697	510

All of the shares in issuance are A ordinary shares.

On 24 September 2024, Rothsay Life Plc issued 19,045,128 ordinary shares for total cash consideration of £174m. No changes have been made to equity share capital in the first half of 2025.

C.2 Restricted Tier 1 notes – sterling

The table below provides a summary of Rothsay's sterling-denominated RT1 notes:

				Carrying amount		
				HY2025 £m	FY2024 £m	HY2024 £m
Notional amount	Issue date	Callable at par at the option of the Group from	Coupon			
Loan notes issued through public debt markets						
£350m	12 September 2018	12 September 2028	6.875%	347	347	347
£450m	13 October 2021	13 October 2031	5%	446	446	446
				793	793	793

Rothsay has the option to cancel the principal or coupon payment on all RT1 notes which becomes mandatorily cancellable upon breach or non-compliance with RLP's SCR, a breach of the minimum capital requirement (MCR) or where Rothsay has insufficient distributable reserves.

The full principal amount of each note is irrevocably and automatically reduced to zero on a permanent basis if RLP determines at any time that:

- i) eligible Own Fund items are less than or equal to 75% of the SCR;
- ii) eligible Own Fund items are less than or equal to 100% of the MCR; or
- iii) a breach of the SCR has occurred and has not been remedied within three months.

Then either:

- i) in the case of the £350m of RT1 notes (issued on 12 September 2018), the full principal amount of each note issued is irrevocably and automatically reduced to zero on a permanent basis; or
- ii) in the case of the £450m of RT1 notes (issued on 13 October 2021) the notes convert into a new class B of non-voting ordinary shares of RLP.

Notes to the financial statements **continued**

Note C – Equity (continued)

C.3 Share premium account and reserve

	Share premium £m	Hedging reserve £m	Profit and loss reserve £m
Balances as at 1 January 2025	155	5	2,834
Effective portion of change in fair value of cash flow hedges	—	(2)	—
Tier 1 note coupon	—	—	(23)
Tier 1 coupon tax relief	—	—	7
Profit for the financial period	—	—	310
Balances as at 30 June 2025	155	3	3,128

	Share premium £m	Hedging reserve £m	Profit and loss reserve £m
Balances as at 1 January 2024	—	1	3,137
Share issuance	155	—	—
Dividends paid	—	—	(361)
Effective portion of change in fair value of cash flow hedges	—	4	—
Tier 1 note coupon	—	—	(47)
Tier 1 coupon tax relief	—	—	11
Profit for the financial year	—	—	94
Balances as at 31 December 2024	155	5	2,834

	Share premium £m	Hedging reserve £m	Profit and loss reserve £m
Balances as at 1 January 2024	—	1	3,137
Adjustment to retained earnings	—	—	1
Effective portion of change in fair value of cash flow hedges	—	1	—
Tier 1 note coupon	—	—	(23)
Tier 1 coupon tax relief	—	—	5
Profit for the financial period	—	—	25
Balances as at 30 June 2024	—	2	3,145

Notes to the financial statements **continued**

Note C – Equity (continued)

C.3 Share premium account and reserve (continued)

Hedging reserve

Foreign currency exposure arises on the \$400m RT1 notes and \$325m Tier 2 notes, and the associated coupon payments (see note D.3). The risk arises from the fluctuation in exchange rates, which would cause volatility in the biannual coupon payments and the principal repayment.

As part of Rothsay's foreign currency risk management objective, cash flow hedges were put in place to remove the volatility caused by exchange rate movements, using bespoke fixed-for-fixed cross-currency swaps. The swaps are designated as hedges of probable forecasted transactions, being the foreign currency sterling costs of the coupons and principal payments.

Rothsay determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currencies, interest rates, amounts and timing of their respective cash flows. Rothsay assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item under the hypothetical derivative method. It is Rothsay's policy to align the critical terms of the hedging instruments or the swaps with the hedged items or the USD notes. As the hedging instruments were bespoke derivatives, the hedge relationship is assessed to be highly effective and any ineffectiveness is expected to be immaterial. As allowed under IFRS 9, Rothsay continues to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The fair value of the currency swap hedging instruments of the \$400m RT1 notes and \$325m Tier 2 notes are £4m and (£18m), respectively, as at 30 June 2025 (FY2024: £38m, HY2024: £29m) with total nominal amounts of £546m as at 30 June 2025 (FY2024: £546m, HY2024: £546m). The currency swaps are included in the derivative assets and derivative liabilities as part of the total financial investments (see note D.1) and financial investment liabilities (see D.2).

C.4 Dividends on ordinary shares

The Directors have recommended no payment of interim dividends during the period ended 30 June 2025 (FY2024: £361m (or 69p per share), HY2024: £nil). The Board approved the payment of an interim dividend on 15 August 2025, the size of the payment is 93p per share (see note H.3).

Notes to the financial statements **continued**

Note D – Financial assets and liabilities

D.1 Financial investments

Rothsay's financial assets and liabilities are grouped into the following categories:

	HY2025 £m	FY2024 £m	HY2024 £m
Financial investments designated at FVTPL	70,268	71,084	66,777
Financial investments mandatorily measured at FVTPL	44,329	46,344	44,825
Total financial investments at FVTPL	114,597	117,428	111,602
Accrued interest at amortised cost	774	848	705
Receivables at amortised cost	4,592	3,946	2,987
Cash and cash equivalents at amortised cost	223	210	247
Total other financial assets at amortised cost	5,589	5,004	3,939
Total financial assets	120,186	122,432	115,541
Financial liabilities designated at FVTPL	7,649	6,519	3,019
Financial liabilities mandatorily measured at FVTPL	38,133	40,095	38,939
Total financial liabilities at FVTPL	45,782	46,614	41,958
Payables at amortised cost	5,241	5,362	5,251
Borrowings at amortised cost	2,569	2,616	3,006
Accrued interest at amortised cost	243	152	172
Total other financial liabilities at amortised cost	8,053	8,130	8,429
Total financial liabilities	53,835	54,744	50,387

Determination of fair value and fair value hierarchy

Rothsay uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: inputs are unadjusted quoted prices in active markets to which Rothsay had access at the measurement date for identical unrestricted assets and liabilities;
- Level 2: inputs to valuation techniques are observable either directly or indirectly; and
- Level 3: one or more inputs to valuation techniques are significant and unobservable.

The fair value of certain debt securities classified as Level 3 instruments is determined using inputs that are not based on observable market data. One of the most significant inputs is liquidity premiums. The valuation model discounts future cash flows using interest rate swap curves in addition to a spread to reflect the associated credit risk and liquidity premiums.

When assessing the fair value of our Level 3 financial investments, we consider and allow for the extent to which the investments may be vulnerable to climate change, either because of vulnerability to physical climate risk or the risk of being stranded assets in the drive to Net Zero carbon emissions. The valuation of Level 1 and Level 2 financial investments is also assumed to allow for climate change exposure.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

The following tables show an analysis of financial investments recorded at fair value by Level of the fair value hierarchy for HY2025, FY2024 and HY2024 (please refer to note D.2 for financial liabilities):

30 June 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	4,438	—	55	4,493
Government sub-sovereign and agency obligations	15,990	7,967	—	23,957
Corporate bonds and other corporate debt	—	33,541	1,289	34,830
Collateralised agreements and financing	—	61	—	61
Loans secured on property	—	96	6,692	6,788
Certificates of deposit	—	139	—	139
Financial investments designated at FVTPL	20,428	41,804	8,036	70,268
Derivative assets	—	36,326	1,400	37,726
Lifetime mortgages	—	—	6,603	6,603
Financial investments mandatorily measured at FVTPL	—	36,326	8,003	44,329
Total financial investments measured at FVTPL	20,428	78,130	16,039	114,597
Assets held for sale	—	—	3	3
Total assets measured at fair value	20,428	78,130	16,042	114,600

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	5,999	—	93	6,092
Government sub-sovereign and agency obligations	16,278	7,744	—	24,022
Corporate bonds and other corporate debt	—	33,154	1,253	34,407
Collateralised agreements and financing	—	61	—	61
Loans secured on property	—	98	6,267	6,365
Certificates of deposit	—	137	—	137
Financial investments designated at FVTPL	22,277	41,194	7,613	71,084
Derivative assets	—	38,374	1,567	39,941
Lifetime mortgages	—	—	6,403	6,403
Financial investments mandatorily measured at FVTPL	—	38,374	7,970	46,344
Total financial investments measured at FVTPL	22,277	79,568	15,583	117,428
Assets held for sale	—	—	3	3
Total assets measured at fair value	22,277	79,568	15,586	117,431

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

30 June 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	7,778	—	118	7,896
Government sub-sovereign and agency obligations	12,647	7,491	—	20,138
Corporate bonds and other corporate debt	—	31,647	1,156	32,803
Collateralised agreements and financing	—	62	—	62
Loans secured on property	—	103	5,641	5,744
Certificates of deposit	—	134	—	134
Financial investments designated at FVTPL	20,425	39,437	6,915	66,777
Derivative assets	—	36,683	1,704	38,387
Lifetime mortgages	—	—	6,438	6,438
Financial investments mandatorily measured at FVTPL	—	36,683	8,142	44,825
Total financial investments measured at FVTPL	20,425	76,120	15,057	111,602
Assets held for sale	—	—	18	18
Total assets measured at fair value	20,425	76,120	15,075	111,620

Rothsay discloses offsetting derivative asset and derivative liability contracts separately in line with IAS 32 requirements and the value of both has reduced significantly during the period due to changes in economic conditions. However, the movement in the value of derivative assets is offset by the movement in the value of derivative liabilities such that on a net basis the value of derivatives decreased by £253m during the first half of 2025 (FY2024: decreased by £778m, HY2024: decreased by £1,176m).

Collective investment schemes represent money market funds with same-day liquidity. Rothsay utilises these funds as an additional form of financial investment to back insurance contract liabilities. In HY2025, there were other investments in funds which are classified within collective investment schemes which are classified as Level 3 assets.

Loans secured on property mainly comprise investments in Commercial real-estate loans, UK and European residential mortgages and loans, and assets secured on cashflows from residential freehold properties.

Approximately 14% (FY2024:13%, HY2024: 14%) of the total financial investments recorded at fair value are valued based on estimates using unobservable inputs and recorded as Level 3 investments.

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

The following table shows a reconciliation of the opening and closing recorded amounts in relation to the Level 3 financial instruments recorded at fair value (excluding lifetime mortgages which are discussed in the lifetime mortgages in the subsequent section below):

	Financial assets measured at fair value on a recurring basis						Financial liabilities measured at fair value on a recurring basis		
	Corporate bonds & other corporate debt £m	Loans secured on property £m	Derivative assets £m	Collective investment schemes £m	Others Assets held for sale £m	Total £m	Collateralised agreements and financing £m	Derivative liabilities £m	Total £m
As at 1 January 2025	1,253	6,267	1,567	93	3	9,183	(107)	(1,618)	(1,725)
Total gains/(losses) in the statement of comprehensive income:									
Realised gains	—	—	—	2	—	2	—	—	—
Unrealised gains/(losses)	4	(97)	(139)	2	—	(230)	3	109	112
Transfer out of Level 3	—	—	1	—	—	1	—	1	1
Net purchases/(sales)	32	522	(29)	(42)	—	483	—	—	—
As at 30 June 2025	1,289	6,692	1,400	55	3	9,439	(104)	(1,508)	(1,612)
As at 1 January 2024	817	6,344	1,894	157	127	9,339	(119)	(1,985)	(2,104)
Total gains/(losses) in the statement of comprehensive income:									
Realised gains	—	8	—	13	7	28	—	—	—
Unrealised (losses)/gains	(12)	(162)	(312)	—	(2)	(488)	12	359	371
Transfer out of Level 3	—	—	—	—	(5)	(5)	—	—	—
Transfer into Level 3	—	—	1	—	—	1	—	(1)	(1)
Net purchases/(sales)	448	77	(16)	(77)	(124)	308	—	9	9
As at 31 December 2024	1,253	6,267	1,567	93	3	9,183	(107)	(1,618)	(1,725)
As at 1 January 2024	817	6,344	1,894	157	127	9,339	(119)	(1,985)	(2,104)
Unrealised (losses)/gains	(6)	(159)	(175)	(1)	(4)	(345)	7	245	252
Realised gains	—	1	—	9	8	18	—	—	—
Net purchases/(sales)	345	(545)	(15)	(47)	(113)	(375)	—	—	—
As at 30 June 2024	1,156	5,641	1,704	118	18	8,637	(112)	(1,740)	(1,852)

Please see note D.2 for further details of Level 3 financial liabilities.

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Rothsay's policy is to determine the relevant categorisation of financial assets and liabilities at each reporting period and, where availability of inputs has changed, transfers will be made between Levels.

The unrealised losses on Level 3 financial assets were mainly driven by the increase in the long-term interest rates. The gain observed in Level 3 derivative liabilities largely offsets with the loss from the Level 3 derivative assets.

Lifetime mortgages

Lifetime mortgages allow the borrowers to take equity from their homes either as a lump sum or in smaller, regular amounts. The total amount, capital plus interest, is repaid when the borrower dies or moves into long-term care. All lifetime mortgage loans provide a 'no negative equity guarantee' (NNEG), which means that the mortgage repayment amounts (loan principal plus interest on redemption) are subject to a maximum of the sale proceeds of the property on which the loan is secured.

Lifetime mortgages are valued using a discounted cash flow model by projecting future net cash flows on a closed form basis allowing for demographic assumptions, consistent with those used for insurance contracts adjusted for transfer to long-term care, prepayment rates, future expenses and potential cost of providing the NNEG. Cash flows are then discounted at a risk-free rate plus liquidity premium inferred from market-observed levels.

The NNEG can be thought of as a series of options written by Rothsay which allow the lifetime mortgage holders to extinguish their loan by selling their property back to Rothsay at the current market value and at the point at which the mortgage must be redeemed (typically on death or transfer to long-term care), even when property values are lower than the outstanding loan balance.

Underlying house prices have been updated in line with the latest available data. Sensitivities to interest rates and house prices are shown later in this note as these are the most material assumptions given the way in which the potential cost of the no negative equity guarantee is derived.

Given the various assumptions used in valuing the lifetime mortgages, the instruments are recorded as Level 3 assets. The table below provides an analysis of the movement in the value of lifetime mortgages. New business includes both the acquisition of back-books of lifetime mortgages and new origination through Rothsay's strategic partners. The impact of the change in economic assumptions for 2025 was dominated by the increase in long term interest rates.

	HY2025 £m	FY2024 £m	HY2024 £m
Carrying amount at 1 January	6,403	6,212	6,212
Increase in respect of new business	368	481	251
Redemptions/repayments	(195)	(351)	(155)
Accrued interest for the financial period/year	181	351	171
Change in economic assumptions	(154)	(283)	(41)
Change in demographic assumptions	—	(7)	—
Closing balance at end of the period/year	6,603	6,403	6,438

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions

The following table shows the impact on the fair value (FV) of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument. Changes are made in isolation so, for example, no change is made to property price inflation in the property price sensitivities. Since part of any spread movement is likely to be included in the derivation of the valuation rate of interest, changes in fair value of assets also impact liabilities. The following table also shows the potential impact on profit before tax (PBT) and equity of the same alternative assumptions, assuming that all other pricing inputs remain constant.

For corporate bonds and other corporate debt, a 25bp sensitivity is applied to secured debt and a 50bp sensitivity is applied to unsecured corporate bonds. The range of reasonably possible alternative inputs has been reviewed for an indication of changes based on market measures such as the quoted bid-offer spreads in liquid bond markets relevant to the investment portfolio and it was deemed to remain appropriate at the reporting date. The sensitivity to the assumed illiquidity premium for assets secured on cashflows from residential freehold properties remains at +/- 50bps to reflect potential legislative uncertainty following the passage of the Leasehold and Freehold Reform Act 2024.

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions (continued)

			HY2025			
Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,289	(22)	(2)	(2)
		-25bps/-50bps	1,289	22	2	2
Collective investment schemes	Fund price	+10%	55	6	6	4
		-10%	55	(6)	(6)	(4)
Loans secured on property	Liquidity premium	+25bps/+50bps	6,692	(193)	—	—
		-25bps/-50bps	6,692	213	—	—
Loans secured on property	Property prices	+10%	6,692	23	25	19
		-10%	6,692	(25)	(29)	(22)
Lifetime mortgages	Liquidity premium	+25bps	6,603	(168)	—	—
		-25bps	6,603	176	—	—
Lifetime mortgages	House prices	+10%	6,603	74	56	42
		-10%	6,603	(100)	(77)	(58)
Derivative assets	LPI bid-mid spread	+15bps	1,400	31	31	23
		-15bps	1,400	(31)	(31)	(23)
Assets held for sale	Property prices	+10%	3	—	—	—
		-10%	3	—	—	—
Financial liabilities						
Derivative liabilities	LPI bid-mid spread	+15bps	1,508	68	68	51
		-15bps	1,508	(68)	(68)	(51)
Collateralised financing agreements	Liquidity premium	+25bps	104	4	4	3
		-25bps	104	(4)	(4)	(3)

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions (continued)

			FY2024			
Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,253	(21)	(3)	(2)
		-25bps/-50bps	1,253	21	2	2
Collective investment schemes	Fund price	+10%	93	9	9	7
		-10%	93	(9)	(9)	(7)
Loans secured on property	Liquidity premium	+25bps/+50bps	6,267	(198)	—	—
		-25bps/-50bps	6,267	220	—	—
Loans secured on property	Property prices	+10%	6,267	22	26	19
		-10%	6,267	(23)	(30)	(22)
Lifetime mortgages	Liquidity premium	+25bps	6,403	(168)	—	—
		-25bps	6,403	176	—	—
Lifetime mortgages	House prices	+10%	6,403	71	53	40
		-10%	6,403	(96)	(74)	(55)
Derivative assets	LPI bid-mid spread	+15bps	1,567	6	6	4
		-15bps	1,567	(6)	(6)	(4)
Assets held for sale	Property prices	+10%	3	—	—	—
		-10%	3	—	—	—
Financial liabilities						
Derivative liabilities	LPI bid-mid spread	+15bps	1,618	73	73	54
		-15bps	1,618	(73)	(73)	(54)
Collateralised financing agreements	Liquidity premium	+25bps	107	5	5	3
		-25bps	107	(5)	(5)	(3)

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Sensitivity of Level 3 financial investments measured at fair value to changes in key assumptions (continued)

Impact on financial assets & liabilities, PBT and equity			HY2024			
			Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
Main assumptions			Changes in assumptions			
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,156	(18)	(2)	(1)
		-25bps/-50bps	1,156	19	2	1
Collective investment schemes	Fund price	+10%	118	12	12	9
		-10%	118	(12)	(12)	(9)
Loans secured on property	Liquidity premium	+25bps/+50bps	5,641	(201)	—	—
		-25bps/-50bps	5,641	225	—	—
Loans secured on property	Property prices	+10%	5,641	10	12	9
		-10%	5,641	(18)	(25)	(19)
Lifetime mortgages	Liquidity premium	+25bps	6,438	(169)	—	—
		-25bps	6,438	176	—	—
Lifetime mortgages	House prices	+10%	6,438	69	50	38
		-10%	6,438	(93)	(70)	(53)
Derivative assets	LPI bid-mid spread	+15bps	1,704	10	10	7
		-15bps	1,704	(10)	(10)	(7)
Assets held for sale	Property prices	+10%	18	2	2	1
		-10%	18	(2)	(2)	(1)
Financial liabilities						
Derivative liabilities	LPI bid-mid spread	+15bps	1,740	74	74	56
		-15bps	1,740	(74)	(74)	(56)
Collateralised financing agreements	Liquidity premium	+25bps	112	5	5	4
		-25bps	112	(5)	(5)	(4)

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.2 Payables and financial liabilities

	HY2025 £m	FY2024 £m	HY2024 £m
Derivative financial instruments	38,133	40,095	38,939
Government, sub-sovereign and agency obligations	41	—	4
Collateralised agreements and financing	7,608	6,519	3,015
Total financial investment liabilities	45,782	46,614	41,958
Deposits received as collateral from third parties	4,423	5,121	4,723
Amounts due to Group undertakings	157	192	116
Current tax payable	—	—	—
Other payables	661	49	412
Total payables	5,241	5,362	5,251
Total payables and financial investment liabilities	51,023	51,976	47,209

Other payables include reinsurance fees and trade date adjustments.

Financial investment liabilities are recorded at fair value, of which £1,612m are valued using Level 3 techniques (FY2024: £1,725m, HY2024: £1,852m). The Level 3 financial liabilities are predominantly LPI linked derivatives. The remainder of the financial liabilities are valued using Level 1 and Level 2 techniques.

The impact on the fair value of Level 3 financial liabilities of using reasonably possible alternative assumptions is included in note D.1.

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.3 Borrowings

Rothsay's borrowings are as follows:

	HY2025 £m	FY2024 £m	HY2024 £m
Subordinated loans from related parties	299	299	299
Subordinated loan notes	1,979	1,999	2,392
US\$400m contingent convertible RT1 notes	291	318	315
Total borrowed	2,569	2,616	3,006

During June 2024, Rothsay Life Plc (RLP) issued £500m of 10-year Tier 2 debt in the sterling market and \$325m of 10-year Tier 2 debt in the US dollar market. The sterling notes mature on 10 December 2034 and can be called at par at any time from 10 June 2034. A fixed coupon of 7.019% is payable annually in arrears. The US Dollar notes mature on 11 September 2034 and can be called at par at any time from 11 June 2029 up to 10 September 2029. A fixed coupon of 7.00% is payable annually in arrears. If the notes are not repaid by 11 September 2029, the fixed rates of interest per annum will be reset.

In September 2024, Rothsay called £400m of Tier 2 borrowings.

The carrying amounts and features of Rothsay's borrowings are summarised in the table below:

Notional amount	Issue date	Redemption date	Callable at par at the option of the Group from	Coupon	Carrying amount		
					HY2025 £m	FY2024 £m	HY2024 £m
Subordinated loans from related parties							
£300m	19 September 2017	19 September 2028	19 September 2023 and annually thereafter	6.05%	299	299	299
Subordinated loans							
£250m	30 October 2015	30 October 2025	No call option	8.00%	250	250	250
£500m	12 July 2019	12 July 2026	No call option	3.38%	497	496	494
£400m	17 September 2019	17 September 2029	17 September 2024	5.50%	—	—	396
\$400m	27 October 2021	Perpetual	13 April 2027	4.88%	291	318	315
£500m	16 May 2023	16 May 2033	16 November 2032	7.73%	498	498	498
£500m	3 June 2024	10 December 2034	10 June 2034	7.02%	498	498	498
\$325m	4 June 2024	11 September 2034	11 June 2029	7.00%	236	257	256

For the period ended 30 June 2025, an interest expense of £81m (FY2024: £161m, HY2024: £69m) was recognised in the condensed consolidated statement of comprehensive income in respect of these borrowings.

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.3 Borrowings (continued)

Reconciliation of net borrowings

The table below provides a reconciliation between opening and closing balances in the condensed consolidated statement of financial position for liabilities arising from financing activity:

	1 January 2025 £m	Net cash flows £m	Non-cash flows £m	30 June 2025 £m
Subordinated loans from related parties	299	—	—	299
Subordinated loan notes	1,999	—	(20)	1,979
US\$400m contingent convertible RT1 notes	318	—	(27)	291
Total borrowings	2,616	—	(47)	2,569

	1 January 2024 £m	Net cash flows £m	Non-cash flows £m	31 December 2024 £m
Subordinated loans from related parties	299	—	—	299
Subordinated loan notes	1,636	354	9	1,999
US\$400m contingent convertible RT1 notes	313	—	5	318
Total borrowings	2,248	354	14	2,616

	1 January 2024 £m	Net cash flows £m	Non-cash flows £m	30 June 2024 £m
Subordinated loans from related parties	299	—	—	299
Subordinated loan notes	1,636	754	2	2,392
US\$400m contingent convertible RT1 notes	313	—	2	315
Total borrowings	2,248	754	4	3,006

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance

Following the court approval, the Part VII transfer from Scottish Widows to Rothsay occurred in June 2025. As the business was already recognised on the balance sheet, the transfer is not reflected in note E.3 as new business. The geographical impact of the Part VII is seen across both E.1 and E.2 notes under “Adjustments related to business transfers and terminations”. The impact in note E.1 reflects the reclassification of some reinsurance contracts, which previously were reported as groups of insurance contracts but are now reported as groups of reinsurance contracts held, which are separately shown in note E.2. Overall the impact of the Part VII was nominal across E.1 and E.2 notes.

E.1 Insurance contracts issued – Analysis of the measurement components of contract balances

This reconciliation presents a roll-forward of the liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for the portfolio’s insurance service results during the period.

HY2025	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Insurance contract liabilities as at 1 January 2025	(55,231)	(1,573)	(1,196)	(6,222)	(64,222)
Changes that relate to current services					
CSM recognised for services provided	—	—	51	281	332
Change in risk adjustment for the risk expired	—	7	—	—	7
Experience adjustments relating to insurance service expenses	3	—	—	—	3
Changes that relate to future services					
Contracts initially recognised during the period	14	(8)	—	(6)	—
Changes in estimates that adjust the CSM	203	(102)	6	(107)	—
Adjustments related to business transfers and terminations	124	(33)	—	(91)	—
Insurance service results	344	(136)	57	77	342
Finance (expense)/income from insurance contracts issued	(317)	135	(14)	(82)	(278)
Total changes in profit or loss	27	(1)	43	(5)	64
Cash flows					
Premiums received	(508)	—	—	—	(508)
Claims and other expenses paid	1,901	—	—	—	1,901
Investment components and premium refunds	263	—	—	—	263
Insurance acquisition cash flows	5	—	—	—	5
Insurance acquisition asset	20	—	—	—	20
Total cash flows	1,681	—	—	—	1,681
Insurance contract liabilities as at 30 June 2025	(53,523)	(1,574)	(1,153)	(6,227)	(62,477)

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.1 Insurance contracts issued – Analysis of the measurement components of contract balances (continued)

FY2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Insurance contract liabilities as at 1 January 2024	(46,324)	(1,695)	(1,199)	(5,412)	(54,630)
Changes that relate to current services					
CSM recognised for services provided	—	—	208	517	725
Change in risk adjustment for the risk expired	—	11	—	—	11
Experience adjustments relating to insurance service expenses	23	—	—	—	23
Changes that relate to future services					
Contracts initially recognised during the year	846	(434)	—	(412)	—
Changes in estimates that adjust the CSM	562	385	(179)	(768)	—
Insurance service results	1,431	(38)	29	(663)	759
Finance income/(expense) from insurance contracts issued	2,044	160	(26)	(147)	2,031
Total changes in profit or loss	3,475	122	3	(810)	2,790
Cash flows					
Premiums received	(16,406)	—	—	—	(16,406)
Claims and other expenses paid	3,426	—	—	—	3,426
Investment components and premium refunds	470	—	—	—	470
Insurance acquisition cash flows	128	—	—	—	128
Insurance acquisition asset	—	—	—	—	—
Total cash flows	(12,382)	—	—	—	(12,382)
Insurance contract liabilities as at 31 December 2024	(55,231)	(1,573)	(1,196)	(6,222)	(64,222)

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.1 Insurance contracts issued – Analysis of the measurement components of contract balances (continued)

HY2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Insurance contract liabilities as at 1 January 2024	(46,324)	(1,695)	(1,199)	(5,412)	(54,630)
Changes that relate to current services					
CSM recognised for services provided	—	—	50	226	276
Change in risk adjustment for the risk expired	—	5	—	—	5
Experience adjustments relating to insurance service expenses	2	—	—	—	2
Changes that relate to future services					
Contracts initially recognised during the period	563	(251)	—	(312)	—
Changes in estimates that adjust the CSM	59	45	(39)	(65)	—
Insurance service results	624	(201)	11	(151)	283
Finance income/(expense) from insurance contracts issued	1,085	152	(13)	(70)	1,154
Total changes in profit or loss	1,709	(49)	(2)	(221)	1,437
Cash flows					
Premiums received	(9,875)	—	—	—	(9,875)
Claims and other expenses paid	1,536	—	—	—	1,536
Investment components and premium refunds	208	—	—	—	208
Insurance acquisition cash flows	82	—	—	—	82
Insurance acquisition asset	—	—	—	—	—
Total cash flows	(8,049)	—	—	—	(8,049)
Insurance contract liabilities as at 30 June 2024	(52,664)	(1,744)	(1,201)	(5,633)	(61,242)

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.2 Reinsurance contracts held – Analysis of the measurement components of contract balances

The tables below show the roll-forward of the net assets or liabilities for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios during the period.

HY2025	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Reinsurance contract liabilities as at 1 January 2025	(1,296)	458	311	304	(223)
Reinsurance contract assets as at 1 January 2025	(1,246)	672	—	876	302
Net reinsurance contract assets as at 1 January 2025	(2,542)	1,130	311	1,180	79
Changes that relate to current services					
CSM recognised for services received	—	—	(9)	(59)	(68)
Change in risk adjustment for the risk expired	—	—	—	—	—
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(7)	—	—	—	(7)
Changes that relate to future services					
Contracts initially recognised during the period	—	—	—	—	—
Changes in estimates that adjust the CSM	(16)	112	(12)	(84)	—
Adjustments related to business transfers and terminations	(130)	34	—	96	—
Net (expense)/income from reinsurance contracts held	(153)	146	(21)	(47)	(75)
Finance income/(expense) from reinsurance contracts held	26	(137)	2	6	(103)
Total changes in profit or loss	(127)	9	(19)	(41)	(178)
Cash flows					
Premiums paid	1,523	—	—	—	1,523
Amounts received	(1,439)	—	—	—	(1,439)
Acquisition cash flows	—	—	—	—	—
Total cash flows	84	—	—	—	84
Net reinsurance contract liabilities as at 30 June 2025	(2,585)	1,139	292	1,139	(15)
Reinsurance contract liabilities as at 30 June 2025	(1,357)	604	292	188	(273)
Reinsurance contract assets as at 30 June 2025	(1,228)	535	—	951	258

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.2 Reinsurance contracts held – Analysis of the measurement components of contract balances (continued)

FY2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Reinsurance contract liabilities as at 1 January 2024	(2,078)	518	477	622	(461)
Reinsurance contract assets as at 1 January 2024	(777)	673	—	320	216
Net reinsurance contract liabilities as at 1 January 2024	(2,855)	1,191	477	942	(245)
Changes that relate to current services					
CSM recognised for services received	—	—	19	(81)	(62)
Change in risk adjustment for the risk expired	—	—	—	—	—
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(1)	—	—	—	(1)
Changes that relate to future services					
Contracts initially recognised during the year	(367)	517	—	(150)	—
Changes in estimates that adjust the CSM	140	(416)	(191)	467	—
Net (expense)/income from reinsurance contracts held	(228)	101	(172)	236	(63)
Finance (expense)/income from reinsurance contracts held	(37)	(162)	6	2	(191)
Total changes in profit or loss	(265)	(61)	(166)	238	(254)
Cash flows					
Premiums paid	3,083	—	—	—	3,083
Amounts received	(2,545)	—	—	—	(2,545)
Acquisition cash flows	40	—	—	—	40
Total cash flows	578	—	—	—	578
Net reinsurance contract assets as at 31 December 2024	(2,542)	1,130	311	1,180	79
Reinsurance contract liabilities as at 31 December 2024	(1,296)	458	311	304	(223)
Reinsurance contract assets as at 31 December 2024	(1,246)	672	—	876	302

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.2 Reinsurance contracts held – Analysis of the measurement components of contract balances (continued)

HY2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin		Total £m
			Contracts under fair value approach at transition £m	New contracts and contracts under full retrospective approach at transition £m	
Reinsurance contract liabilities as at 1 January 2024	(2,078)	518	477	622	(461)
Reinsurance contract assets as at 1 January 2024	(777)	673	—	320	216
Net reinsurance contract liabilities as at 1 January 2024	(2,855)	1,191	477	942	(245)
Changes that relate to current services					
CSM recognised for services received	—	—	(15)	(34)	(49)
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(12)	—	—	—	(12)
Changes that relate to future services					
Contracts initially recognised during the period	(101)	230	—	(129)	—
Changes in estimates that adjust the CSM	(14)	(18)	18	14	—
Net (expense)/income from reinsurance contracts held	(127)	212	3	(149)	(61)
Finance income/(expense) from reinsurance contracts held	95	(165)	3	2	(65)
Total changes in profit or loss	(32)	47	6	(147)	(126)
Cash flows					
Premiums paid	1,279	—	—	—	1,279
Amounts received	(1,193)	—	—	—	(1,193)
Acquisition cash flows	14	—	—	—	14
Total cash flows	100	—	—	—	100
Net reinsurance contract liabilities as at 30 June 2024	(2,787)	1,238	483	795	(271)
Reinsurance contract liabilities as at 30 June 2024	(1,949)	533	483	499	(434)
Reinsurance contract assets as at 30 June 2024	(838)	705	—	296	163

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.3 Insurance contracts issued and reinsurance held initially recognised in the period

This note presents the components of new business for insurance contracts issued and reinsurance contracts held measured at initial recognition. All groups of contracts written during HY2025 and FY2024 are non-onerous at initial recognition and none fall into the “Contracts that have no significant possibility of becoming onerous subsequently” classification.

(a) New insurance contracts issued

	Contracts issued		
	HY2025 £m	FY2024 £m	HY2024 £m
Estimates of present value of future cash inflows	283	15,658	9,510
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	(269)	(14,812)	(8,947)
Risk adjustment for non-financial risk	(8)	(434)	(251)
CSM	(6)	(412)	(312)
Losses recognised on initial recognition	—	—	—

(b) New reinsurance contracts

All of our longevity reinsurance agreements are unfunded, i.e. we retain the assets and pay a series of reinsurance premiums based on expected longevity and receive a series of reinsurance claim amounts based on actual experience. There were no reinsurance contracts written in the period. Reinsurance contracts written in 2024 provided longevity reinsurance in relation to profitable underlying insurance contracts and therefore these reinsurance contracts held are initiated without the loss-recovery component. Contracts are split between those for which the CSM is positive (shown as “Net cost”) and those for which the CSM is negative (shown as “Net gain”). Please note, the HY2024 presentation has been remapped to align with the appropriate disclosure format for the estimates of present value of future cash inflows and estimates of present value of future cash outflows, including estimates of acquisition cash flows.

	New reinsurance contracts					
	HY2025		FY2024		HY2024	
	Net cost £m	Net gain £m	Net cost £m	Net gain £m	Net cost £m	Net gain £m
Estimates of present value of future cash inflows	—	—	3,115	13,963	—	6,477
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	—	—	(3,308)	(14,137)	—	(6,578)
Risk adjustment for non-financial risk	—	—	65	452	—	230
CSM	—	—	128	(278)	—	(129)
Amount included in reinsurance contract assets for the period/year	—	—	—	—	—	—

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.4 Significant judgements and estimates in determining the value of fulfilment cash flows

Estimate of future cash flows

In estimating future cash flows, we incorporate all reasonable and supportable information that is available without undue cost or effort at the reporting date. The estimates of future cash flows reflect our view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices. In estimating the future cash flows, we determine the cash flows to be included and how these are derived, and the boundary of insurance contracts.

Cash flows within the boundary of an insurance or reinsurance contract are those that relate directly to the fulfilment of the contract, which include:

- Policyholder premiums including premium adjustments;
- Policyholder claims and benefit payments, including annuity payments, death benefit lump sums, pension commencement lump sums, guarantee period cash flows and transfer value lump sums;
- Insurance acquisition cash flows from writing new business; and
- Other costs and expenses which relate to directly fulfilling the obligations within the contract such as claims handling costs, policy administration and maintenance costs, premium taxes, allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts, investment management expenses to the extent that they enhance benefits from insurance coverage, and any other costs that may be charged specifically to the policyholder under the terms of the contract.

In determining the best estimate cash flows, we use observable market variables (or economic variables) and non-market variables (or demographic variables). Estimates of economic variables are consistent with observable market prices, while demographic variables reflect all reasonable and supportable evidence available without undue cost or effort. Below are the key economic and demographic variables or assumptions with the greatest impact on Rothsay's insurance and reinsurance contract liability and asset valuations under IFRS 17.

(a) Mortality assumptions

Best estimate mortality assumptions are determined separately for each insurance contract (with consistent assumptions used when valuing reinsurance contracts). The resulting assumptions are equivalent to using the base mortality assumptions set out in the table below:

	HY2025		FY2024		HY2024	
	Pensions originated	Insurance originated	Pensions originated	Insurance originated	Pensions originated	Insurance originated
Males	106.1% S3PMA	103.4% S3PMA	106.1% S3PMA	103.4% S3PMA	105.6% S3PMA	101.1% S3PMA
Females	106.1% S3PFA	103.4% S3PFA	106.1% S3PFA	103.4% S3PFA	105.6% S3PFA	101.1% S3PFA

The change over 2024 reflected the inclusion of new business and differences from expected mortality in recent years. For pension scheme originated business, ultimate mortality has been used in all cases. For insurance originated business, the stated base mortality basis incorporates the effect of selection adjustments for relevant policies.

Recent mortality experience is analysed annually for each pension scheme and for insurance originated business. The last review was carried out during 2024. The best estimate base mortality assumptions used in the valuation are based on this actual mortality experience. Mortality experience has been compared to expected levels with allowance for population level experience, hence heavy experience due to the COVID-19 pandemic has not been projected indefinitely. Mortality assumptions are generally set with reference to a Rothsay-specific suite of

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.4 Significant judgements and estimates in determining the value of fulfilment cash flows (continued) ***(a) Mortality assumptions (continued)***

mortality tables. For the purpose of our reporting disclosures, these have been expressed as a single adjustment equivalent to the CMI S3 series of mortality tables drawn up by the Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries. The S3 tables are based on industry-wide experience. For the S3 tables, past mortality improvements are applied assuming the base mortality rates are as at 2013.

Mortality improvements used to roll base tables forward to the current date use an advanced calibration of the CMI 2023 model with limited period smoothing and including 2020 to 2023 experience in order to represent realised population mortality improvements. This is allowed for in the base table and mortality improvement equivalents shown in the preceding/proceeding tables.

Allowance is made for future improvements in annuitant mortality with reference to statistical analysis of historical rates of mortality improvements, expert judgement of future changes in mortality improvements, industry benchmarking and reinsurance pricing. During 2024, mortality improvement assumptions were updated to reflect recent mortality improvements, including adoption of the CMI 2023 improvement model. The CMI 2023 model places no weight on 2020 or 2021 data, and limited weight on 2022 and 2023 data, which significantly reduces the impact of COVID-19 on our improvement projections. For both 2024 and 2025, an advanced calibration of the model has been used.

The chosen long-term improvement rate assumption varies by age using a bespoke calibration that tapers non-linearly from age 70 to 0% at age 120. The long-term rates in the table below are expressed as core CMI model long-term rates and are equivalent on a present value basis to the actual long-term rate adopted. The assumed initial rates of improvements and the bespoke calibration of the best estimate long-term improvement rates are unchanged. The initial adjustment parameter ("A" parameter) has not been adopted, with adjustment to the initial rate of mortality improvements to allow for socio- economic effects continuing to be made through the Sk parameter.

Best estimate improvements are equivalent to those shown in the table below:

	Future mortality improvements (excluding margins)		
	HY2025	FY2024	HY2024
Males	CMI_2023*_M[1.8%; Sk=7.6]	CMI_2023*_M[1.8%; Sk=7.6]	CMI_2022*_M[1.7%; Sk=7.4]
Females	CMI_2023*_F[1.8%; Sk=7.6]	CMI_2023*_F[1.8%; Sk=7.6]	CMI_2022*_F[1.7%; Sk=7.4]

* Calibration ages 20-90.

The impact of the assumption changes can be seen through the changes in estimates that adjust the CSM in notes E.1 and E.2. These estimates are shown on a locked-in rate basis. Due to the significant increase in interest rates since many of the schemes were written, a material offset is included through finance expense from insurance contracts issued and reinsurance contracts held reflecting the impacts being significantly smaller when calculating the change in present value of future cash flows and risk adjustment using current interest rates.

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.4 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

(b) Discount rates

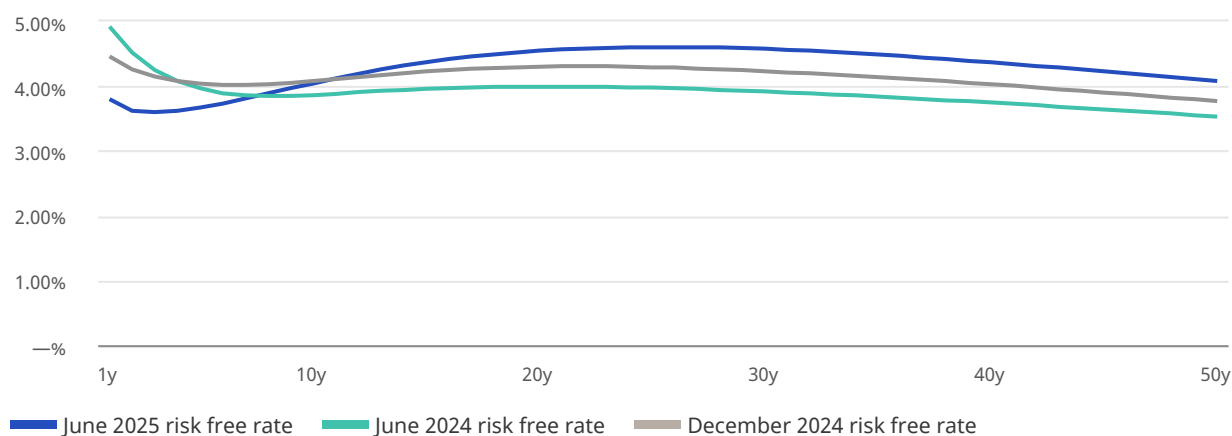
Under IFRS 17, the discount rate used must reflect the characteristics of the liabilities both in terms of timing and liquidity. The rate can be determined using either a bottom-up or a top-down approach. Under a bottom-up approach the discount rate is based on a liquid risk-free yield curve and then an addition is made to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts. Rothsay uses judgement to assess liquidity characteristics of the liability cash flows. Where the asset cash flows do not perfectly match the liability cash flows a reinvestment assumption is assumed for the rate at which surplus asset cash flows within the asset model are reinvested. The approach to setting the assumed reinvestment rate was updated during 2024. Under a top-down approach the discount rate is based on a yield curve that reflects the current market rates of return of a reference portfolio of assets adjusted to eliminate any factors that are not relevant to the insurance contracts, including credit risk. The reference portfolio comprises a mix of assets that Rothsay owns or expects to buy backing insurance liabilities, such as sovereign bonds, corporate bonds, infrastructure and secure illiquid assets, which in aggregate closely match the cash flow profile of the liabilities. As such it is materially equivalent, and similar in composition to the total portfolio owned by Rothsay as detailed in note D.

We apply separate discount rates to value our insurance contracts and our longevity swap reinsurance contracts.

- For insurance contracts, we use a top-down approach to derive the discount curve based on the market consistent rate of return on a reference portfolio of assets appropriate to back the liabilities. In determining the rate of return on the assets in the reference portfolio, a deduction is made to reflect retained risks, i.e. credit default risk and property price risk.
- For collateralised longevity swap reinsurance contracts, we use a bottom-up approach which reflects the overall higher liquidity of assets cash flows which can be posted as collateral under the relevant contracts.

We use discount rates to measure the BEL and RA and to determine the interest to accrete on the CSM, to measure the impact of adjustments to the CSM, and to derive the amortisation profile for CSM recognised during the period. The locked-in rates used for the CSM calculations for insurance and reinsurance contracts are in line with the discount rates used to discount the projected BEL and RA at initial recognition.

The table below summarises the overall weighted average discount rate, and spread above the risk-free curve (SONIA), for determining the BEL and RA for insurance contracts issued and reinsurance contracts held. For disclosure purposes the full yield curves have been converted into a spread over the risk free rate.



Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.4 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

	HY2025 bps	FY2024 bps	HY2024 bps
Risk-free rate	419	409	386
Spread above risk-free rate	139	137	132
Aggregate discount rate	558	546	518

(c) Other economic assumptions

An important actuarial assumption relates to the future rate of escalation of certain annuity benefits. Where possible such rates are derived from inflation swap markets. Whilst that is still the case for more liquid inflation rates, there is not a sufficiently deep, liquid market to support setting the rate of limited price indexation (LPI). We have therefore projected these rates using LPI models based on realised LPI and other market inputs.

(d) Expense assumptions

Rothsay includes estimates of future expenses relating to fulfilment of contracts within the scope of IFRS 17 in the measurement of insurance contracts. These expenses include those attributable to the groups of contracts, which include an allocation of fixed and variable overheads. The allowance made for future expenses was updated at the end of 2024 following the regular review of allowances compared to total costs incurred by Rothsay during 2024 and projected 2025 expenses.

The insurance contract liabilities future cash flows include the projected expenses payable covering administration agreements, long-term business overhead expenses and investment management expenses. For disclosure purposes these have been expressed as an amount per policy. The average per policy allowance is £70 per policy per annum (FY2024: £68 per policy per annum, HY2024: £66 per policy per annum). Additional allowances are made for short-term project costs.

Within these expense provisions, an allowance for future expense inflation has been made to cover the impact of both salary and price inflation. Where applicable, the future rate of expense inflation is assumed to be RPI (as implied by the RPI swap curve) for maintenance expenses, with an additional 0.25% p.a. on some expenses (FY2024: 0.25% p.a, HY2024: 0.25% p.a).

(e) Risk adjustment (RA)

The RA reflects the compensation that Rothsay requires for bearing the non-financial uncertainty in the liabilities. The RA is an explicit measurement of the non-financial risks based on Rothsay's view of the economic burden imposed by the non-financial risks associated with the insurance contracts.

In determining the RA, we reflect this compensation by using the provision for adverse deviation approach (the PAD approach), under which we apply margins to the best estimates for demographic and expense risks. Allowances are also made for directly attributable operational risk and diversification between these risk factors.

The key risk factors considered in the RA for insurance contracts and the approach to calculating these risks include:

- Longevity/mortality risk margins are applied to the best estimate assumptions which are set based on quotes obtained for longevity reinsurance pricing, which represents the market price of longevity risk, which Rothsay considers an appropriate compensation for this risk.
- Spouse ratio/financial dependant risk margins are applied to the best estimate assumption used, which Rothsay considers an appropriate compensation for this risk.
- Expense risk, including both level and expense inflation risk. Expense level risk corresponds to the risk of an immediate and permanent change in the reserved expense levels, and expense inflation risk corresponds to the risk that the expenses increase in the future at a different rate to that assumed in the best estimate reserves. A fixed percentage increase over the best estimate assumptions is used for expense risk and expense inflation. Rothsay considers expense inflation based on an index as a financial risk, but any growth assumption basis above the index is considered a non-financial risk which is considered in the risk adjustment.

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.4 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

(e) Risk adjustment (RA) (continued)

The calibration of these parameters is in line with the calibration of the underlying best estimate assumptions for these risk factors which is typically annually. The impact of the assumption changes can be seen through the changes in estimates that adjust the CSM in notes E.1 and E.2. These estimates are shown on a locked-in rate basis. Due to the significant increase in interest rates since many of the schemes were written, a material offset is included through finance expense from insurance contracts issued and reinsurance contracts held, reflecting the impacts being significantly smaller when calculating the change in risk adjustment using current interest rates.

Allowance in the RA is also made for less significant risk factors such as risk of data error and impact of the timing of retirement. For reinsurance contracts held, the risk factors considered in determining the risk adjustment include the longevity/mortality risk and spouse/financial dependant risk. A consistent technique is applied to both insurance and reinsurance contracts, with the RA related to reinsurance reflecting the marginal change in RA as a result of transacting reinsurance contracts. Changes in RA are taken through profit and loss, rather than other comprehensive income.

We estimate that the calculated RA corresponds to a confidence level as follows:

Net of reinsurance	HY2025	FY2024	HY2024
Confidence level – 1 year basis	89%	90%	90%
Confidence level – ultimate basis	63%	63%	63%

The confidence level on an ultimate basis is derived by comparing the value of the RA to the relevant one year, 1-in-200 Solvency II SCR stresses on an IFRS 17 basis, projected for the lifetime of the liabilities. Confidence levels may vary from period to period due to changes in economic conditions or changes in the risk profile.

E.5 Sensitivity analysis

We assess the significant assumptions in measuring insurance and reinsurance contracts and provide sensitivities to the changes in the most material assumptions below. The schedule below provides an analysis of the reasonably possible movements in key assumptions that would have a material impact on adjusted operating profit (**APM**), profit before tax ('PBT') and equity, at gross and net of reinsurance. Analysis is shown separately for adjusted operating profit (**APM**) and PBT because the former excludes the impact of assumption changes on the CSM. We have assessed the key risks in our insurance contracts and have shown the sensitivities of the material risks. The analysis is based on a change in a single assumption whilst holding all other assumptions constant. The analysis assumes an instantaneous shock to the assumptions other than for the interest rate and inflation sensitivities where the impact of dynamic hedging is allowed for as market conditions change.

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.5 Sensitivity analysis (continued)

HY2025	Change in assumptions	Increase/(Decrease) in adjusted operating profit (APM)		(Decrease)/increase in PBT		Impact on equity	
		Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
Annuitant mortality	+5% qx	837	104	(467)	(60)	(350)	(45)
Annuitant mortality	-5% qx	(881)	(107)	502	62	377	46
Interest rate	+100bps	—	—	(874)	(839)	(655)	(629)
Interest rate	-100bps	—	—	1,066	1,059	800	794
Inflation	+100bps	—	—	619	631	464	473
Inflation	-100bps	—	—	(489)	(494)	(367)	(370)
Credit spread widening	+100bps	—	—	(964)	(872)	(723)	(654)
Change in property prices	+10%	—	—	81	80	61	60
Change in property prices	-10%	—	—	(106)	(105)	(80)	(79)
Expenses	+10%	(97)	(97)	36	36	27	27

FY2024	Change in assumptions	Increase/(Decrease) in adjusted operating profit (APM)		(Decrease)/increase in PBT		Impact on equity	
		Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
Annuitant mortality	+5% qx	843	100	(452)	(78)	(339)	(58)
Annuitant mortality	-5% qx	(888)	(103)	465	76	349	57
Interest rate	+100bps	—	—	(962)	(928)	(722)	(696)
Interest rate	-100bps	—	—	1,141	1,135	856	852
Inflation	+100bps	—	—	714	731	536	548
Inflation	-100bps	—	—	(554)	(562)	(415)	(422)
Credit spread widening	+100bps	—	—	(794)	(699)	(596)	(524)
Change in property prices	+10%	—	—	79	79	59	59
Change in property prices	-10%	—	—	(103)	(103)	(77)	(77)
Expenses	+10%	(104)	(104)	34	34	25	25

Notes to the financial statements **continued**

Note E – Insurance contracts and reinsurance (continued)

E.5 Sensitivity analysis (continued)

HY2024	Change in assumptions	Increase/(Decrease) in adjusted operating profit (APM)		(Decrease)/increase in PBT		Impact on equity	
		Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
Annuitant mortality	+5% qx	864	127	(430)	(47)	(322)	(36)
Annuitant mortality	-5% qx	(911)	(131)	435	42	326	31
Interest rate	+100bps	—	—	(1,009)	(975)	(757)	(731)
Interest rate	-100bps	—	—	1,197	1,199	898	899
Inflation	+100bps	—	—	713	735	535	551
Inflation	-100bps	—	—	(567)	(579)	(425)	(434)
Credit spread widening	+100bps	—	—	(678)	(580)	(509)	(435)
Change in property prices	+10%	—	—	62	62	47	46
Change in property prices	-10%	—	—	(95)	(95)	(71)	(71)
Expenses	+10%	(105)	(105)	35	35	26	26

The sensitivities shown capture non-linearity effects, which may be significant following large market movements.

The annuitant mortality sensitivity is defined in terms of a qx stress, where qx represents the probability of a life dying during the period. Given the qx stress relates to a non-economic assumption, any changes in the BEL and RA also lead to an adjustment of the CSM using locked-in economic conditions from group inception. As most historic business was incepted at a time when long-term interest rates were significantly lower than as at half year 2025, the impact of the qx stress on the CSM is larger than on the BEL and RA. This results in the impact on IFRS 17 profits being the opposite of that which might be expected (and which would be seen on other financial metrics), i.e. an increase in longevity would result in an increase in IFRS profits. This was also the case for the 2024 comparatives.

Notes to the financial statements **continued**

Note F – Risk and capital management

F.1 Capital management

Rothesay's capital resources are of critical importance. Rothesay's capital management framework is designed to meet the following objectives:

- to maintain financial strength in adverse conditions.
- to give long-term confidence in Rothesay.
- to satisfy its regulatory obligations.
- to match the profile of its assets and liabilities, taking account of the risk inherent in the business.
- to allocate capital efficiently to support new business growth.
- to retain financial flexibility by maintaining strong liquidity.
- to provide an appropriate return to shareholders.

Rothesay had sufficient capital available to meet its regulatory capital requirements at all times during the period ended 30 June 2025.

Rothesay operates under the Solvency II regime. This regime has been adapted for the UK market as part of an HM Treasury review and material planned reforms are now in effect.

Rothesay is required to hold sufficient assets to meet:

- Rothesay's technical provisions, being:
 - the liabilities of Rothesay calculated on a best estimate basis (the BEL); plus
 - the risk margin; less
 - available transitional solvency relief.
- The capital required to meet a 1-in-200-year stress (known as the solvency capital requirement or SCR).

Rothesay's application to use a full internal model (FIM) for the calculation of the SCR was approved by the PRA for use in 2023. The FIM means that Rothesay's bespoke models are used for calculation of all risks and ensure that the allocation of capital to investment is consistent with the risk inherent in the types of highly secured and collateralised investments which are core to Rothesay's investment strategy.

Notes to the financial statements **continued**

Note F – Risk and capital management (continued)

F.1 Capital management (continued)

Capital in excess of that required to meet the technical provisions is known as Own Funds. As at 30 June 2025, Own Funds for Rothsay were £9,400m, (FY2024: £9,201m, HY2024: £9,510m) made up as follows:

	HY2025 £m	FY2024 £m	HY2024 £m
Total IFRS equity	4,608	4,316	4,450
Liability valuation differences and other regulatory adjustments	2,578	2,681	2,464
Total Tier 1	7,186	6,997	6,914
Tier 2 debt valuation	1,732	1,733	2,135
Tier 3 debt valuation	482	471	461
Own Funds available to meet SCR	9,400	9,201	9,510
Own Funds eligible to meet SCR	8,845	8,628	8,667

Rothsay holds both debt and equity to optimise its capital structure and improve shareholder return. Given Rothsay's solvency position and, in particular, the size of the SCR, some capital is not currently eligible as Own Funds to meet SCR. However, as we continue to write new business, solvency capital requirements will increase and all the capital is expected to be fully eligible.

The capital position is sensitive to changes in market conditions, due to changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. Rothsay seeks to mitigate these risks through the close matching of asset and liability cash flows, and through the use of derivative hedges and reinsurance. Management monitors market conditions and emerging longevity experience on a regular basis. As these conditions change, management will take remedial action such as adjustment of hedging strategies and reinvestment of assets as appropriate.

Notes to the financial statements continued

Note G – Other statement of the condensed consolidated financial position notes

G.1 Deferred tax assets

Deferred tax balances comprise:

	HY2025 £m	FY2024 £m	HY2024 £m
Opening deferred tax asset as at 1 January 2025	569	637	637
Unwind of IFRS 17 transitional losses	(35)	(70)	(35)
Value of tax attributes transferred on Part VII transfer	9	—	—
Other temporary differences	(3)	2	—
Total temporary differences	540	569	602

The movements in the deferred tax balances were as follows:

Group	HY2025 £m	FY2024 £m	HY2024 £m
Balance at 1 January relating to IFRS 17 transition	564	634	634
Balance at 1 January relating to other temporary differences	5	3	3
Opening balance as at 1 January	569	637	637
Unwind of IFRS 17 transitional losses	(35)	(70)	(35)
Other movements in temporary differences	(4)	3	—
Current period income statement credit	(39)	(67)	(35)
Current period movement – Equity/OCI	1	(1)	—
Current year recognition of tax attributes transferred on Part VII transfer	9	—	—
Balance at 30 June/31 December relating to IFRS 17 transition	529	564	599
Balance at 30 June/31 December relating to value of tax attributes transferred on Part VII transfer	9	—	—
			3
Balance at 30 June/31 December relating to other temporary differences	2	5	—
Total deferred tax as at 30 June/31 December	540	569	602

Deferred tax assets are only recognised to the extent that, based on management's assessment, they are regarded as recoverable. Management considers it appropriate to recognise a deferred tax asset on the IFRS 17 transitional losses in light of forecast future profits and the history of profits within the Group. The recoverability of the deferred tax asset has been assessed at each reporting period based on projected future taxable profits arising from the release of CSM and RA as insurance services are provided. We also expect to write business in the future which is expected to increase the future taxable profit against which the unused tax losses can be utilised.

The Part VII completion process in relation to the acquisition of Scottish Widows in-force bulk annuity portfolio business took place on 11 June 2025. There is an IFRS 17 transitional loss on this business, spread straight line over 10 years from 1 January 2023 for tax purposes, the balance of which has been transferred to Rothsay. The value of the tax attributes transferred on Part VII transfer to Rothsay is £9m.

Notes to the financial statements **continued**

Note G – Other statement of the condensed consolidated financial position notes (continued)

G.1 Deferred tax assets (continued)

Other temporary differences are the result of differences between the accounting and tax basis which will reverse over time.

The Government of the United Kingdom, where the holding company of the Group is incorporated, enacted the Pillar Two income taxes legislation, with effect from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. Based on the results for the period, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2024 and year ending 31 December 2025. As such, no top-up tax has been accrued during the period.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the financial statements **continued**

Note H – Other notes

H.1 Related parties disclosures

Ultimate holding company

The nature of the related party transactions of the Group has not changed from those described in the Group's consolidated financial statements as at 31 December 2024.

There have been no related party transactions in the six months to 30 June 2025 which have a material effect on the results and financial position of the Group.

H.2 Financial commitments and contingencies

During previous periods, Rothsay executed transactions to purchase partly funded bonds, forward settling bonds and fund units with a commitment for future funding. During the first half of 2025, Rothsay purchased additional forward settling bonds. Rothsay has also signed up to a number of multi-year contracts, in relation to the provision of market data and technology services. Rothsay expects to pay a further £191m in relation to these commitments (FY2024: £134m, HY2024: £96m), £129m of this being due within 12 months of the financial reporting date (FY2024: £73m, HY2024: £39m).

	HY2025 £m	FY2024 £m	HY2024 £m
Not later than one year	129	73	39
Later than one year and no later than five years	45	43	40
Later than five years	17	18	17
Total other commitments	191	134	96

H.3 Post balance sheet events

On 15 August 2025, the Board approved a dividend of 93p per share. Had the dividend been paid on 30 June 2025 then the profit and loss reserve would have fallen by £493m to £2,635m.

Alternative Performance Measures

As noted on page 19, throughout the financial statements Rothestay has used a variety of measures to provide stakeholders with the necessary information on the performance and financial position of Rothestay. Where it is possible to reconcile to the financial statements this is referenced; however, some of these measures are not on a consistent basis with IFRS and therefore the methodology is explained below. Where relevant, we have used accounting policies and assumptions that are consistent with the IFRS financial statements. The calculation of each **APM** is consistent with previous periods unless stated otherwise.

These measures are included in the monthly management information circulated and discussed by the Board.

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
New business premium	The present value of premiums paid or due to be paid on new business transacted during the period, as well as adjustments to new business premiums from prior years.	New business premiums are a key indicator of the growth of the business.	New business premium is no longer reconcilable to the IFRS financial statements since the introduction of IFRS 17. It does however correspond to the present value of future cash inflows in note E.3.(a).
Solvency capital requirement (SCR) coverage	Under Solvency II, the capital required to withstand a 1-in-200 year event.	Rothestay is a regulated entity under the Solvency II framework and therefore uses a number of APMs that are derived from Solvency II measures. Provides a measure of risk exposures of Rothestay.	It is not possible to reconcile the SCR to the IFRS Financial Statements, however further details are included in note F.1.
Own Funds	Available capital under the Solvency II regime. Represents the capital in excess of technical provisions.	Provides a measure of regulatory capital.	A reconciliation of Own Funds is provided in note F.1.
Longevity reinsurance percentage	The longevity percentage provides an indication of the extent to which Rothestay is protected from fluctuations in longevity through reinsurance.	Demonstrates how Rothestay has mitigated exposure to longevity fluctuations through reinsurance.	The percentage is derived by comparing the IFRS sensitivity of net insurance liabilities with the sensitivity of gross insurance liabilities (see note E.5).

Alternative Performance Measures continued

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
Assets under management	Derived by adjusting total assets for reinsurance, payables, derivatives, collateralised financing and deferred tax asset.	By netting down the derivative gross up, Rothsay provides a more meaningful value for the assets managed and a useful measure of the size of business.	
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Assets under management			

Alternative Performance Measures continued

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
Performance of in-force book	This represents the profit that can be attributed to: • differences in actual investment returns compared to those assumed; • the release of the risk adjustment as the business runs off and members exercise their options; • the release of credit default allowances; • the impact of actual demographic experience versus assumptions; • the investment return on surplus assets; and • offset by non-attributable expenses from note B.3.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile directly to IFRS notes.
Non-economic assumption changes	The effect of non-economic assumption changes on BEL and RA net of reinsurance.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile to IFRS notes. (This is because the IFRS disclosures require non-economic assumptions changes to be shown in notes on a locked-in basis.)
Adjusted operating profit before tax	Operating profit before tax adjusted to reflect the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Included to provide a measure of operating profits which reflects how the Group is measured internally.	Unable to reconcile directly to IFRS notes.
Borrowing costs	Interest payable on borrowings.	Included to provide a measure of borrowing costs.	A subset of the finance costs shown directly in note B.4.

Alternative Performance Measures continued

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS			
Economic gains/ (losses)	Change in asset valuation due to changes in economic conditions less the effect of economic assumption changes on net insurance liabilities. Changes in economic conditions include movements in interest rates, inflation, exchange rates, credit spreads, credit default allowances, actual defaults and property prices. The release of credit default allowances over time is included in the performance of the in-force book. This item also includes the reinsurance fees from note B.3.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile to IFRS notes. (This is due to the requirement that IFRS disclosures have basis differences with the financing notes.)			
Adjusted equity	Total equity plus CSM net of tax less the value of sterling-denominated RT1 debt.	Provides a reflection of value which aligns with the long-term value of the Group.				
				HY2025 £m	FY2024 £m	HY2024 £m
			IFRS equity	4,608	4,316	4,450
			Sterling RT1	(793)	(793)	(793)
			CSM net of tax	4,452	4,441	4,188
			Adjusted equity	8,267	7,964	7,845

Glossary of terms

Adjusted equity	See Alternative Performance Measures.
Adjusted operating profit before tax	See Alternative Performance Measures.
Alternative Performance Measure	Rothsay's strategy is focused on protecting the security of policyholder benefits, growth through writing value-driven new business and, ultimately, delivering sustainable shareholder value. In the opinion of the Directors, both the prescribed IFRS results and disclosures, as well as a number of Alternative Performance Measures, are necessary to fully reflect long-term value or changes to capital requirements. Rothsay therefore includes within these accounts a number of Alternative Performance Measures which focus on value generation and capital strength to reflect the performance of Rothsay.
Annuity	A series of regular payments made to an individual until their death. Payments may be indexed.
Assets under management	See Alternative Performance Measures.
Best estimate liability (BEL)	The liabilities of Rothsay calculated on a best estimate basis under Solvency II and IFRS 17, i.e. where all the assumptions made in the calculation are best estimate.
Borrowing costs	See Alternative Performance Measures.
Bulk annuity	A bulk annuity, sometimes referred to as a bulk purchase annuity, is a contract between a defined benefit pension scheme and an insurance company, whereby an insurance company insures some or all of the annuities being paid by the pension scheme.
Buy-in	Held as an asset of the pension scheme, a bulk annuity buy-in is a contract that covers all or some of the benefits for a subset of scheme members. The scheme retains responsibility for paying pensions to members but the contract protects the scheme against all risks relating to the insured benefits, for example longevity risk and inflation risk.
Buy-out	The bulk annuity buy-out is a contract that covers all of the benefits for all or a subset of scheme members. The insurer issues individual policies to members under which pensions are paid. Once all benefits are covered, the pension scheme can be wound up.
Carbon intensity	A measure of emissions that allows for comparison between entities of different size. It is measured in t CO ₂ e/million USD of revenue annually.
CO₂e	Carbon dioxide equivalent – greenhouse gases (GHGs) all have varying warming potentials and therefore in order to report one metric, other GHGs are converted to CO ₂ equivalent.
Collateralised agreements/ investments	Loans secured on property or other collateral.
Collective investment schemes	A way of investing money alongside other investors.
Contractual service margin (CSM)	Defined within the IFRS 17 standard as unearned profit on a group of contracts that relate to future service to be provided. The CSM is included within Insurance contract liabilities.
Corporate bonds and other corporate debt	These are debt securities issued by corporations which are not guaranteed by governments.

Glossary of terms **continued**

Credit risk	The risk of loss or of adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors.
Currency translation	Gains and losses incurred when translating the overseas subsidiaries into the sterling consolidated balance sheet.
Deferred annuities	Annuities or pensions due to be paid from a future date or when the policyholder reaches a specified age.
Distributable profits	A company's profits available for distribution are its accumulated realised profits.
Economic gains/(losses)	See Alternative Performance Measures.
Employee benefit trust (EBT)	A trust established to purchase and hold shares of the Company for delivery under employee share schemes.
Equity-based compensation	Share-based transactions awarded under incentive plans.
Fair value	Amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance costs	Represent interest payable on borrowings.
Fixed-for-term mortgages	Residential mortgages where the interest rate payable is fixed at outset for the whole term of the mortgage.
Full internal model (FIM)	Under Solvency II, an insurer's own model used to calculate the solvency capital requirement in relation to particular risks approved by the PRA.
General Measurement Model (GMM)	The General Measurement Model is the standard approach to calculate/estimate liabilities for the insurance contract under IFRS 17.
Government, sub-sovereign and agency obligations	A bond issued by a country's government or corporate debt which is guaranteed by a government to repay borrowed money at a specific time.
In-force	An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.
Infrastructure	Investments in infrastructure such as energy and transportation.
Insurance acquisition cash flows	Under IFRS 17, the cash flows which have been identified as insurance acquisition cash flows are allocated to groups of insurance contracts. These cash flows include expenses associated with the origination of new business, including annual compensation for employees.
Insurance finance income or expenses	Comprises the change in the carrying amount of the group of insurance contracts arising from: (a) the effect of the time value of money and changes in the time value of money; and (b) the effect of changes in assumption that relate to financial risk.
Insurance revenue	Under IFRS 17, the amount charged for insurance coverage when it is earned rather than when it is paid.
Insurance risk	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
Insurance service expenses	Under IFRS 17, the costs incurred in providing insurance services during the period.
Insurance service result	Under IFRS 17, the insurance revenue less the insurance service expense, i.e. the insurance profit made on the provision of insurance coverage.

Glossary of terms **continued**

International Financial Reporting Standards (IFRS)	Accounting standards that are applied in preparing Rothsay's consolidated financial statements.
Investment return	Comprises all interest income on financial investments at fair value through profit and loss, realised investment gains and losses and movements in unrealised gains and losses, as well as expenses directly related to investments executed during the year.
Inwards reinsurance	Reinsurance where Rothsay is acting as the reinsurer.
Liability for incurred claims (LIC)	The liability for incurred claims includes unpaid claims and expenses.
Liability for remaining coverage (LRC)	Liability for remaining coverage represents the carrying amount of a group of insurance contracts at each reporting date. The LRC comprises the future BEL and RA cash flows that relate to services to be delivered in future periods and any remaining CSM.
Lifetime mortgages	Mortgages extended to older individuals (aged 55 and over) against their residential property at low loan-to-value percentage. Unlike a typical residential mortgage, no interest is paid monthly by the individual. Instead, the interest is simply added to the principal loan amount with the loan only repayable on death or entry into long-term care of the last remaining homeowner.
Limited price indexation (LPI)	LPI is a pricing index used to calculate increases in components of scheme pension payments in the UK.
Liquidity premium	An addition to the risk-free rate used when projecting investment returns and discounting cash flows on certain types of contracts where the liabilities are illiquid and have cash flows that are predictable.
Liquidity risk	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
Longevity reinsurance (%)	See Alternative Performance Measures.
Longevity risk	The risk that a company could be exposed to a higher payout as a result of increasing life expectancy.
LTMF	LT Mortgage Financing Limited.
Market consistent embedded value (MCEV)	The risk-adjusted value of the in-force business, allowing for the unwind of IFRS margins and cost of capital.
Market risk	The risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
Matching adjustment	The matching adjustment, a concept in Solvency II, is broadly equivalent to the illiquidity premium that can be earned on the illiquid assets held to back illiquid liabilities.
Matching adjustment portfolio	A notionally ring-fenced fund set up for Solvency II purposes. Liabilities written into the matching adjustment portfolio are discounted at a risk-free rate plus a matching adjustment derived from the assets in the fund.
Mortality tables	A table which shows, for each age, what the probability is that a person of that age and gender will die before their next birthday.

Glossary of terms **continued**

Net zero	A state in which the GHGs going into the atmosphere (anthropogenic emissions) are balanced by their removal out of the atmosphere (carbon sinks/removal).
New business	New insurance contracts and reinsurance inwards sold during the year. Includes business acquired through purchase of companies.
New business acquisition expenses	See Alternative Performance Measures.
New business premium	See Alternative Performance Measures.
New business profit	See Alternative Performance Measures.
No negative equity guarantee (NNEG)	Lifetime mortgages provide what is known as a NNEG, which means that the mortgage repayment amount (loan principal plus interest on redemption) cannot exceed the sale proceeds of the property on which the loan is secured.
Non-attributable costs	These are operating expenses incurred in the period that cannot be directly attributable to a portfolio of insurance contracts (see note B.3).
Non-economic assumption changes	See Alternative Performance Measures.
Onerous contracts	An insurance contract is classified as onerous as at the date of its initial recognition if the sum of the fulfilment cash flows and the recognised insurance acquisition cash flows are a net outflow (i.e. there would have been a negative CSM).
Operational risk	The risk arising from inadequate or failed internal processes, personnel or systems, or from external events.
Own Funds	See Alternative Performance Measures.
Own risk and solvency assessment (ORSA)	An assessment of the risk to which the business is exposed as well as solvency forecasting in a range of scenarios, including consideration of the stresses that could jeopardise Rothsay's business plans.
Performance of in-force book	See Alternative Performance Measures.
Physical climate risk	Risks resulting from climatic events including acute and chronic impacts. Acute risks include droughts, floods and wildfires. Chronic risks include rising temperatures, sea level rise and an accelerating loss of biodiversity.
Pillar 1	Under Solvency II, represents the solvency capital requirement calculated using a standard formula or (partial) internal model.
Pillar 2	Under Solvency II, represents the required risk management principles and practices relating to the risk and capital estimates covered by Pillar 1.
Policyholders	Rothsay generally uses the term policyholder to refer to the individual immediate and deferred annuitants whose benefits are insured by Rothsay regardless of whether the insurance is provided under a bulk annuity (where the contract is with the pension scheme) or a reinsurance policy (where the contract is with the insurance company).
Policyholder satisfaction	Feedback surveys are sent to all policyholders following interaction with them (apart from complaints and bereavements). Rothsay prides itself on the quality of the service and the satisfaction survey provides a measure of the quality of the service.

Glossary of terms **continued**

Provision for adverse deviation (PAD)	The provision for adverse deviation approach reflects the compensation that Rothsay requires for bearing the non-financial uncertainty in the liabilities.
Prudential Regulation Authority (PRA)	The PRA is the UK regulatory body responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
qx	qx is actuarial notation used to represent the probability of a life aged x dying during the period.
Reinsurance	Protection sold to or purchased from another insurance company.
Risk adjustment	Defined within IFRS 17 as the compensation that Rothsay requires for bearing the non-financial uncertainty in the (re)insurance contract liabilities.
Risk margin	Under Solvency II, the cost of transferring non-hedgeable risks.
RL	Rothsay Limited.
RLP	Rothsay Life Plc, the Group's regulated life company.
RMA1	Rothsay MA No.1 Limited.
RMA3	Rothsay MA No.3 Limited.
RMA4	Rothsay MA No.4 Limited.
RML	Rothsay Mortgages Limited (formerly known as Rothsay MA No.2 Limited).
RPML	Rothsay Pensions Management Limited, the Group's service company.
RSUs	Restricted share units.
S3PMA/S3PFA	S3PMA/S3PFA refer to mortality tables drawn up by the Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries. These represent version 3 of the industry standard tables derived from pensioner data from self-administered pension schemes. Separate tables are utilised for males and females.
Secured investments	Bespoke investments where very high levels of collateral have been negotiated and returns are generated through illiquidity premium.
Sk	Smoothing parameter in the CMI longevity improvement model determining the weighting on recent experience. Given recent improvements, a higher Sk than adopted by RL will generally lead to a higher initial assumed rate of mortality improvement.
Solvency capital requirement (SCR) coverage	See Alternative Performance Measures.
Solvency II	The solvency regime applicable from 1 January 2016. Under Solvency II, Rothsay is required to hold the greater of the capital required under the new Solvency II Pillar 1 framework and the capital required under Rothsay's own economic capital model Solvency II Pillar 2.

Glossary of terms **continued**

SONIA	The Sterling Overnight Index Average, abbreviated to SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.
Subordinated loan	A fixed interest issue or debt that ranks below other debt in order of priority for repayment if the issuer is liquidated. Holders are compensated for added risk through higher rates of interest. Under Solvency II, subordinated debt is not treated as a liability and counts towards the coverage of the required minimum margin of solvency with limitations.
Technical Provisions	The sum of the best estimate of liabilities allowing for reinsurance inwards and a risk margin.
Third party administration (TPA) agreement	Contract with pensions administrator to process claims and payroll on behalf of Rothsay.
Transition plan	A transition plan sets out an organisation's approach for how it will align all its activities to Net Zero.
Transitional Solvency Relief	Applies to Solvency II and phases in the risk margin over a 16-year period and increases capital available during the transitional period.
Yield	A measure of the income received from an investment compared to the price paid for the investment. Normally expressed as a percentage.

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