

**Rothesay**  
Protecting Pensions

Your future  
in safe hands

**Rothesay Limited**  
Annual report and accounts 2025



## Our purpose

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

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## Who we are

Rothesay is the UK's largest 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 as well as service excellence for our policyholders.

We manage over  
**£73bn**  
in assets

Secure the pensions of nearly  
**1 million**  
people

Pay-out, on average, over  
**£360m**  
in pension payments each month

We are safeguarding the future for every one of our policyholders, and providing long-term value to our shareholders.

## Our differentiators

### Discipline

Rothesay maintains a disciplined approach in a competitive environment

➤ For more information see **pgs. 12-18**



### Investment

Our in-house investment team continues to invest in high-quality assets in line with our long-term investment strategy

➤ For more information see **pgs. 30-31**



### Innovation

Rothesay continually seeks new and innovative ways to support our clients and partners

➤ For more information see **pg. 73**

Rothesay at a glance

Your future  
in safe hands

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

Rothesay is the largest UK specialist pensions insurer.

1st

insurance company  
to be PASA Accredited for  
policyholder experience

Nearly one  
million

pensions protected

£73bn+

assets under  
management

£360m

average monthly  
pension payments

96%

of policyholders surveyed  
during 2025 rated our  
service "good"  
or "excellent"

£5.2bn

of new business  
during 2025

We are trusted by pension schemes to provide pension solutions to some of the UK's best known companies.

BRITISH AIRWAYS 

*Cadbury*

smiths



telent

## 2025 key highlights

£1,205m

IFRS profit before tax of £1,205m (2024: £113m).

£5.2bn

New business premiums **APM**<sup>1</sup> of £5.2bn (2024: £15.7bn).

246%

Solvency capital requirement (SCR) **APM** coverage of 246% (2024: 261%), giving us significant capital for future growth opportunities.

£1,039m

Adjusted operating profit **APM** of £1,039m (2024: £1,779m).

£8.7bn

IFRS Economic Value (IEV) **APM** of £8.7bn (2024: £8.4bn) driven by gains from new business and investment outperformance, partially offset by the impact of rising interest rates.

Over £8bn

Invested over £8bn (2024: £4bn) of assets in alignment with our long-term investment strategy.

ECB

Rothesay has entered into a multi-year partnership with The England and Wales Cricket Board (ECB). Official Title Partner of Men's and Women's Test Matches and title sponsor of the Rothesay County Championship.

\$500m

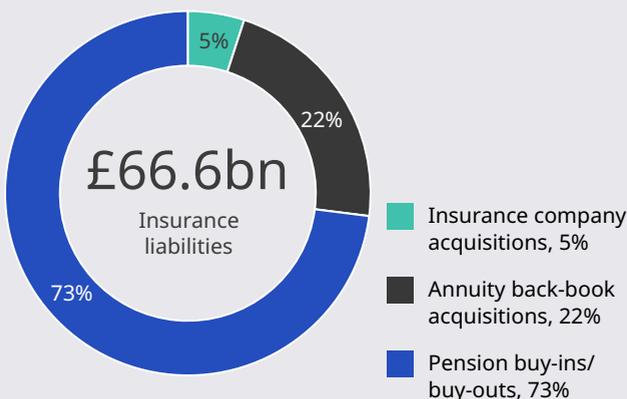
Restricted Tier 1 debt issuances.

96%

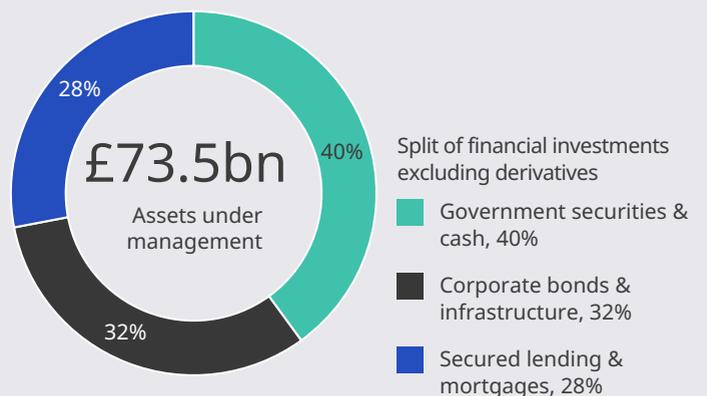
Customer satisfaction of 96% (2024: 96%).

1. APM – Alternative Performance Measure; please see page 42 for further details.

### Securing pension annuities from pension schemes and other insurers



### Backed by high-quality investments



Performance at a glance



New business premium APM<sup>1</sup>

£5.2bn



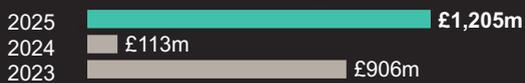
Adjusted operating profit APM

£1,039m



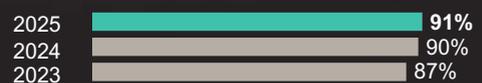
IFRS profit before tax

£1,205m



Longevity reinsured APM

91%



**Group Solvency Capital Requirement (SCR) coverage APM**

246%



**IFRS Economic value (IEV) APM**

£8.7bn



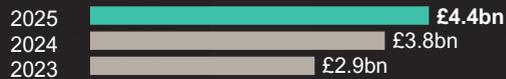
**Customer satisfaction**

96%



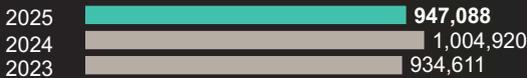
**Paid to policyholders in the year**

£4.4bn



**Number of policies**

947,088



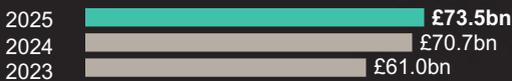
**Market consistent embedded value (MCEV) APM**

£8.0bn



**Assets under management APM**

£73.5bn



1. APM – Alternative Performance Measure; please see page 42 for further details.

A glossary of terms used can be found on page 227.

All performance metrics are linked to our strategic goals on pages 34 and 35.

MCEV new business, which was previously disclosed, is no longer reported as management no longer uses it to monitor or manage the business.



A strong year of financial performance with valuation growth whilst maintaining a very strong solvency position.

**Tom Pearce**  
Chief Executive Officer



## Section one

# Strategic report

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Every decision that we make is informed by our disciplined approach to real time risk management, conservative investment philosophy and sophisticated technology platform. We challenge ourselves to think originally and innovatively so that our business model is best placed to meet the needs of our clients and policyholders.

## Q&amp;A with our Chair

## Q&amp;A

Bruce Carnegie-Brown, Non-Executive Chair, provides insights into his first nine months at Rothesay.



I am delighted to have joined the Board of Rothesay. As the UK's largest pensions insurance specialist, Rothesay plays a vital role securing the future for its policyholders and is well-positioned to take advantage of the growth opportunities ahead.

**Bruce Carnegie-Brown**  
Chair



## Q&A with Our Chair **continued**

**Q.**

**Please tell us a bit about yourself and your experience in financial services both in the UK and abroad.**

**A.**

I have spent over 40 years working in financial services, primarily in the banking, insurance and asset management sectors. Prior to joining Rothesay, I was most recently the Chair of Lloyd's of London for eight years and Vice Chair of Banco Santander for nine years. In my executive careers I spent 22 years in investment banking, most of that with JP Morgan in a variety of roles in Europe and Asia Pacific, including living in Tokyo for three years, before moving into the insurance industry where I led Marsh & McLennan's Europe, Middle East & Africa division. More recently, I have held non-executive roles at MONY Group, JLT Group and Gresham House Asset Management among others. I have also enjoyed my time working with charities, including nine years as a trustee of Shakespeare's Globe and five years as a trustee of Historic Royal Palaces.

**Q.**

**What were the main things about Rothesay that made you interested in becoming our Chair?**

**A.**

I was attracted to Rothesay by the quality of the leadership team and the talent they have recruited into the business, and by its extraordinary success in developing the bulk annuity transfer market in the UK. Rothesay's business encompasses investment management and insurance, both of which I have previous experience of, additionally I will be able to learn more about the life insurance sector.

The pensions industry has always been hugely important not only to providing security for people in retirement, but also for enabling economic growth. As the UK's largest pensions insurance specialist, Rothesay is at the centre of this and engaged across several issues which are absolutely key to the UK economy and its future prosperity.

I was also attracted to Rothesay's strong social purpose. Protecting pensions is at the heart of everything the business does, from its risk management and technology capabilities to its investment strategy. Every aspect of the business is dedicated to securing the future for Rothesay's policyholders.

**Q.**

**As Chair of Rothesay, what are your key areas of focus and priorities for the Board?**

**A.**

It's the Board's responsibility to oversee the development and execution of Rothesay's multi-faceted strategy. Central to this is how Rothesay continues to grow our business both organically and strategically and in a fast-evolving pensions market. Government policy changes and the uncertain macroeconomic environment present opportunity and challenge for the business and, critical to addressing these, is attracting and retaining the best talent and continuing to provide market-leading service to our policyholders.

It is also the Board's responsibility to set and manage the risk appetite for the firm, supporting the business to be competitive and innovative in the risk transfer solutions we provide for trustees and pension schemes, while providing the highest levels of pension security for Rothesay's policyholders. Alongside our focus on pension liabilities, Rothesay's thoughtful and measured approach to investment, using our in-house asset and risk management capabilities, has enabled us to look at a broader range of asset classes and to outperform our investment hurdles year after year.

Beyond the day-to-day risks in the business, the Board oversees: investing in systems; evaluating and developing the effective use of AI in the business; driving greater operational excellence through the business; and seeking out new opportunities to create value for our policyholders and shareholders.

## Q&A with our Chair continued

# Q&A

Q.

**Looking forward, what are your expectations for the business and predictions for the wider pension risk transfer market?**

A.

UK companies will continue to seek to transfer pension liabilities to insurers for many years to come, so our core business remains in a robust position, reflected in a very buoyant market and pipeline of new opportunities. The market for pension liabilities is also becoming increasingly competitive, as evidenced by several new entrants in 2025, and that will have positive outcomes for schemes and their members.

Rothesay remains very well-positioned as a stable, long-standing leader of the UK bulk purchase annuity market with a significant capital surplus and two long-term and highly supportive shareholders. At the same time, we will continue to invest in developing innovative solutions for our clients, beyond our core product, looking at new ways to support schemes on the pathway to buy-out and providing the highest levels of execution certainty and pension security for policyholders.

For Rothesay, the growing importance of the pension industry to the UK economy and our increasingly important position within the industry provide us with the opportunity to engage on a broader range of issues which support the Government's economic growth agenda. Our membership of the Sterling 20 group is an example of our involvement in projects which will enable greater investment in strategic infrastructure to increase domestic investment in productive assets. In summary, by continuing our commitment to excellence in our core asset and liability capabilities, we are strategically equipped to look at new opportunities across the many dimensions of our business – by asset class, geography, and in retail markets. It's an exciting time.

**Bruce Carnegie-Brown**

Chair  
13 February 2026

IFRS pre-tax profits

£1,205m

(2024: £113m)

Adjusted operating  
profit (APM):

£1,039m

(2024: £1,779m)



Our membership of the Sterling 20 group is an example of our involvement in projects which will enable greater investment in strategic infrastructure to increase domestic investment in productive assets.

**Bruce Carnegie-Brown**  
Chair



 For more information  
see **pg. 19**

## Chief Executive's statement

Discipline  
Investment  
Innovation

Rothesay's commitment to prudent pricing discipline and a careful approach to risk management delivered strong financial performance in 2025.



Maintaining a disciplined approach to underwriting in a competitive market after two years of high new business volumes.

**Tom Pearce**  
Chief Executive Officer





## Chief Executive's statement **continued**

The UK pension risk transfer market continued to be dynamic and fast-moving throughout the year. Improved funding levels are making the journey to buy-out increasingly achievable for many pension schemes, supporting an active new business market with very robust transaction volumes executed.

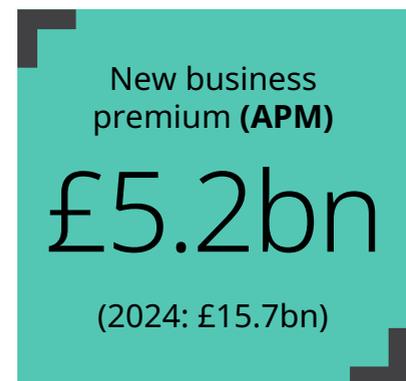
UK pension insurers like Rothesay have been preparing for the high levels of scheme demand we have been experiencing for a number of years, investing accordingly in our ability to complete these substantial volumes of new business. At the same time, new entrants are also joining the bulk purchase annuity market, increasing its capacity and driving competition and innovation amongst its participants. This competition is delivering positive outcomes for schemes, with the highest number of annual individual pension risk transfer transactions completed this year.

Throughout 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 17 pension schemes to de-risk (2024: seven), generating £5.2bn of new business premiums (**APM**) (2024: £15.7bn). Since 2023, we have executed c. £33bn of total new business.

We have achieved this sustained multi-year performance by preparing our business to have the capital and operational 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 made excellent progress with investing assets received from prior year deals.



## Chief Executive's statement continued

# Discipline Investment Innovation

The launch of Riverton gives us a launchpad to further develop our offerings in the UK mortgage market.

### Long-term investment strategy

Our dedicated in-house asset origination and investment management team made very good progress in deploying the £15.7bn of new business premiums generated in 2024 along with the £5.2bn written this year.

We invest these premiums in line with our cautious, long-term investment strategy, where assets are carefully matched to the specific characteristics of our pension liabilities. Rothsay invests at scale across the UK and one of our strategic objectives is to ensure that we continue to grow our level of deployment into UK productive assets. This year alone, our investments included:

- £150m investment commitment to UK social housing green retrofit, through an innovative partnership with the National Wealth Fund (NWF).
- £400m investment in UK student accommodation across 15 cities for Unite Group.
- £200m investment in the refurbishment of the Haweswater Aqueduct, future proofing the water supply in the North West of England.
- The acquisition of the long-term lease of the O2, London's best-known live entertainment venue.

We are committed to working with the Government to unlock even greater volumes of domestic capital from our sector while continuing to provide the highest levels of pension security for our policyholders.

With this commitment in mind, we were pleased to join the Government's Sterling 20 initiative, a group representing 20 of Britain's largest pension providers and insurers. The Sterling 20 is actively working with the Government and City of London to co-design investment products and overcome barriers to investment faced by our sector, which we believe will enable the UK's largest asset owners to deploy capital more effectively into the critical infrastructure and national priorities which are so vital to our economic growth.

As part of this work, 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 are also working with the Government to explore how we can apply insights from other markets where Rothsay invests, such as United States and Australia, to the UK market.

In 2025, we received approval for the launch of Riverton, Rothsay's new mortgage lender. Riverton will allow us to use our long-term liabilities to make mortgage lending available directly to UK customers, and we are excited to bring our culture of customer focus and our strive for innovation directly to the UK mortgage market.

## Chief Executive's statement **continued**

### Group performance

Adjusted operating profits **(APM)** for 2025 were £1,039m (2024: £1,779m), which is primarily due to profits generated by Rothesay's in-force book. Operating profits were increased by economic gains leading to IFRS pre-tax profits of £1,205m (2024: £113m).

The Group's assets under management **(APM)** increased due to the new business written during 2025 offset by market movements, to £73.5bn (2024: £70.7bn).

IFRS Economic Value (IEV) **(APM)** at 31 December 2025 increased to £8.7bn (2024: £8.4bn). Similar to the IFRS profitability, the majority of the increase in IEV is driven by the performance of Rothesay's in-force book. More details on our IEV can be found in the financial review on page 43.

Following the end of the first half of the year, the Board approved an interim dividend of 31p per share (2024: 23p per share), which was paid on 7 October 2025.

### Solvency and capital management

Rothesay's strong Solvency Capital Requirement (SCR) coverage **(APM)** of 246% (2024: 261%), 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, positioning us well for future growth.

Rothesay welcomed the PRA's Life Insurance Stress Test (LIST) 2025, which for the first time detailed the impact of significant hypothetical macro-economic stress events on individual life insurers' capital positions. The LIST exercise underlined Rothesay's robust capital position and the resilience of our balance sheet against these events, showing a post-stress SCR coverage ratio in RLP of 213%, the highest of any of the LIST participants and surplus own funds above capital requirements remaining at almost £5bn, a 10% reduction on pre-stress test levels.

During November 2025, we successfully raised a further \$500m of restricted Tier 1 debt in the US dollar market, further adding to our significant capital surplus.

### Risk management

Throughout 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.



Our overall market volumes are lower than in the previous two years but we have significant pipeline for 2026.



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 our 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 rapidly changing economic conditions. The result being we can provide our policyholders with the highest levels of pension security while taking advantage of opportunities in real time.

For instance, the duration of our liabilities and our liability-matching assets means that Rothesay's portfolio is sensitive to long-term interest rates. Our sophisticated in-house risk management systems support timely, well-informed decision-making in a changing economic environment.

## Chief Executive's statement continued

# Discipline Investment Innovation

Our investment portfolio is also 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 portfolio, means that we continue to be well positioned to withstand adverse market conditions.

Rothesay manages its longevity risk through unfunded, collateralised longevity swaps and has not utilised any funded reinsurance. Under these longevity swaps, Rothesay 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, 91% of our longevity exposure is reinsured (**APM**) (2024: 90%).

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 and we pride ourselves on the level of service we provide. I am glad to report that we maintained high service standards during 2025, with over 96% (2024: 96%) of those surveyed rating the quality of service received as good or excellent.

As part of our commitment to continuously invest in our policyholder experience, we launched RothesayOne, a complement to our existing Third Party Administrator arrangement. RothesayOne is an innovative policyholder administration platform designed to meet the growing policyholder demand for self-service and digital capabilities. We plan to roll out RothesayOne on a gradual basis to new policyholders, who will now have their enquiries handled, payments processed, and calls answered efficiently via a single, integrated solution. A key feature of this is the introduction of an interactive online portal which empowers policyholders to perform a range of self-service tasks at their convenience, enhancing both accessibility and user experience, whilst retaining the option for policyholders to use our dedicated helpline if they prefer.

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 Rothesay. I am therefore delighted that, following the successful completion of the Part VII process, the Scottish Widows policyholders officially became Rothesay policyholders on 11 June 2025.

### Our people

Our people are a key strength of Rothesay and we have continued to recruit across our business during 2025.

As our headcount continues to grow in line with the growth of our business, we are committed to investing in our employees and their experience at work, supporting our cultural values of collaboration, teamwork, innovation and excellence in everything we do. I remain incredibly proud of our high levels of employee engagement, with 96% of employees participating in our annual employee survey, 85% saying they are proud to work at Rothesay, and 86% saying their coworkers respect their thoughts and feelings.

### Board changes

Bruce Carnegie-Brown was appointed an independent Non-Executive Director and Chair Designate of Rothesay from 1 May 2025. Bruce succeeded Naguib Kheraj as Rothesay's Chair on 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 Rothesay. 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. I would also like to thank Naguib for his commitment and hard work in ensuring a smooth transition.

Bruce brings tremendous and highly relevant experience from both his executive and non-executive careers, and I look forward to working with him as we deliver our long-term commercial strategy.

After almost 18 years on Rothesay's Board, Addy Loudiadis retired from her Non-Executive position as Founder Director and stepped down from the Board on 3 April 2025.

Addy has made an invaluable contribution not only to Rothesay 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 Rothesay's success and growth.

I am also delighted that Addy will remain on the Board of the Rothesay 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 Rothesay'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, Rothesay became an Official Partner of England Cricket and the Official Title Partner of Men's and Women's Test Cricket. Rothesay is also the title sponsor of the County Championship, the oldest and most prestigious domestic competition in England and Wales.

Rothesay branding featured prominently at the England Men's Test Matches against Zimbabwe as well as at the England v India Rothesay 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 Rothesay, 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, 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 decarbonisation pathways for issuers and sectors out to 2050. In order to do this, we developed and published our first Net Zero Transition Plan for our portfolio which not only details our work to model the emission pathways of our assets through time but helps us understand the key drivers and dependencies of our ambition. This project has been a priority for Rothesay over the last 12 months and the publication of our first transition plan marks a next key step on our journey to Net Zero.

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 Disclosure) and our Transition Plan. The reports can be downloaded from our website at:

[www.rothesay.com/about-us/environmental-social-governance/our-reports-and-governance](http://www.rothesay.com/about-us/environmental-social-governance/our-reports-and-governance)

### **Industry recognition**

In June 2025, we were delighted to receive the Risk Transfer Provider of the Year award at the Professional Pensions' UK Pensions Awards and in July 2025 we were delighted to win the European Pensions Insurance Firm of the Year award at the European Pensions Awards 2025.



## Chief Executive's statement continued

# Discipline Investment Innovation

### 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 including an employee donation is £7,000 per employee.

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.

Along with a number of other initiatives it supported to help the vulnerable elderly, the Rothesay Foundation grew its award-winning partnership with Age UK, expanding the benefit check programme into Scotland and more of Wales and embedding follow-up support to ensure older people receive their benefits.

The Foundation also established a new partnership with Kinly, a technology-driven organisation which makes applying for benefits simpler and faster, ensuring older people can more easily access the financial support they are entitled to.

To date, through its campaigns, the Foundation has helped over 12,000 older people check whether they are eligible for unclaimed benefits, identifying approximately £55m of annualised benefits for pensioners in need.

### Looking forward

A busy 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 and compete 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, with the new business pipeline in 2026 is already looking very promising.

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 investing in service excellence, and delivering long-term value to our shareholders.



**Tom Pearce**  
Chief Executive Officer  
13 February 2026

## Investment case study

# Sterling 20

As the UK's largest specialist pensions insurer, Rothesay has joined Sterling 20. A new investor-led partnership between 20 of the UK's largest pension funds and insurers working with the Government and City of London Corporation to help channel domestic investment into key infrastructure, housing and high-growth sectors like AI and fintech.

The pensions industry in the UK is one of the key strengths of our economy. As some of the UK's largest asset owners, this initiative will allow members to deploy capital more effectively into critical infrastructure and national priorities which are so vital to the country's economic growth. Rothesay invests at scale across the country and we are committed to working with the Government to deliver the innovative solutions which will unlock even greater volumes of domestic investment from our sector.



The Sterling 20 is a fantastic initiative which will enable the UK's largest asset owners to deploy capital more effectively into the critical infrastructure and national priorities which are so vital to our economic growth.

As the UK's largest specialist pensions insurer, Rothesay invests at scale across the country and we are committed to working with the Government to deliver the innovative solutions which will unlock even greater volumes of domestic investment from our sector.

**Tom Pearce,**  
Rothesay Chief Executive Officer



## What makes us different

### Why we are successful

Rothesay is a purpose-built specialist business, with a disciplined approach, unique culture and set of capabilities that ensure that the future of all our stakeholders and policyholders is in safe hands.



## Financial strength

We focus on maintaining a robust level of surplus solvency capital to offer an exceptional level of security for our policyholders and to provide the capital we need to continue to grow the business. We rigorously analyse and quantify every risk and monitor these risks alongside all of our key financial metrics on a daily basis using our purpose-built systems.

We manage over

# £73bn

in assets

## Careful investment

Our investment philosophy has been designed to match the nature of the liabilities we take on, and is based on making stable, low-risk long-term investments with predictable cashflows. Our approach to investment is disciplined, patient and measured given the long-term nature of the business we are in, and we continually analyse potential risks associated with those investments, including all relevant sustainability considerations.

➤ For more information  
see **pgs. 30-31**

## Unique integration

Many of our core operations are in-house and based in a single location, which allows our teams to collaborate effectively with one another. We have teams of experts across a range of disciplines who think diversely but act as one, enabling us to act nimbly and deliver the best solutions for our clients.

Number of  
permanent employees

# 571

## Sophisticated technology

Our industry-leading, purpose-built technology platform underpins the whole business, so that our decision-making is fully informed and we can adapt in real time to market changes. These systems are fully integrated, with all assets and liabilities of the business risk managed daily on the same platform.

**Our engineers evolve our technology so that it develops with the business.**

## Service excellence

We support clients through every step of the process, meticulously addressing every element, from initial proposal to buy-in to buyout. Once policies are issued, we take pride in providing excellent customer service.

**Our straightforward and collaborative approach helps us build clarity and trust in every interaction.**

➤ For more information  
see **pgs. 71-75**

## Our culture

We aim to substantially mitigate the financial risks in our portfolio in order to protect policyholders, lock in value and to safeguard capital surplus such that excess capital may be invested into attractive risk-adjusted new business opportunities where Rothsay believes it has a competitive advantage. Importantly, we will always do the right thing for the benefit of all of our stakeholders.

**Our pursuit of excellence enables us to maintain our market leadership.**

## Our business model

### What we do

Our disciplined approach is supported by our tailored solutions, long-term investment strategy and excellent client service.

1

#### Creating innovative and bespoke solutions

We employ original thinking to bring creative and innovative ways of delivering for our clients and develop bespoke solutions for every pension scheme.

We pride ourselves on working collaboratively with our clients to find the best possible solution for them.

2

#### Underwriting and execution

We provide execution certainty for trustees and pension scheme members through our meticulous underwriting and due diligence.

At the start of a pension de-risking transaction, we model the benefits of every single policyholder and project them to maturity. Using our purpose-built systems, we are able to measure, monitor and manage the risks associated with the annuity liabilities throughout the transaction life cycle.

### Deliver pension benefits and client service

We welcome new policyholders by giving them peace of mind that a Rothsay annuity provides them with high levels of security, and we work closely with the trustees of the pension scheme to ensure absolute continuity of benefits for those previously provided by the pension scheme.

➤ For more information  
see **pgs. 71-75**

## Our business model continued

3

### Transition to an efficient, responsive platform

We have strategic partnerships with well established pension administrators: WTW, Aptia UK Limited and Capita Pension Solutions, as well as an expanding in-house administration platform (RothesayOne). We use our own record of all member benefits and future payments to ensure a data transition to our administration partners that appears seamless to our new policyholders. High levels of automation and sophisticated technology ensures that our partners are fully integrated with our own systems in order to eliminate discrepancies and deliver excellent customer service.

Our in-house administration solution integrates with our own technology platform to further streamline the administration process and improve the customer experience, and is a growing feature of our offering.

4

### Invest and manage the assets

Following receipt of the assets, we carefully transition out of those assets that do not form part of our long-term strategy and into our target allocation. We seek to ultimately invest in assets which match our liability cash flows and liquidity requirements, meet our environmental, social and governance objectives, and provide an appropriate risk-adjusted return. Our portfolio is focused on highly rated assets and is split in the following approximately equally weighted categories:

1. Cash and government bonds
2. Corporate bonds and other infrastructure bonds
3. Secure, illiquid assets

We can safely capture the illiquidity premium of long-dated assets because of the long-dated nature of our pension liabilities. We own a large portion of cash and liquid bonds to ensure that we retain substantial liquidity buffers to fulfil collateral calls and meet all contractual cash flows as they fall due.

## Long-term risk management

Meticulous risk management is a key foundations of Rothesay's success and is a focus throughout the transaction life cycle. Our purpose-built technology platform allows us to monitor our risks and report our key financial metrics on a daily basis. This includes monitoring the prospective impact of potential future activities or scenarios on those risks and financial metrics in a bespoke way, so that we are aware in advance of the precise impact, and able to react where needed.

➤ For more information see **pgs. 46-57**

# Our business model continued

How we deliver strong outcomes for our stakeholders



## Policyholders

We are dedicated to protecting the pensions of all our policyholders, ensuring they receive the correct benefits at the right time while delivering responsive and efficient service.

96%

good or excellent service rating

## Shareholders and bondholders

We benefit from the support of our two long-term institutional shareholders and our bondholders, offering them sustainable and stable long-term returns.

£8.7bn

IFRS Economic Value

Rothesay plays a vital role securing the future for our policyholders and is well-positioned to take advantage of the growth opportunities ahead.

### Pension trustees

We provide pension de-risking solutions to trustees to secure the benefits of their pension scheme members.

947,088

policyholders FY25

### People

We focus on nurturing our unique culture and the highest standards of integrity, transparency and accountability. We invest in and engage with our diverse, talented people to support learning and career development.

85%

of employees say they are "proud to work for Rothesay"

### Business partners

We have close working relationships with strategic partners including third-party administrators and reinsurers to ensure business support and excellent customer service.

91%

longevity reinsurance coverage FY25

### Communities

We invest in the UK economy, helping fund projects in transport, infrastructure and education. In addition, the Rothesay Foundation supports organisations that seek to improve the quality of life for older people.

£43bn

invested in UK economy

£1.6m

donated to Rothesay Foundation

## Innovation case study

# National Wealth Fund

In 2025, Rothesay 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).

# £150m

commitment to  
a new unsecured  
debt facility for social  
housing retrofit





This is another example of the NWF working collaboratively with the private and public sector to provide practical solutions to complex financing problems. The launch of a long-term, attractively priced, unsecured offer into the market by THFC will accelerate uptake and increase the ambition of projects in retrofit. Our support for THFC builds on our work in the sector, helping mobilise long-term institutional capital like Rothesay's into social housing retrofit which will give confidence to both the sector and associated supply chains.

**John Flint**

Former NWF Chief Executive Officer



The facility was launched with an initial £150m financial guarantee from the NWF to support THFC to make long-term, unsecured loans to help registered providers (RPs) retrofit their social housing stock in the UK. As a result of the NWF's support, Rothesay has committed to provide THFC with 100% of the initial £150m investment, demonstrating how the NWF's guarantee can unlock long-term unsecured capital for RPs 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 with the ambition to grow the scheme further depending on take-up. Providing bond market investors access to funding in this way will help accelerate the retrofit of social housing stock across the UK, significantly reducing both the sector's energy consumption and emissions, whilst also helping the UK reach its Net Zero ambitions.



As a long-term investor in the UK, Rothesay is pleased to provide the funding for the launch of this new facility, supporting housing associations across the country to access the investment they need to reduce their environmental impact. Innovative partnerships like these have the potential to unlock significant volumes of institutional capital and we are committed to continuing to work with the NWF and THFC to support the growth of the facility along with other future initiatives.

**Tom Pearce**

Rothesay Chief Executive Officer



## Our market

Protecting and providing pensions is Rothesay’s sole purpose and we are fully committed to the UK bulk annuity market to secure the future for all our stakeholders.

We have seen significant growth in market activity. Whilst market volumes in 2025 were lower than 2024, it was a record-breaking year for the number of transactions completed (approx 350 transactions in 2025 versus 293 in 2024).

Rothesay’s core market is the UK pension scheme Bulk Purchase Annuity (BPA) market. Trustees of pension schemes purchase BPA policies with insurers such as Rothesay to help them de-risk their scheme’s uncertain asset and liability cashflows.

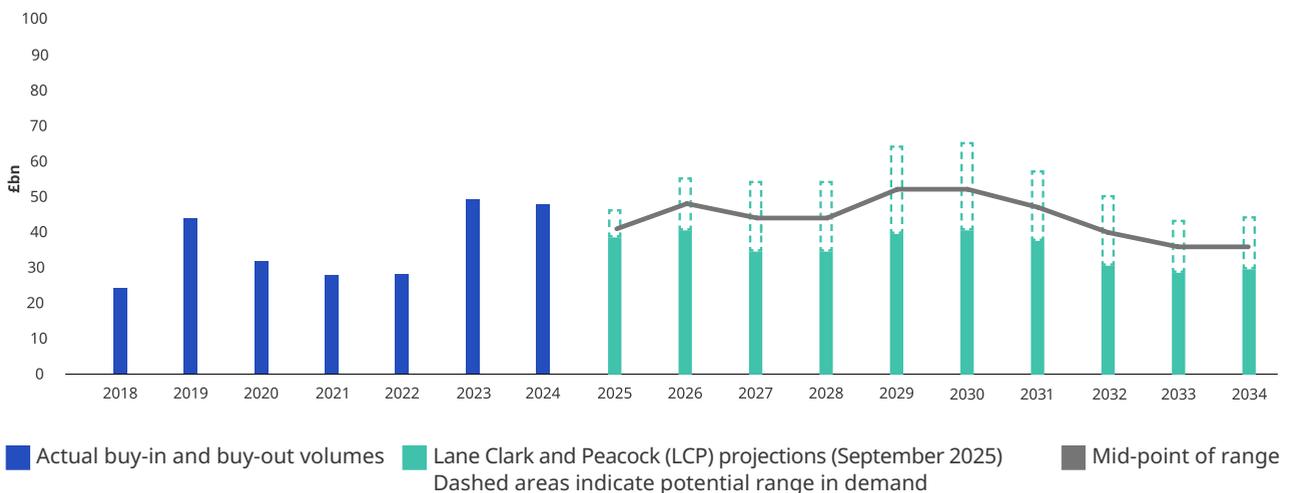
These BPA policies may take the form of a ‘buy-in’, where Rothesay makes annuity payments in bulk to the ceding pension scheme which then makes onward payment to its members, or a ‘buy-out’ where the pension scheme members become direct policyholders of Rothesay.

Significant recent improvements in pension scheme funding levels have meant that BPA policies have become increasingly affordable for pension schemes, and commentators forecast that this demand is expected to remain for the foreseeable future.

2024 exhibited healthy volumes of c.£48bn in BPA policies transacted. Whilst headline volumes were slightly lower in 2025 at c.£40bn, more schemes than ever completed transactions – broadly 50% more than in 2023. As shown in the chart below, LCP’s latest projections indicate that total volumes over the next decade could be between £350bn and £550bn.

It is clear that buy-ins and buy-outs will continue to be an essential de-risking tool for trustees and sponsors of UK defined benefit pension schemes.

### Buy-in and buy-out volumes for the UK market over the next five years



Source: LCP analysis as at 30 September 2025.

## Our market **continued**

Pension scheme funding remained strong, with more schemes expected to be fully funded over the next few years, providing a substantial pipeline of potential new business. In fact funding levels have improved to such a degree that most schemes approaching the market are in surplus. This is not a position that was ever really envisaged, we expect a large number of trustees and sponsors to agree how surplus will be distributed over the next two years resulting in an increase in buyout volumes as trustees and sponsors then look to unlock the surplus. Insurance capacity has expanded to comfortably support this projected demand, alongside the innovation and development needed to help meet pension scheme requirements.

Thanks to these strong funding levels and the backdrop of a fiercely competitive market, there has been a shift in focus over the year for pension schemes when deciding which insurer to choose. Whilst price remains a key factor, trustees of pension schemes have spent significantly more time considering other factors such as insurers' administration capabilities and the level of customer service that will be provided for their scheme members.

This increased emphasis on member experience has challenged insurers to demonstrate how they can offer high levels of policyholder service, and to innovate and invest in this area. Key factors under scrutiny include how insurers communicate with policyholders, including the steps taken to personalise the service, the level of online functionality offered, the ability to accommodate members' options and flexibilities, as well as service level performance indicators and complaint levels. Where transaction affordability is a given, we expect member experience to increasingly become a differentiator when trustees are deciding which insurer to partner with.

Linked to this, there has been additional scrutiny on insurers' abilities to achieve buy-out for schemes and issue individual policies to members. This is a natural evolution from the shift in more recent years of trustees and sponsors deciding to secure the whole pension scheme in one go, and the backlog of schemes with buy-ins written in prior years now looking to ultimately buy-out. Schemes are now looking for insurers to demonstrate they have the experience, flexibility and track record to help achieve buy-out within a reasonable timeframe.

Recognising their increasing importance in pension scheme decision-making and contribution to new business, Rothesay has worked hard to invest and develop market-leading propositions in these areas. This is alongside the innovative solutions we have continued to develop for many of the problems pension schemes have faced over the last few years. This includes facilitating 'jumbo' transactions previously considered prohibitively large, helping schemes manage their illiquid asset positions, providing tailored residual risk cover, and managing complex asset transactions.



# Our investments

## Our in-house investment team continues to invest in assets in line with our long-term investment strategy.

Rothsay's £73.5bn asset portfolio is managed by our in-house team. Assets are sought which match our long-term liability cash flows and which provide an appropriate risk-adjusted return, with cautious cash buffers retained in order to meet our liquidity requirements. Rothsay has a careful approach to investment which seeks to reduce exposure to undesirable risks and provide real security for people's pensions in the future, whilst ensuring suitable and predictable overall returns.

Our sophisticated systems enable us to continuously monitor our risks and adapt to changing market conditions to make sure that we are able to quickly identify, quantify and react to any emerging risks or opportunities within our portfolio.

Rothsay continued to invest its assets in a measured way over 2025. Rothsay's investment portfolio is focused on highly rated assets with over half of our rated assets having a rating of AAA or AA. This can be seen in the chart below.

The portfolio can be divided into three broad categories.

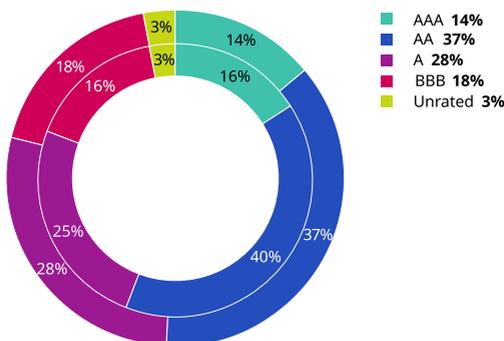
- **Cash and government bonds** – This part of the portfolio is available for future investment and to meet collateral calls and cash requirements and backs some of our very long-dated cash flows.
- **Corporate bonds and infrastructure bonds** – We invest in a diversified portfolio of highly rated corporate bonds, including regulated infrastructure such as water, energy and transportation.
- **Secure, illiquid assets** – These assets include loans secured against property, residential mortgages including lifetime mortgages, and loans secured against other types of collateral. 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.

The following charts provide a breakdown of our financial investment portfolio excluding derivatives at 31 December 2025 and 31 December 2024 by asset class.

### Corporate bonds and infrastructure bonds

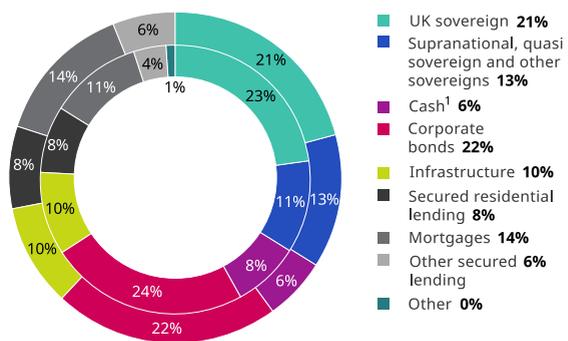
Our corporate bond and infrastructure holdings continue to be weighted towards liquid and highly rated bonds. We remain focused on investing in high-quality names and diversifying across sectors, currencies and jurisdictions. Our exposures to different industry sectors within the corporate bond and infrastructure portfolio are set out in the charts below and on the next page, as a percentage of our total investments.

Investment by rating (%)



Outer circle: 2025  
Inner circle: 2024

Our investments (%)



Outer circle: 2025  
Inner circle: 2024

1. Cash is held in bank accounts and money market funds which invest in different international jurisdictions.

## Our investments **continued**

Of our £27bn holding of corporate bonds and infrastructure, around 45% (2024: 39%) (or 14% of total assets) is rated BBB and of those only £0.7bn is rated BBB- (2024: £0.6bn). The vast majority of the remainder are rated A or above. As at 31 December 2025, Rothesay holds only £30m of sub-investment grade bonds (2024: £30m).

### Real estate lending

As at 31 December 2025, the value of our lifetime mortgage portfolio is £6.8bn (2024: £6.4bn). We apply a cautious approach when underwriting mortgages, with newly originated lifetime mortgages having an average loan-to-value ratio of 29% (2024: 27%). Lifetime mortgages represent 9% of assets under management (2024: 9%).

We also continue to fund long-term, fixed rate mortgages in both the UK and the Netherlands, and have further diversified into French home loans and US mortgages, increasing our long-term, fixed rate mortgage portfolio to £5.5bn (2024: £2.3bn).

Rothesay's commercial real estate lending exposure is primarily through senior debt financing of landmark property assets with highly rated tenants and owners, and low loan-to-value ratios. The average loan-to-value ratio on our commercial real estate debt is around 54% (2024: 56%).

### International diversification and sustainability

The majority of Rothesay's investment portfolio is invested in UK assets, however geographic diversification continues to be a key part of Rothesay's risk management. Our well-established and growing operations, Rothesay Asset Management North America and Rothesay Asset Management Australia, have enabled us to source assets in which to invest in a range of countries and currencies, while maintaining rigorous risk management.

The in-house investment team, alongside dedicated sustainability analysts, consider material sustainability factors as part of the investment process and relevant 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. To guide progress, we have two Key Risk Indicators (KRIs) relating to the Carbon Intensity of our portfolio: one for the total portfolio and one for the Publicly Traded Corporate Debt (PTCD) sub-portfolio. In both cases we are managing towards a 50% reduction in the Carbon Intensity by 2030.

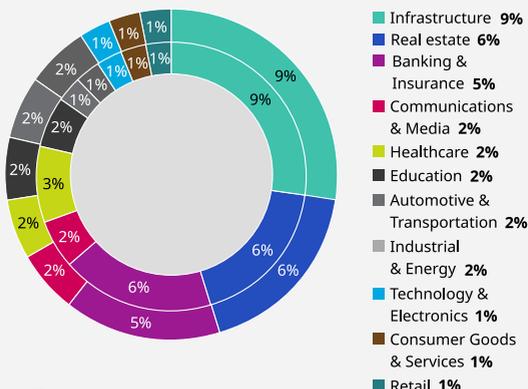
Fundamental to achieving our long-term goal is our ability to model how issuers or sectors may decarbonise out to 2050. To assist this, we have published our first transition plan which details the key drivers and dependencies which may impact our ability to achieve our targets.

We remain a signatory to the Financial Reporting Council's (FRC) 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 latest Climate Report, which is aligned with the Task Force on Climate-related Financial Disclosures.

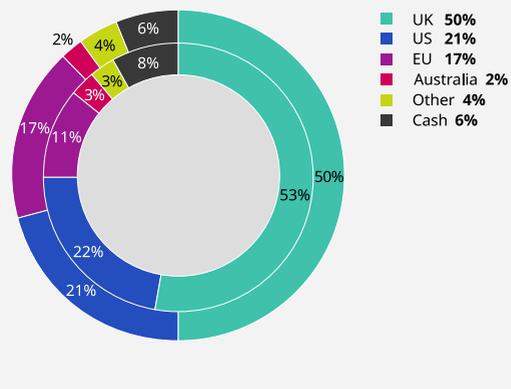
The chart below provides a breakdown of our investment portfolio at 31 December 2025 by country of exposure.

Investment sectors (%)



Outer circle: 2025  
Inner circle: 2024

International diversification (%)



Outer circle: 2025  
Inner circle: 2024

## Investment case study

# UK student accommodation

As part of our commitment to invest at scale in UK productive assets, Rothesay completed a £400m eight-year investment facility in the purpose-built student accommodation (PBSA) sector.

The facility refinances a public securitisation for the Unite UK Student Accommodation Fund (USAF), whose assets are operated and managed by the Unite Group. Rothesay's investment is secured against a high-quality portfolio of 23 PBSA assets located across 15 cities in the UK.

The PBSA sector plays an important role in the UK economy, underpinning its world-class higher education sector which creates jobs, attracts the brightest and best global talent and supports community regeneration.

The Unite Group is the largest owner, manager and developer of UK PBSA assets with c.68,000 beds across 153 properties. Established in 2006, USAF is the largest specialist student accommodation fund in the UK.

The higher education sector plays a vital role in the UK economy. Our partnership with Unite showcases Rothesay's dedication to delivering high-quality, long-term investments that meet this aim, whilst providing real retirement security for the nearly one million people whose pensions we protect.



It was great to partner with Rothesay on this transaction – they were very diligent while also being pragmatic throughout the process. This new £400m loan will increase available liquidity and keeps us well-positioned to deliver on our strategy, all while keeping our average cost of debt in line with expectations.

**On behalf of USAF, Gary Leadbeater**  
Director of Group Treasury  
and FP&A at Unite Group

## Investment case study

# O2 Arena

To add to our £43bn UK investment portfolio, Rothesay acquired the long-term lease to the O2, one of London's best-known live entertainment venues for c.£90m.

The O2 Arena has become an iconic London landmark after its debut as the Millennium Dome in 2000, and has since become one of the world's leading entertainment venues. Operated by Anschutz Entertainment Group (AEG), it has hosted an array of music, theatrical and sporting events. AEG has best-in-class capabilities as an integrated operator and owner of over 70 venues and hosting over 13,000 live events annually with over 90 million guests globally.

The O2 contributes £300m each year to the local economy, supporting over 10,500 jobs. It aims to achieve Net Zero through a number of initiatives and was the first arena in England to be awarded the Greener Arena by A Greener Future. Prestigious, high-quality property assets, like the O2, that align with our commitment to sustainable investment form an important part of Rothesay's investment strategy. They provide predictable and dependable returns which create real security for the pensions we protect.

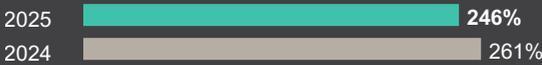


# Our strategy and KPIs

## Financial security

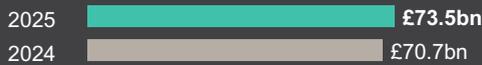
### SCR coverage (APM)

Indicates capital strength through comparing how the Group is capitalised relative to the regulatory requirement



### Assets under management (APM)

Measures business size to indicate scale of business and ability to diversify risks



### External ratings

Impartial indicators of RLP's financial strength



### 2025 progress:

- Throughout 2025, we maintained our disciplined approach to new business, remaining patient in a competitive market environment.
- Following the annual review of RLP's financial strength by the credit agencies, Fitch and Moody's reaffirmed our ratings with stable outlooks.
- Assets under management (APM) have increased to £73.5bn (2024: £70.7bn) predominantly driven by the receipt of new business premiums, partially offset by market movements.
- Reinsured £6bn of liabilities via unfunded longevity swap transactions, giving reinsurance coverage of 91% (2024: £14bn to give 90% coverage). We have not transacted any funded reinsurance.

### Opportunities in 2026 and beyond:

- Maintain a robust solvency position through meticulous risk management. This provides the greatest level of security for our policyholders and capital for future growth.
- Maintained and monitored significant liquidity buffers in order to mitigate liquidity risks in times of market stress.

## Generate long-term value through new business

### IFRS profit before tax

Measures profitability by capturing all recurring and non-recurring items



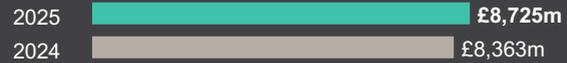
### New business premiums (APM)

Signals the Group's growth



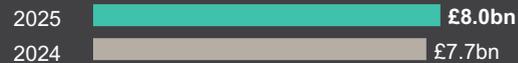
### IFRS Economic Value (IEV) (APM)

Indicates the economic value of the business



### MCEV (APM)

Indicates the risk-adjusted value of the business



### 2025 progress:

- Adjusted operating profits of £1,039m (2024: £1,779m) (APM) driven by profit on new business, outperformance in relation to new investments made during the year, as well as the release of margins as the business runs off. Adjusted operating profits were increased by economic gains and reduced by the net increase in the CSM (Contractual Service Margin) on new business, as well as borrowing costs, to arrive at IFRS profit before tax of £1,205m (2024: £113m).
- In 2025, we executed 17 transactions, which generated £5.2bn of new business (2024: £15.7bn) (APM).
- Expanded the Rothesay team by 32 talented individuals across the Group.

### Opportunities in 2026 and beyond:

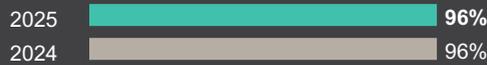
- Continue to assist pension schemes to de-risk through new pension risk transfer transactions. Given the strength of the pipeline, we anticipate significant new business opportunities in 2026 and beyond.
- Ongoing deployment of assets received from new business transactions into Rothesay's long-term investment strategy.
- Continued innovation to ensure that we provide the best solutions for our clients and partners.

## Our strategy and KPIs continued

### Service excellence

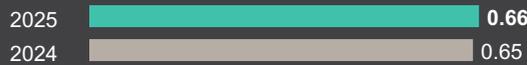
#### Service quality

Measures the number of policyholders who rate our service 'good' or 'excellent'



#### Complaints

Measures satisfaction through number of complaints upheld per 1,000 customers



#### 2025 progress:

- Diligent oversight of our Third Party Administrators (TPAs) by our own in-house team has ensured that policyholder service standards have remained extremely high.
- Continued focus on service excellence for our customers.
- Maintain oversight of how Consumer Duty is embedded into the business.
- Launched our innovative policyholder administration platform RothesayOne.

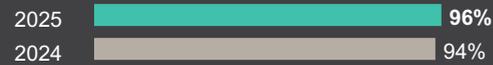
#### Opportunities in 2026 and beyond:

- Remain committed to customer service excellence.
- Further develop our in-house administration platform which uses our own record of all member benefits and future payments to ensure a data transition to our administration partners that is seamless to our new policyholders.
- Remain compliant and focused on the Consumer Duty to ensure good outcomes for all policyholders.

### Act in the interest of all stakeholders

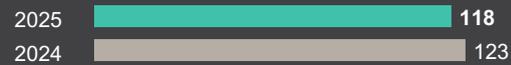
#### Employee engagement response rate

Measures the number of employees who responded to the annual employee survey<sup>1</sup>



#### Carbon intensity

Measures carbon intensity of Rothesay's investment portfolio



2025 and 2024: tonnes CO<sub>2</sub>e/million USD borrower revenue . In 2024 accounts an estimate of 183t was quoted.

#### 2025 progress:

- Published first Net Zero Transition Plan.
- Continued to enhance our capabilities in climate risk management and reporting.
- 96% of employees participated in the employee survey – the highest result ever and for the fourth year running Rothesay has outperformed the UK Companies Top Quartile.

#### Opportunities in 2026 and beyond:

- Maintain high level of employee engagement and unique Rothesay culture whilst continuing to grow the business.
- Continue to make progress towards our environmental targets and enhance physical risk modelling capabilities.

1. The 2024 employee survey was deferred until early 2025 with a refreshed process and planned enhancements to drive our people strategy and therefore 2024 comparatives relate to the 2023 survey results.

## How our financial KPIs are connected

### Assets



We invest in highly rated and long-dated fixed income investments to back our insurance liabilities.

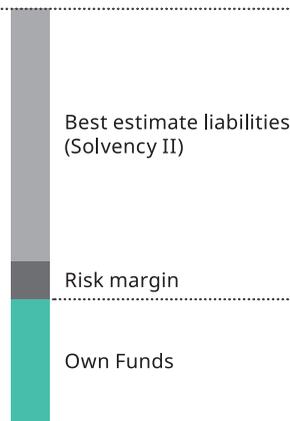
These investments are sensitive to market movements such as changes in interest rates and inflation, and changes in their valuations are designed to largely mirror the moves in the liabilities that they are backing. This is known as Asset-Liability Matching (ALM).

In addition, we hold significant surplus assets to support our Solvency Capital Requirement (SCR) (APM) plus associated buffer. These assets are primarily low-risk, liquid assets such as cash and government bonds that can also be used to meet our prudent liquidity buffers.

These surplus assets also form an important part of our overall market risk hedging strategy, which is designed to balance the needs of our different KPIs.

Our assets fall into three broad categories: cash and government bonds, corporate bonds and infrastructure, and secured illiquid assets.

### Own Funds (APM)



The solvency balance sheet consists of Solvency II Own Funds that are available to meet the SCR buffer, and the SCR (APM) itself.

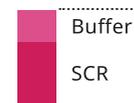
Own Funds are the total eligible assets of the Group less the Solvency II best estimate liabilities and risk margin (which is a buffer for risks which are deemed to be non-hedgeable, such as longevity risk). Own Funds include eligible subordinated debt.

The Solvency II best estimate liabilities (BEL) is the present value of liabilities projected to be payable to policyholders, including expenses related to those liabilities, over the life of the business. The BEL in the Own Funds calculation is similar in nature to the BEL calculated in IEV (APM) and IFRS 17, with the key difference being the discount rate methodology which differs under Solvency II.

Own Funds are affected by market movements, as well as activity such as new business transactions and asset investment. Whilst the assets backing the best estimate liabilities and the liabilities themselves move together when interest rates and inflation change, the surplus assets (the Own Funds) also have some sensitivity to interest rates and inflation.

This is by design as the SCR itself is sensitive to interest rates and inflation due to its long duration.

### Solvency Capital Requirement (SCR) (APM)



The SCR represents a modelled 1-in-200 years loss event and incorporates insurance, market, credit and operational risks. The SCR coverage ratio is the ratio of Own Funds to the SCR.

Rothsay holds a significant buffer above the SCR in order to deliver a high degree of security for its policyholders and to provide capital for writing future new business.

The SCR is influenced by activity such as writing new business or the choice of asset investments, where the size of the SCR is calibrated to reflect the degree of underlying risk.

Market conditions also impact the SCR, for example falling interest rates increase the size of the SCR. We aim to ensure that we invest our surplus assets in such a manner that our Own Funds increase in this scenario to compensate for the higher SCR. This must be done in a way that balances the needs of the solvency balance sheet as well as our other KPIs.

# How our financial KPIs are connected continued

## Surplus above SCR buffer

 Surplus above buffer

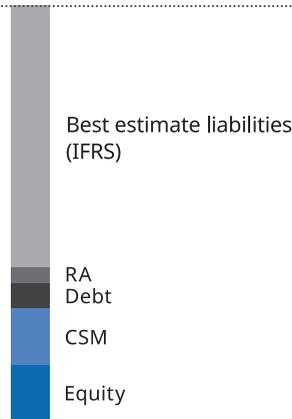
Own Funds **(APM)** that are not needed to cover the SCR or the buffer are considered surplus above the SCR buffer.

Typically, the premiums Rothesay receives in relation to new business do not cover the SCR plus buffer in addition to the best estimate liabilities and the risk margin. This means writing new business consumes surplus above the SCR buffer.

Our surplus above the SCR buffer therefore represents our capacity to write new business before requiring additional capital from our shareholders, as well as the potential capacity of the Company to pay dividends if desired.

Rothesay measures the attractiveness of new business and management actions by comparing various metrics, including how the IEV **(APM)** or CSM generated compares with the amount of surplus above the SCR buffer invested.

## IFRS 17



The IFRS 17 balance sheet shares some features with IEV, for example they have materially the same underlying best estimate liability calculations.

IFRS equity is equal to assets less best estimate liabilities, risk adjustment (RA), contractual service margin (CSM), and debt. The RA is an adjustment for uncertainty around the amount and timing of the cash flows for non-financial risks, and the CSM represents a store of future value that is expected to be realised over the life of the business.

Under IFRS, profits on new business are largely held back in the CSM and would be expected to increase IFRS equity through time as the CSM gets released.

## IFRS Economic Value (IEV) (APM)



IFRS Economic Value (IEV) **(APM)** measures the value of Rothesay's long-term business in a way which is consistent with IFRS principles, but set at a best-estimate confidence level rather than including the explicit margins which exist on an accounting basis. It represents the present value of the surplus cash flows expected to emerge from the business over time.

Simplistically, it is the difference between the total assets of the business (net of all debts) and the best estimate of the future liabilities payable, with an allowance for the tax which is expected to be paid on future profits.

IEV is expected to increase as we write new business, and the amount by which it increases is an important measure of our new business performance.

IEV is also sensitive to market movements. If interest rates fall, IEV increases because of the way we choose to invest our surplus assets to protect against SCR increases in that scenario. The needs of solvency and IEV measures are carefully balanced as we aim to design our hedging strategy such that changes in surplus above buffer are compensated for by opposing changes in IEV.

## Financial review

The financial review describes the financial performance of Rothesay Limited and its subsidiaries.



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

**Graham Butcher**  
Chief Financial Officer



## Financial review continued

### Financial performance

Adjusted operating profits **(APM)** for 2025 were £1,039m (2024: £1,779m). These profits were mainly driven by new business, outperformance in relation to new investments made during the year and the release of margins as in-force business runs off.

Adjusted operating profits **(APM)** were increased by economic gains and reduced by borrowing costs and the net increase in the Contractual Service Margin (CSM), leading to IFRS pre-tax profits of £1,205m (2024: £113m).

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 222.

Profits generated on the in-force book **(APM)** were £975m (2024: £1,102m). These profits mainly arose from outperformance in relation to new investments made during the period relative to those assumed in new business underwriting. Profits generated on the in-force book also includes investment returns on surplus assets and the release of the risk adjustment as in-force business runs off.

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



We made excellent progress with investing assets received from prior year deals.

**Graham Butcher**  
Chief Financial Officer



Financial performance (Alternative analysis of profit generation) (APM)	2025 £m	2024 £m
New business profit	197	886
Performance of the in-force book	975	1,102
Non-economic assumption changes and model refinement	(38)	(13)
Acquisition expenses	(95)	(196)
<b>Adjusted operating profit before tax</b>	<b>1,039</b>	<b>1,779</b>
Economic gains/(losses)	397	(765)
Borrowing costs	(170)	(166)
Increase in CSM	(61)	(735)
<b>IFRS profit before tax</b>	<b>1,205</b>	<b>113</b>

## Financial review continued

### IFRS income statement highlights

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

Income statement highlights	2025 £m	2024 £m	Commentary
Insurance service result	581	696	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	1,558	141	The net financial result is primarily driven by interest earned on assets above liabilities plus the impact of changes in economic conditions.
Operating expenses	(210)	(84)	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	(724)	(640)	Finance costs represent interest payable on borrowings and on collateral. For further details see note B.4.
<b>Profit before tax</b>	<b>1,205</b>	<b>113</b>	



## Financial review continued

### IFRS statement of financial position

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

Statement of financial position highlights	2025 £m	2024 £m
Financial investments	124,450	117,428
Reinsurance contract assets	391	302
Deferred tax asset	523	586
Other assets	5,278	5,241
<b>Total assets</b>	<b>130,642</b>	<b>123,557</b>
Share capital and share premium	684	684
Tier 1 notes	793	793
Employee scheme treasury shares and share-based payment reserve	(149)	(148)
Profit and loss reserve	3,129	2,749
Other reserves	131	137
<b>Total equity</b>	<b>4,588</b>	<b>4,215</b>
Insurance contract liabilities	66,646	64,222
Reinsurance contract liabilities	200	223
Payables and financial investment liabilities	56,183	52,012
Borrowings	2,699	2,616
Other liabilities	326	269
<b>Total liabilities</b>	<b>126,054</b>	<b>119,342</b>
<b>Total equity and liabilities</b>	<b>130,642</b>	<b>123,557</b>



We now manage over £73bn in assets and provide retirement security for nearly one million people, paying out, on average, over £360m in pension payments each month.

**Graham Butcher**  
Chief Financial Officer



## 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 increased from £70.7bn at 31 December 2024 to £73.5bn as at 31 December 2025, primarily driven by new business written during the year partially offset by market movements. A reconciliation of assets under management is provided in the notes on Alternative Performance Measures on page 223.

### Insurance liabilities

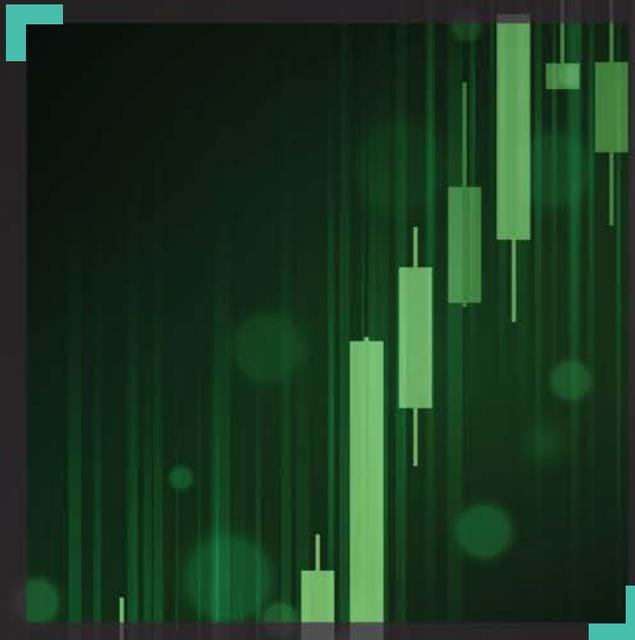
Insurance contract liabilities, which consist of the best estimate liabilities, the risk adjustment and the CSM, increased from £64.2bn as at 31 December 2024 to £66.6bn as at 31 December 2025. Like the move in assets under management, this increase was also primarily driven by the additional liabilities taken on as part of 2025 new business (see notes E.1 and E.2).

### CSM and risk adjustment

The CSM and risk adjustment represent a significant store of future value held in insurance liabilities above the best estimate provisions. They are expected to be released as IFRS profits in future years. During 2025, the value of the CSM and risk adjustment increased by £71m, primarily as a result of new business written during the year and positive demographic experience variances which are largely reserved out by increasing the CSM. The increase in the CSM and risk adjustment in 2025 increases the future profitability of the in-force book.

### Leasehold Reform Bill

On 27 January 2026, the Government introduced a draft Commonhold and Leasehold Reform Bill which proposed capping residential ground rents at £250 per annum from 2028, reducing to a “peppercorn”, or zero, after 40 years. Should the proposed changes be enacted as anticipated in final legislation, the write down in the fair value of Rothesay’s relevant assets as at 31 December 2025 is estimated to be £313m with a resultant increase in the value of our liabilities, prior to management actions. Rothesay is undertaking a range of management actions to mitigate the impact of the proposed cap, including mitigation of the impact on the value of our liabilities.



While Rothesay supports the Government’s objective to strengthen leaseholder protection and address remaining egregious ground rents escalations, the capping of all ground rents through retrospective legislation represents a concerning interference by the Government in legally binding contractual property rights, which is without precedent in the UK.

### Alternative Performance Measures

Rothesay’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 (APMs), are necessary to fully reflect long-term value or changes to capital requirements. Rothesay therefore includes within these accounts a number of APMs which focus on value generation and capital strength to reflect the performance of Rothesay. Further information on Rothesay’s APMs can be found on page 222, including definitions, why the measure is used and, if applicable, how the APM can be reconciled to the nearest Generally Accepted Accounting Policy measure. Rothesay uses the symbol **APM** to highlight APMs throughout the financial statements.

## Financial review continued

### IFRS economic value (APM)

The IFRS economic value (IEV) measures the value of Rothesay's business in a way which is consistent with IFRS principles, but set at a best estimate confidence level rather than including the explicit margins which exist on an accounting basis. It provides a useful way of measuring the value which is expected to be generated by Rothesay's in-force book.

Rothesay Limited's IFRS total equity value increased by £373m over 2025 from £4,215m to £4,588m, primarily driven by IFRS net of tax profits of £902m, less the payment of a £488m interim dividend and £35m of RT1 coupons (net of tax) during 2025.

The IEV increased over 2025 by £362m to £8,725m (2024: £8,363m). The table below provides a bridge from IFRS Group Equity to IEV.

Reconciliation of IFRS to IFRS economic value	2025	2024
	£m	£m
<b>Rothesay Limited IFRS total equity</b>	<b>4,588</b>	4,215
Less Restricted Tier 1 sterling notes treated as equity under IFRS	(793)	(793)
Less accrued interest on Restricted Tier 1 sterling notes (net of tax)	(9)	(9)
Remove CSM and risk adjustment (net of tax)	4,831	4,778
Plus differences between fair values and accounting valuations	6	7
Plus own debt valuation differences to reflect market moves since issuance	102	165
<b>IFRS Economic value (IEV)</b>	<b>8,725</b>	8,363

The US\$ RT1 debt of \$900m (2024: \$400m) is not shown as an adjustment from IEV as it is treated as a liability under IFRS.

### Market consistent embedded value (APM)

Like IEV, the Group market consistent embedded value (MCEV) provides a useful measure of the value expected to be generated by Rothesay's in-force business.

Over 2025, the MCEV grew by £362m to £8,039m (2024: £7,677m). The MCEV increased by the same amount in 2025 as the IEV. The drivers of the MCEV growth over the year are similar to the drivers of the growth in the IEV.

Further information can be found in the notes on Alternative Performance Measures on page [222](#).

## 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 provide 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 2025 with capital surplus well above our target operating range, however 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 31 December 2025, Rothesay had a Group SCR coverage ratio **(APM)** of 246% (2024: 261%), meaning that we still have material excess capital available to support further new business.

Solvency position of the Group and RLP	Group		RLP	
	2025 £m	2024 £m	2025 £m	2024 £m
Tier 1 capital unrestricted	5,819	5,910	5,915	6,013
Tier 1 capital restricted	1,367	984	1,367	984
Tier 2 capital	1,499	1,733	1,499	1,733
Tier 3 capital	491	471	491	471
Own Funds available to meet SCR	9,176	9,098	9,272	9,201
Ineligible capital	(156)	(573)	(156)	(573)
Own Funds <b>(APM)</b> eligible to meet SCR	9,020	8,525	9,116	8,628
SCR	(3,668)	(3,262)	(3,668)	(3,262)
<b>Surplus above SCR</b>	<b>5,352</b>	<b>5,263</b>	<b>5,448</b>	<b>5,366</b>
<b>SCR coverage (APM)</b>	<b>246%</b>	<b>261%</b>	<b>249%</b>	<b>264%</b>
<b>SCR coverage without transitional solvency relief</b>	<b>241%</b>	<b>255%</b>	<b>244%</b>	<b>258%</b>

## Capital management continued

Some of the new business recently 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 Rothesay's solvency position because the matching adjustment could then be used in calculating the Technical Provisions.

The following table provides a summary of the SCR, post-diversification benefit, split between modules. Insurance risk is mostly longevity risk, which reduced over 2025 mainly due to reinsurance transacted. Market risk is dominated by spread risk, i.e. the risk that credit spreads widen.

Composition of SCR (%)	2025	2024
Market risk	80	69
Insurance risk	10	17
Operational risk	6	7
Counterparty risk	4	7

An analysis of the change in surplus capital above the SCR is shown in the table below. Surplus above the SCR has increased from £5,263m to £5,352m, driven by 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 additional capital requirements associated with new business written in the year.

We remain patient in investing the assets received as part of 2025 and prior year premiums. Once these assets have been invested in line with our long-term target asset allocation, Rothesay's solvency surplus is expected to further 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.

Change in surplus	2025 £m	2024 £m
<b>Opening position</b>	<b>5,263</b>	5,365
New business (on a fully invested basis)	(288)	(910)
Performance of the in-force book	459	686
Non-economic assumption changes	(40)	14
Acquisition expenses	(95)	(196)
<b>Operating surplus generation</b>	<b>36</b>	(406)
Economic conditions	(10)	632
Borrowing costs	(163)	(160)
Other non-operating variances	164	(73)
<b>Non-operating surplus generation</b>	<b>(9)</b>	399
<b>Total surplus generation</b>	<b>27</b>	(7)
Eligible new capital raised less dividends paid	62	(95)
<b>Closing surplus</b>	<b>5,352</b>	5,263

## Risk management

Risk management is a continuous process by which Rothesay actively identifies, monitors, and responds to evolving risks.



Prudent risk management is at the heart of everything that we do, and we continue to invest in our capabilities to ensure we can meet new challenges as risks evolve.

**Peter Shepherd**  
Chief Risk Officer





## Risk management **continued**

### How we manage risk

Rothesay's risk management principles are driven by the key objectives of the business:

- To ensure that our liabilities to policyholders can be met in a full and timely manner.
- To ensure that our policyholders and mortgage customers receive excellent customer service.
- To maintain our financial strength and capitalisation.
- To produce stable returns from our in-force business.
- To protect and increase the value of our shareholders' investment.
- To safeguard Rothesay's reputation.

To do this we have a well-established process of identifying, managing and monitoring risks on a continuous basis. This allows Rothesay to make rapid, informed decisions to manage through adverse conditions, as well as ensuring that we are able to invest appropriately where the risk/reward metrics are favourable.

The risk management framework is designed to ensure that:

- Risks are well understood and can be explained to all stakeholders.
- Risk management and business strategy are aligned.
- All employees are aware of their individual responsibilities.
- Risks are monitored and managed in accordance with defined risk appetites.



Risk management is at the heart of Rothesay.

**Peter Shepherd**  
Chief Risk Officer



Risk management is a continuous process and the risks to which Rothesay is exposed change over time. The framework is designed to be responsive and is regularly reviewed to ensure that it remains highly effective. We have continued to invest in the Risk function, but we have always recognised that effective risk management starts with the employees who manage risks day in and day out, and so we ensure effective communication between teams, and that systems, data and other tools are providing the information to enable employees to make timely informed decisions – with risk management at the core of these decisions.

Risks can be quantifiable, such as market risks, or non-quantifiable such as reputational or strategic risks, or could be a mix of both. Some risks have been a core part of the financial landscape for decades or more, while others, such as cyber risk, have emerged more recently and it requires an agile risk framework to adapt to these. Risks can materialise rapidly, such as a change in market conditions, or could emerge slowly over a number of years such as the outlook for life expectancy.



## Risk management continued

At the heart  
of Rothesay.

### Risk management framework

Rothesay has a risk management framework (RMF) which is aligned to the 'three lines of defence model'. Fundamental to this is that every employee knows how they contribute to the effective identification, management, mitigation and monitoring of all types of risks.

The RMF ensures that accountabilities and responsibilities are clearly agreed and documented, and that there are appropriate checks and balances, including segregation of responsibilities.

**The 'three lines of defence' model is widely used in financial services, and sets the boundaries between the different areas, making sure that there are no gaps in risk management or unexpected overlaps in accountability.**

### First line of defence

#### Risk Owners

Day-to-day risk management is delegated from the Board to the Chief Executive Officer (CEO) and, through a system of delegated authorities, to business managers. Rothesay also makes the distinction between:

- the risk-taking functions, including investment and new business origination; and
- the first line control functions, who are responsible for ensuring the integrity of Rothesay's operations and reporting. These include Operations, Finance and Legal.

### Second line of defence

#### Risk Oversight

Design and maintenance of the risk management framework as well as risk oversight is provided by the Chief Risk Officer (CRO), his team, the Compliance function and risk management committees.

### Third line of defence

#### Risk Assurance

Internal Audit provides the Board and Executive with comprehensive, independent, objective assurance over governance, risk management and internal control.

## Risk management continued

### Our risk management governance structure

Rothesay Limited	
<p><b>Board Risk Committee</b></p> <p>Assists the Board in providing leadership, direction and oversight of the Group's risk appetite, tolerance, risk strategy, risk governance and risk management framework and of the risk aspects of major investments and corporate transactions. Its primary function is the ongoing monitoring and control of all financial, operational, insurance and other enterprise-wide risks associated with the activities of Rothesay.</p>	<p><b>Customer Conduct Committee</b></p> <p>Assists the Board in ensuring that conduct towards customers meets Rothesay's strategic objectives, operates within risk appetite and maintains compliance with applicable laws and regulatory requirements and expectations.</p>
<p><b>Executive Risk Committee **</b></p> <p>Responsible for the overall operation of the Risk Management Framework (RMF), ongoing monitoring and control of enterprise-wide risk, including review and approval of all material new investment, hedging or liability transactions.</p>	<p><b>Executive Customer Committee *</b></p> <p>Responsible for ensuring business culture, strategy and operational processes are effectively controlled and deliver appropriate customer outcomes.</p>

### Risk Management Committees

<p><b>Customer Working Group *</b></p> <p>Responsible for the review of policyholder and customer activities, ensuring that fair outcomes are being delivered.</p>	<p><b>Credit Rating Committee **</b></p> <p>Responsible for assigning, monitoring and validating internal credit ratings and approving rating methodologies.</p>	<p><b>Liquidity Working Group *</b></p> <p>Responsible for the ongoing management of liquidity, including the continual monitoring of the appropriateness of the liquidity risk management framework.</p>
<p><b>Technology Risk Committee **</b></p> <p>Responsible for the ongoing management of technology risks across Rothesay, encompassing technology operations risk, data integrity and protection risk, and cyber security risk.</p>	<p><b>Sustainability Committee **</b></p> <p>Responsible for the development and implementation of the climate change and sustainability strategy and risk management framework.</p>	<p><b>ALM Committee *</b></p> <p>Responsible for review and approval of significant asset, liability and hedging activities.</p>
<p><b>Underwriting and Liabilities Committee *</b></p> <p>Responsible for considering all new insurance and reinsurance transactions which Rothesay is considering and for providing oversight and review of all existing member data, experience and bookings of all such transactions which Rothesay subsequently enters into.</p>	<p><b>Business Controls Committee *</b></p> <p>Responsible for ensuring that business processes are effectively controlled and operational risks are appropriately managed.</p>	<p><b>Investment Risk Committee **</b></p> <p>Responsible for approving new asset transactions and monitoring credit and counterparty risk associated with the activities of Rothesay.</p>

\* Denotes 1st Line Committee. \*\* Denotes 2nd Line Committee.

The Board is responsible for oversight of the management of exposure to risks and is supported by the Board Risk Committee whose membership consists entirely of Non-Executive Directors and looks to ensure that the management of the business is conducted within the delegated risk framework from the main Board.

This model of separation of responsibilities is also aligned to the Senior Managers & Certification Regime (SMCR), which ensures that individuals have very clear allocation of responsibilities.

Building on this model, the RMF then adds the detail such that risk management ownership, responsibilities and processes are clear. This both informs and is directed by Rothesay's business strategy. The foundation of the RMF is the clear identification of the risks that Rothesay faces. From this, the RMF can then go on to define detailed aspects including:

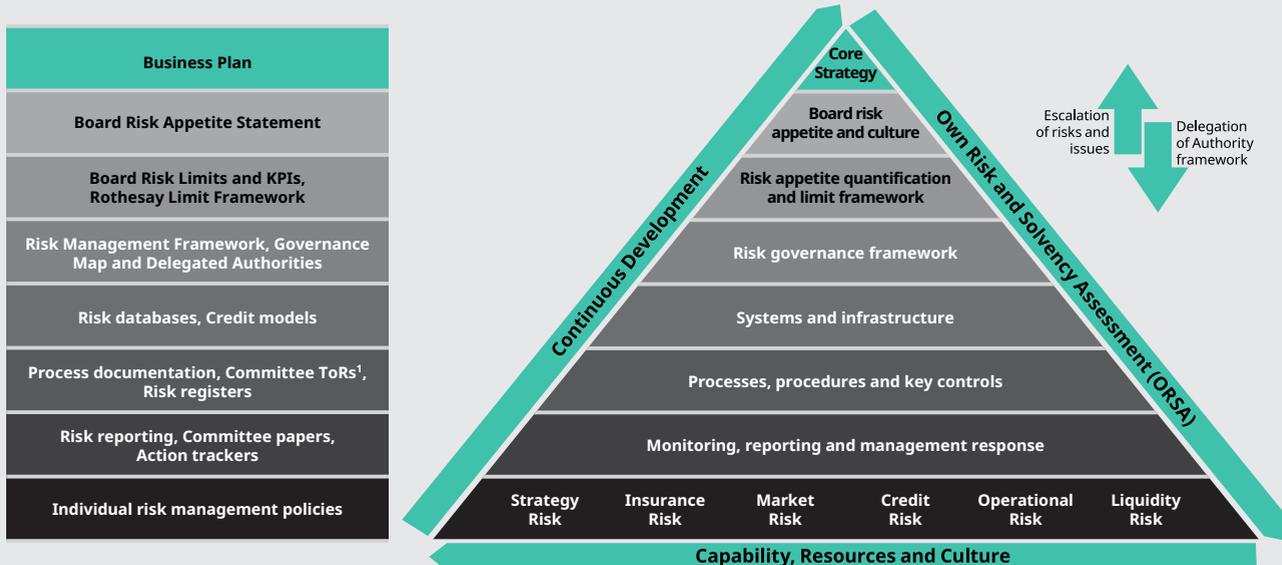
- Risk appetites and risk limits;
- How risks should be measured and reported on;
- Processes for controlling or managing risks; and
- Individual accountability for risk topics.

## Risk management continued

In order to clearly identify risks, Rothesay has defined a Risk Taxonomy, which is a consistent way of describing and subdividing risks consistently across Rothesay and between time periods. This is regularly reviewed to ensure that it is complete. The six key risks identified are set out in the table below.

Risk category	Definition
<b>Strategy risk</b>	The risk of loss in future earnings and capital arising from changes in the competitive, economic, legal or political environment, changing customer behaviour, or a failure to select appropriate strategic or long-term business plans.
<b>Insurance risk</b>	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, or changes in longevity or other expectations.
<b>Market risk</b>	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.
<b>Credit risk</b>	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.
<b>Liquidity risk</b>	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
<b>Operational risk</b>	The risk arising from inadequate or failed processes, personnel or systems, poor conduct, or from external events that could result in financial losses, reputational damage, regulatory action, or customer detriment.

These risks are then split into more granular risks, for example market risk includes interest rate risk, inflation risk, currency risk and so on.



1. ToRs - Terms of Reference

## Risk management **continued**

### Board risk appetite and culture

Rothesay's risk appetite expresses the types of risk that Rothesay is willing to take in pursuing strategic objectives. The Board's risk appetite sets the tone for the culture of risk management throughout the organisation.

Our strategic approach is to de-risk our business in order to achieve attractive risk-adjusted returns. We also aim to protect regulatory surplus, manage liquidity and minimise balance sheet volatility.

Risk taking is limited to circumstances where we believe that we fully comprehend the inherent and residual risks, where we are able to manage them within prudent, observable levels and where incurring the risks provides sufficient value to our stakeholders.

We aim to substantially mitigate the financial risks in our portfolio in order to protect policyholders, lock in value and to safeguard capital surplus such that excess capital may be invested into attractive risk-adjusted new business opportunities where Rothesay believes it has a comparative advantage.

Our risk appetite statement sets out the types of risk that we are willing to be exposed to in order to meet our strategic objectives. They are categorised as desired, tolerated or undesired.

Risk preference	Description	Examples
<b>Desired</b>	Desired risks are those that we need to seek directly in order to deliver our core strategic goals. We will actively seek to take on these risks because taken together they are expected to deliver a good risk-adjusted return. These are also risks we believe we have the capability and capacity to manage effectively within risk appetite limits.	Most Insurance Risks (given that our key business line is writing annuities), some Credit Risks (given our desire to make a return through backing annuities with credit assets) and some Strategy Risks (given our clearly defined strategy).
<b>Tolerated</b>	Tolerated risks are those that we incur indirectly as a result of implementing our core strategy, and where we may be willing to accept some exposure. We will invest to ensure that these risks are adequately managed. We may seek to partially or fully reduce these risks depending on relative risk-adjusted returns.	Tolerated risks therefore mostly relate to Market Risks where our business model naturally exposes us to these risks, but we seek to reduce or hedge them partially or fully.
<b>Undesired</b>	Undesired risks are those that we incur indirectly as a result of implementing our core strategy, and where we would ideally seek to fully eliminate the exposure. These typically include risks where there is no compensation for holding the risk e.g. Operational Risk, but also risks which we do not feel sufficiently competent to manage. We are willing to invest in order to avoid or manage these risks as far as possible. Even where significant action is taken, some residual risk may be unavoidable.	Undesired risks include most Liquidity Risks (as we have no desire to fail to pay our policyholders and counterparties), and Operational Risks (as these are unrewarded).

## Risk management **continued**

### **Risk appetite quantification and limit framework**

The risk limit framework is intended to ensure the stability of earnings and solvency position of the business. Risk appetite is translated into quantifiable limits and early warning triggers that prompt management action to avoid our risk exposures breaching the Board's risk appetite. Limits exist in relation to market, credit, counterparty, liquidity, demographic and longevity risks and are sized with reference to our overall risk appetite and capital position. Limits are constantly reviewed and reported against.

### **Risk governance framework**

Rothesay's risk governance arrangements strengthen the risk-taking and risk management of the business by adding challenge, oversight and independent assurance. This framework supports compliance with the Senior Managers & Certification Regime.

### **Systems and infrastructure**

Rothesay operates an integrated system infrastructure which captures all assets and liabilities centrally and provides us with the capability to report and monitor risk daily at both the portfolio and the individual transaction level. Close coordination of underwriting, reinsurance, investment and risk hedging functions ensures risk management is central to all aspects of the business, and that new business pricing reflects latest market conditions, hedging costs and investment opportunities, as well as comprehensive liability analysis.

### **Policies, processes, procedures and key controls**

Rothesay has developed appropriate processes and documented procedures, appropriate controls and other risk mitigation techniques in order to effectively manage risks. The policy framework ensures that an appropriate suite of risk management policies is maintained which sets out the principles and standards for risk identification, measurement, mitigation, control and monitoring.

### **Monitoring, reporting and management response**

Our risk exposures against risk appetite as well as management actions are monitored on a continuous basis to confirm that our risk mitigations are effective. All monitoring is reported to oversight committees and individuals with responsibility for risk management in order to inform business decisions. Monitoring considers both those risks to which Rothesay is currently exposed, in addition to emerging risks that may impact Rothesay in the future.

### **Capability, resources and risk culture**

Rothesay seeks to attract and retain the highest quality talent in the industry. The effectiveness of our risk management depends upon the high quality of our people and the strong risk culture and risk management practices.

We are committed to maintaining the highest standards of integrity, transparency and accountability. Good conduct is fundamental to our purpose, strategy and how we operate, and is also good business practice. A good culture is one where people do the right thing, feel empowered to speak up if something does not look right and know they can rely on support from management. Training is conducted so that everyone has an understanding of Rothesay's risk culture and the importance of each individual in order to maintain standards and managing risk effectively.

Rothesay's risk culture is set from the top down, with the Board and senior management ensuring that risk management is embedded throughout the organisation, and demonstrating day-to-day how risk management informs decisions big and small. Risk management and conduct are an integral part of Rothesay's performance review process, ensuring that all Rothesay employees are held to the highest standards.

### **Own Risk and Solvency Assessment (ORSA)**

The ORSA assesses the risks to which the business is exposed as well as solvency forecasting in a range of scenarios, including consideration of the stresses that could jeopardise Rothesay's business plans. It is undertaken at least annually, approved by the Board and an important input to Rothesay's strategic planning cycle.

Rothesay also runs a number of stress tests on a daily and weekly basis. The stresses have been developed so as to provide coverage over the key risks implicit within the portfolio at the time. Examples of stresses currently applied to the portfolio include issuer default stresses, property stresses, credit spread widening, credit downgrades and market risk stresses on liquidity outflows.

## Risk management continued

### Principal risks and uncertainties facing Rothesay

Rothesay's principal risks are credit, insurance, climate, liquidity, strategic and market related. An overview of these and other risks associated with the business, including an outline of how each is mitigated, and the change in this risk over the year, is provided in the table below. Our risk exposures generally increase with the size of the balance sheet; in the table below we have only shown an increasing trend where the increase has been out of line with this.

In the table, strategic priorities 1 to 4 refer to:

1. Financial security
2. Generating long-term value through new business
3. Service excellence
4. Act in the interest of all stakeholders

More details can be found in notes E and F of the financial statements.

Risk	Mitigation	Strategic priority	Risk direction
<p><b>Credit risk</b> The risk that a borrower's creditworthiness deteriorates or that the borrower defaults. Our financial and/or capital position could be adversely impacted by downgrades, credit spread widening or defaults.</p>	<p>Rothesay carefully selects the investments it makes in order to generate an adequate risk-adjusted return, has a preference for investments with structured protection such as collateral, and may purchase external credit protection to mitigate the impact of any defaults.</p> <p>Rothesay maintains a highly experienced market-facing team as well as a second-line internal credit risk team who regularly monitor and assess the credit risk associated with its investments.</p>	1,4	→ There have been some temporary disruptions in credit markets across 2025, but generally financial conditions have been stable. Credit risks continue to be an area of focus across our borrowers.
<p><b>Counterparty default risk</b> The risk that a financial counterparty's creditworthiness deteriorates or that a counterparty defaults. Our financial and/or capital position could be adversely impacted by downgrades, credit spread widening or defaults.</p>	<p>Rothesay prefers to work with highly rated and stable counterparties, and to diversify counterparty exposures where appropriate.</p> <p>Derivative and reinsurance contracts are subject to margining requirements to ensure exposures are appropriately collateralised.</p> <p>Rothesay actively monitors counterparties for downgrade risk, and may also purchase credit protection to mitigate specific exposures.</p>	1,4	→ Our preference to work with highly rated counterparties means that we expect this to be a stable risk, but monitoring and mitigating these risks will continue to be a high priority.
<p><b>Insurance risk</b> The risk that demographic experience is different from expected. As the pensions insured by Rothesay are guaranteed, our financial and/or capital position could be adversely impacted if, for example, policyholders live longer than expected.</p>	<p>Rothesay invests in both people and modelling capabilities to analyse its longevity experience and to help assess what could happen in the future.</p> <p>Rothesay aims to reinsure a majority of its longevity exposure. As at 31 December 2025, Rothesay had reinsured 91% of its longevity risk (2024: 90%) <b>(APM)</b>.</p>	1,4	→ The future for longevity changes remain uncertain, with impact of new drugs and pressures on healthcare services in the UK. We expect to continue to reinsure a material amount of this risk in future.

## Risk management **continued**

Risk	Mitigation	Strategic priority	Risk direction
<p><b>Market risk</b> The risk of adverse movements in interest rates, inflation or currency. Rothesay's financial and/or capital position could be adversely impacted by market movements to the extent that assets and liabilities are mismatched.</p>	<p>Rothesay monitors interest rate risk, inflation risk and foreign exchange risk closely, and uses derivatives to hedge the risks. We also undertake regular scenario testing, for example in relation to a UK downgrade, to assess the impact of potential combinations of stresses.</p> <p>Assets and liabilities are matched as closely as possible, including using inflation-linked assets to meet inflation-linked liabilities.</p>	1,4	→ The potential for material market volatility remains elevated and a key area of focus.
<p><b>Property risk</b> The risk of a fall in the value of property. Through its investments secured on property, Rothesay's financial and/or capital position could be adversely impacted by falls in the value of property.</p>	<p>Residential property risk is reduced through strict underwriting criteria, covering, for example, the quality of the underlying property, flood risk and loan-to-value limits by age of borrower. We have also established reserves covering the potential cost of the no negative equity guarantee on lifetime mortgages.</p> <p>Exposure to commercial real estate is reduced by ensuring that loans have a low loan-to-value ratio, that there are appropriate covenants and that properties have strong tenants.</p>	1,4	→ Downward pressure remains on residential and commercial property prices.
<p><b>Liquidity risk</b> The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due. Given our holding of illiquid assets, there is a risk that we are unable to meet payments or collateral calls as they fall due in adverse circumstances.</p>	<p>Rothesay has a comprehensive liquidity management framework that ensures sufficient liquidity is held to meet collateral outflows as well as projected expenses and other outflows, in extreme market conditions.</p>	1,4	→ Rothesay's liquidity position remains very robust and an area of ongoing focus.
<p><b>Climate risk</b> Rothesay's assets are exposed to the potential impact of climate change. Such risks include:</p> <ul style="list-style-type: none"> <li>physical risks such as increasing frequency and severity of flooding; and</li> <li>transition risks which can arise from the process of adjustment towards a low-carbon economy.</li> </ul>	<p>Rothesay has enhanced its monitoring and management of climate change and sustainability risks. The Sustainability Committee, formerly the Environmental, Social and Governance (ESG) Working Group, is responsible for overseeing sustainability-related matters, including stress testing and modelling the plausible impact on Rothesay under climate related scenarios, now has increased representation from Executive Management.</p> <p>Our in-house investment team is responsible for the selection and management of all of Rothesay's assets. The team considers climate-related risk as part of the investment process. In addition, Rothesay considers flood risk as part of its lending policies.</p>	1,4	→ Climate and sustainability risks remain a key focus for Rothesay, with continued uncertainty over the economy's ability to transition sustainably to a low-carbon world.

## Risk management **continued**

Risk	Mitigation	Strategic priority	Risk direction
<p><b>Operational risk</b> The risk arising from inadequate or failed processes, personnel or systems, poor conduct, or from external events that could result in financial losses, reputational damage, regulatory action, or customer detriment.</p>	<p>Rothesay has established a comprehensive operational risk framework that is embedded within its wider risk management and governance structure.</p> <p>This framework is underpinned by clear governance mechanisms, defined risk appetite statements, assurance reviews and risk metrics. Operational risks are systematically identified, assessed, and managed, with clear accountability at all levels of the organisation.</p> <p>The framework operates in alignment with the 'Three Lines of Defence' model, ensuring effective oversight and independent assurance, to ensure operational risks are effectively overseen and managed.</p> <p>Where Rothesay outsources some of its responsibilities, we undertake thorough due diligence in advance of appointment and then have a strong programme of oversight.</p>	3,4	<p>→</p> <p>Rothesay's operational risk profile has been stable throughout 2025. Inherent risk is expected to increase in 2026 due to the combination of the evolving cyber threat landscape and the increased change transformation activities. Our technology and cyber control will continue to strengthen on a par with noted risks. Rothesay's in-house management, and the launch of in-house administration and Riverton increase Rothesay's operational risk exposures.</p>
<p><b>Strategic, political and regulatory risk</b> The risk of adverse changes to the regulatory or political environment. Rothesay's strategy, financial or capital position could be adversely affected by the impact of regulatory or political change.</p>	<p>Rothesay continues to actively monitor the political landscape. Where appropriate, Rothesay engages with Government or responds to consultations to ensure our interests are protected for the benefit of our stakeholders. Strategic decisions and individual asset underwrites take into account the overall political landscape.</p> <p>Rothesay seeks to have a regular dialogue with regulators in order to ensure compliance, as well as the ability to react quickly to any unanticipated developments. Rothesay seeks to have an open and transparent relationship with regulators at all times.</p> <p>Rothesay is a member of the Association of British Insurers and the British Property Federation.</p>	1,2,4	<p>→</p> <p>There are continued political risks globally, as well as ongoing regulatory change in the UK. The relatively new governments in the UK and US are intending to deliver their ambitious programmes but there are challenging fiscal and political constraints to manage. We will continue to monitor how this may impact Rothesay directly and indirectly.</p>

## Risk management **continued**

### Changes in Rothesay's risk profile

The geopolitical environment continues to show heightened uncertainty and volatility. In the UK, Labour came to power in 2024 and have been dealing with a set of material domestic and global challenges alongside limited financial flexibility. In the US President Trump's trade policy and use of tariffs has reshaped global trade dynamics with impact on consumers and companies. Globally the situation remains volatile with a number of conflicts continuing and increased tension. Inflationary pressures remain high, and global interest rates are elevated but look to be easing.

Against this backdrop, Rothesay has been patient and disciplined in writing new business and in investing its assets. During 2025, Rothesay continued to invest in a diverse range of assets, including residential mortgages and commercial ground rents, as well as maintaining holdings in higher quality assets including UK and non-UK government debt. Having a diversified asset portfolio means that Rothesay is not over-exposed to a single risk scenario.

Credit markets have remained strong, and we have continued to manage our exposures to ensure that the risk/reward metrics continue to be in line with our views, actively monitoring and managing potential downgrade risk.

We have also continued to ensure that our asset portfolio is well-positioned with consideration of sustainability-related risks, including climate change. In June we released our Sustainability and Climate Reports, outlining our progress against our commitments, which include a Net Zero investment portfolio by 2050, with an interim goal of a 50% reduction in Carbon Intensity from 2020 to 2030.

Our market-leading risk management systems, including access to real-time information about our risk positions, have allowed us to respond quickly to market conditions, protecting the strength of our balance sheet and ensuring that we are able to continue to execute our business plans. Our ongoing focus on liquidity risk management means that the Group's liquidity position remained robust throughout 2025.

We continue to actively monitor mortality experience across our business, and there have been continued positive signs that mortality is returning to post-COVID normality, although there are continued pressures at an individual level as well as on the UK's National Health Service, as well as uncertain impacts on health and longevity from weight-loss drugs or other new technologies, as well as lifestyle factors. Therefore, we consider that there is heightened uncertainty as to the future path of longevity.

We have continued with our strategy to reinsure a material amount of longevity risk with high-quality reinsurance partners. All of our longevity reinsurance is written as unfunded, collateralised longevity swaps, where the counterparty risk is minimised.

Rothesay's operational risk profile continues to evolve, with the continued success of our project to move our IT systems onto a fully in-house platform, the launch of RothesayOne administration platform and the launch of Riverton, a direct lender within the Group. As a result we have continued to invest in our operational risk capabilities across all three lines of defence. We also continue to focus on Operational Resilience to ensure that we can prevent, respond to and recover from unexpected operational disruption and limit any impact on our customers.

In 2024, we established a dedicated Technology Risk Committee, and the increased focus on this risk was timely given both internal changes and the external technology risk landscape. Across 2025 we have seen a number of high-profile cyber events impacting firms, and this remains one of the most significant potential risks for UK financial services providers. We operate to high international standards, including maintaining ISO 27001 and ISO 22301 accreditation, demonstrating strong data protection capabilities and helping our policyholders to protect their data and privacy from scammers. We have additionally continued to invest in our systems and capabilities to protect the firm and our policyholders, including maturing our 24/7 Security Operations Centre and our supply chain security assessments.

While we are satisfied with the operation of our risk management framework over 2025, which has responded well to a series of evolving financial and non-financial risks, we are constantly reviewing and improving our risk management and risk reporting capabilities, ensuring that we are able to provide real-time risk analytics to enable effective risk-based decision making across Rothesay.

## Risk management **continued**

### Emerging risks

We also invest resource into the identification, assessment, and management of emerging risks which have the potential to impact Rothesay across both the short and long term. Our approach ensures that evolving threats and opportunities are considered within our strategic and operational decision-making processes.

As mentioned previously, uncertainty and volatility remain defining features of the geopolitical environment, with shifts in US Policy acting as a key driver. Rising trade protectionism, greater state intervention in markets, intensifying global competition, deregulation and ongoing global conflicts have all contributed, and continue to contribute, to the volatility.

We continue to monitor all the developments closely through our risk management framework to ensure that the portfolio remains appropriately diversified, resilient to stress, and aligned with our long-term risk appetite, and to ensure that where there are any potential new emergent features of the global financial system, we have appropriate and adequate tools in place to deal with any risks.

As well as geopolitical risk, the cyber threat landscape and Artificial Intelligence (AI) continue to present challenges and opportunities. In particular, the accelerating development and adoption of Generative and Agentic AI could enhance productivity and efficiency but also introduce or amplify potential risks such as data security, bias and flawed decisions due to hallucination. The Group remains focused on controlled innovation whilst maintaining the safe, responsible deployment of such technologies.



The Group remains focused on maintaining an appropriate balance between innovation and the safe, responsible deployment of technologies.



# 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 December 2025, considered 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 notes E and F 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.

Rothesay 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.

Rothesay also maintains a Recovery Plan which sets out a series of actions that could be taken to recover from a material stress. While no reliance is placed on being able to execute these options as part of the stress testing that takes place, maintenance of this plan supports Rothesay's overall financial resilience.

## 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.



Rothesay's strategy and business model  
centres on long-term pension security  
for our policyholders

**Tom Pearce**  
Chief Executive Officer



# Non-Financial and Sustainability Information Statement

## Overview

In this section of the Strategic Report, we discuss the way in which we are meeting our environmental commitments, and how we exercise our social responsibilities and governance in relation to sustainability. Further details can be found in Rothesay's Climate Report and Net Zero Transition Plan.

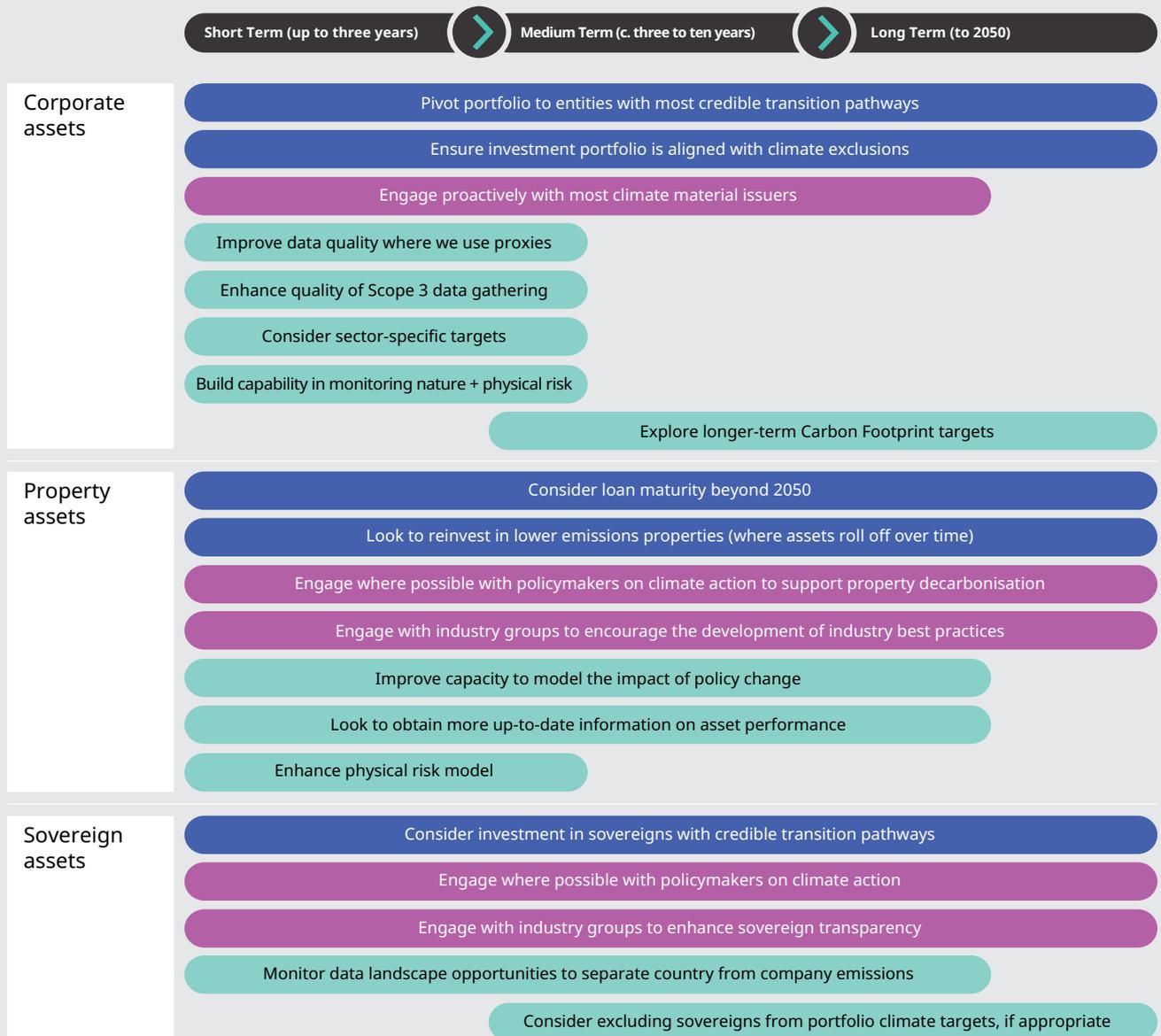
Responsibility	Description	Page
Environmental matters	Rothesay is committed to transitioning its investment portfolio to Net Zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement <sup>1</sup> . We obtain external assurance of select climate metrics on an annual basis.	For more information see <a href="#">pages 61-69</a>
Employees	Supporting the wellbeing of our employees is fundamental to creating an inclusive and safe workplace that can quickly adapt to change.	For more information see <a href="#">pages 78-83</a>
Community	Supporting our community is a key priority for Rothesay. Rothesay's investment in infrastructure, funding of lifetime mortgages, tax contributions and charitable donations are all actions to meet our social responsibility.	For more information see <a href="#">pages 84-89</a>
Running a responsible business	When carrying out our business, Rothesay will endeavour to ensure that we meet our corporate and social responsibility goals and we will encourage our business partners to do the same.	For more information see <a href="#">page 91</a>
Respect for human rights	Respecting human rights is a core principle that guides our approach to operations and relationships. We are committed to upholding the dignity, rights, and freedoms of all individuals, both within our organisation and across our supply chains.	For more information see <a href="#">page 77</a>
Anti-corruption and anti-bribery matters	At the heart of our operations is a strong commitment to anti-corruption and anti-bribery practices. We are dedicated to preventing corruption and bribery in all forms, both within our organisation and across our supply chains.	For more information see <a href="#">page 77</a>
Policyholders	Providing good customer outcomes is at the heart of what we do at Rothesay - we pride ourselves on doing the right thing and treat all our policyholders as individuals.	For more information see <a href="#">pages 71-75</a>
Pension trustees	Rothesay provides pension de-risking solutions to the trustees of over 300 pension schemes.	For more information see <a href="#">page 76</a>

1. Our Net Zero commitment is science-aligned, focusing on taking actions that are consistent where possible with the Paris Agreement's long-term goal of limiting global warming to 1.5 degrees above pre-industrial limits.

# Non-Financial and Sustainability Information Statement continued

Our long-term, cross team approach and in-house asset management supports our ability to consistently identify and manage global climate risk exposure alongside wider credit risks within our investment portfolio. This allows us to not only achieve our primary goal of providing pension security to our policyholders, but also provide wider benefits to our stakeholders, the environment and society.

In 2025 we published our first Net Zero Transition Plan, which details how our portfolio emissions may evolve in the context of our public commitments to transition to Net Zero by 2050. The development of this plan has helped crystallise a number of key actions we shall look to take over the short, medium and long term and provides insight into our sensitivity to evolving policy and expectations.



# Non-Financial and Sustainability Information Statement continued

## Climate-related Financial Disclosures

### **Governance**

Effective management of climate-related risks and opportunities must be reinforced by a strong governance framework to ensure that these considerations are factored into our business decisions.

### **Board oversight**

A strong Board with an effective supporting committee structure is a key component of the governance framework of Rothesay. The Board is responsible for overseeing the delivery of the overall strategy of the Group and as part of this is also ultimately responsible for the business approach to climate-related risks and opportunities. As climate issues are embedded throughout our processes, material elements are considered in our business planning, budget and strategy activities.

The topic of climate change is a regular item at Board and Sub-Committee meetings. Material presented largely falls into three categories: general information designed to educate and ensure a broad understanding; specific sustainability and climate information that supports and solicits investment and business decisions; and Rothesay's climate-related metrics, alongside progress against our targets (for business operations and the investment portfolio). Performance versus our sustainability targets is shared regularly at Board Risk Committee meetings, with the more strategic discussions occurring as appropriate, and at least annually.

### **Management oversight**

The PRA requires that Senior Management functions are nominated to take overall responsibility for identifying and managing the risks from climate change. At Rothesay this role is held by the Chief Risk Officer.

Our Sustainability Team is managed by our Head of Sustainability Risk and Credit Projects, who reports into the Chief Risk Officer. This team acts as the central hub, supporting the coordination of companywide activity related to climate, with our analysts advising on climate strategy, framework and trade decisions, managing climate disclosures and monitoring relevant channels for evolving requirements and best practice.

Day-to-day responsibility for the implementation of Rothesay's climate change risk has been delegated to the Sustainability Committee (SC), a sub-committee of the Executive Committee that meets monthly, and which escalates any material climate-related topics to the relevant Board committee for discussion. The Sustainability Committee has sub-groups, comprising members of the Sustainability team, and other business experts. The purpose of these sub-groups is to help coordinate and drive the key strategic climate-related projects for Rothesay, involving the relevant business areas. This includes projects relating to scenario analysis, data processing and automation, and Net Zero transition planning, involving experts from teams including Asset Origination, Risk, Finance, Legal and Information Technology (IT).

Beyond this, we strive to ensure all employees understand and support our climate-related goals. Contribution to Rothesay's sustainability objectives forms part of every employee's annual performance review and to that end, we also have training for all employees, on sustainability in general and Rothesay's strategy in particular. This training also covers attestation of each employee's understanding of expectations of them in relation to the FCA's anti-greenwashing rule.



# Non-Financial and Sustainability Information Statement continued

## Strategy

The following table outlines our assessment of the most material climate-related risks and opportunities from Rothesay's perspective. It also outlines some potential impacts, the timeframes over which these may occur and how our strategy and frameworks are positioned to manage these.

Based on a materiality assessment of our operations, Rothesay's most material exposure to climate-related risk comes from our investment portfolio. This is evidenced by the Financed Emissions from our investment portfolio representing the greatest proportion of the emissions for which we are responsible.

As we manage all of our investments in-house, we retain the ability to deploy a number of tools to manage these risks. Impacts are based on a materiality assessment incorporating potential financial and reputational consequences. We continue to review and assess our view of these risks and opportunities to ensure we remain appropriately positioned.

We note that climate-related risks and opportunities will materialise over the short-term (up to three years), medium-term (c. three to ten years) and long term (up to 2050) time horizons.

Risk	Definition	Potential impacts	Timeframe of risk	Key risks	Climate pillar management tools
<b>Transition Risks</b>	Related to the transition to a lower-carbon economy which may require extensive policy, legal, technology and market changes to address mitigation and adaptation requirements.	Heightened credit risk, including downgrade risk, for investments misaligned with the climate transition due to impacts caused by regulatory changes, litigation risk, technological advancements or shifts in consumer preferences, which could lead to stranded asset risk, reputational risk and weakened financial performance.	Short Medium Long	Credit	<b>Invest</b> <ul style="list-style-type: none"> <li>Frequent screening for transition risk management</li> <li>Scenario analysis to model potential magnitude of possible climate losses</li> <li>Divestment and creation of position statements on higher-risk activities</li> <li>Tailoring maturities to match risks</li> </ul> <b>Engage</b> <ul style="list-style-type: none"> <li>Engagement to understand improvement plans of poorer performing issuers</li> <li>Engagement with regulators on policy evolution including on solvency considerations</li> </ul> <b>Operate</b> <ul style="list-style-type: none"> <li>Maintain robust and effective governance processes for managing climate-related risks</li> <li>Building capabilities to consider climate risks in longevity risk capital calculations</li> </ul>
		Market spread risk as investors divest those issuers lacking credible transition plans and those with emerging physical risks.	Short Medium Long	Market; Strategy	
		Additional capital requirements for portfolios with unmanaged, correlated climate risk.	Medium Long	Strategy	
		Increased market volatility as climate-related events lead to macro-economic impacts such as higher inflation and policy risk.	Medium Long	Market; Strategy	
		Reduced access to capital or demand for our products and services due to the reputational impact of poor climate performance.	Short Medium Long	Strategy	
		Changes in longevity expectations for policyholders dependent on emerging climate scenarios.	Long	Insurance; Liquidity	

# Non-Financial and Sustainability Information Statement continued

Risk	Definition	Potential impacts	Timeframe of risk	Key risks	Climate pillar management tools
Physical Risks	Related to material event-driven (acute) or longer-term (chronic) shifts in climate conditions.	Loss of returns on investment loans for assets, such as property, located in areas vulnerable to extreme weather events, leading to reductions in asset valuations.	Medium Long	Credit; Liquidity	<b>Invest</b> <ul style="list-style-type: none"> <li>Screening to avoid material physical risks where identified</li> </ul> <b>Engage</b> <ul style="list-style-type: none"> <li>Engagement with issuers, suppliers and regulators on mitigation and adaptation activities</li> </ul> <b>Operate</b> <ul style="list-style-type: none"> <li>Robust operational and business resilience frameworks including own operations emission climate commitments</li> <li>Robust counterparty risk management and diversification of reinsurers</li> </ul>
		Reduced financial performance of investee companies due to increased operational or litigation costs associated with implementing climate adaptation measures, such as strengthening infrastructure against repeated climate events.	Medium Long	Credit	
		Operational disruption of investee company activities, including to their supply chain, due to extreme weather events impacting production and operations.	Short Medium Long	Credit	
		Disruption of Rothesay's supply chain due to extreme weather events impacting our own operations.	Short Medium Long	Operational	
		Increased frequency of extreme weather events leading to Rothesay-specific property damage and business disruption.	Medium Long	Operational	



## Non-Financial and Sustainability Information Statement **continued**

Risk	Definition	Potential impacts	Timeframe of risk	Key risks	Climate pillar management tools
<b>Litigation Risks</b>	Related to liability risk arising from the potential increase in litigation relating to commitments, disclosures, and climate-related position statements.	Increased risk of potential fines and reputation damage in event of our non-compliance with evolving climate-related regulations.	Short Medium Long	Strategy; Operational	<b>Engage</b> <ul style="list-style-type: none"> <li>Engagement with regulators and industry stakeholders on emerging trends and expectations</li> <li>Clear policies and processes for collaborative engagement to avoid perception of anti-competitive behaviour</li> </ul> <b>Operate</b> <ul style="list-style-type: none"> <li>Monitoring developments through our specific sustainability Horizon Scanning framework</li> <li>Maintain clear governance processes and controls for our climate-related activities including annual reporting</li> </ul>
		Increased requirements and regulatory oversight on our climate management credentials.	Short Medium	Strategy; Operational	
		Increased risk of potential fines and reputation damage for companies within our portfolio impacting performance.	Short Medium Long	Credit; Strategy	
<b>Opportunities</b>	Related to efforts to mitigate and adapt to climate change that produce opportunities internally and externally for Rothesay and stakeholders.	Investments in companies, technologies and infrastructure that will be required to enable the transition to a low-carbon economy such as renewable energy and energy-efficient infrastructure.	Short Medium Long	Strategy	<b>Invest</b> <ul style="list-style-type: none"> <li>Active identification and classification of investments that meet our climate opportunity definition</li> <li>Monitoring of country performance against nationally determined contributions</li> </ul> <b>Operate</b> <ul style="list-style-type: none"> <li>Transparent climate targets, risk management and disclosures</li> </ul>
		Strengthened performance of sovereign positions in countries well-positioned to benefit from low-carbon economy.	Short Medium Long	Credit; Liquidity	
		Improved operating efficiency and high levels of resilience at Rothesay, minimising costs to meet climate targets.	Short Medium Long	Operational	
		Reputational benefits of strong sustainability risk management including new business opportunities and attracting talent.	Short Medium Long	Strategy; Operational	
		Strengthened credit performance of investments in companies well-positioned to benefit from low-carbon economy.	Short Medium Long	Credit	

# Non-Financial and Sustainability Information Statement **continued**

## **Nature**

While not formally defined as nature-related risks, we already consider some nature impacts, for example pollution events, within our issuer-level assessment. However, we remain at the start of our work to develop a comprehensive approach to nature and biodiversity. This will be a multi-year process during which we will continue to build our capability and strategy to ensure we can appropriately measure, manage and report on these risks within our overarching sustainability approach. Disclosure frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and involvement in the TNFD Forum will support this development over time.

## **Scenario analysis**

We undertake climate scenario analysis to consider how different, highly uncertain climate-related risks may affect our business; reviewing results against our qualitative judgement and then refining our risk management approach where appropriate. We will continue developing our climate scenario analysis capabilities over time.

## ***Stress testing our corporate portfolio***

Our scenario analysis on our corporate portfolio explores five climate scenarios from the Network for Greening the Financial System (NGFS).

We use Planetrics<sup>1</sup>, a McKinsey & Co. company, as our chosen scenario analysis vendor for our corporate and sovereign portfolio. Its model allows us to quantify the impacts of climate risk on a company-by-company basis, disaggregated into transition risk, carbon costs and changes in demand arising from the transition to a low-carbon economy and physical risk, arising from the macroeconomic impacts of acute (e.g., extreme weather events) and chronic (e.g., sea level rise) physical risks.

At a total portfolio level, Net Zero 2050 is the scenario in which the portfolio has the highest transition risk with the Delayed Transition scenario also presenting fairly similar results. The analysis has been used to identify higher-risk climate sectors, in particular automotives, energy, real estate, retail, transportation

and utilities. These sectors largely align with those monitored in our existing qualitative climate scoring framework that forms part of our investment judgement. The framework identifies carbon-intensive sectors including energy, transportation and utilities, and assesses the ability of individual issuers operating in these sectors to transition credibly. More detail can be found in our Climate Report.

## ***Stress testing our property portfolio***

The geographic breakdown of our property portfolio means that flood risk is the most material physical risk. We have taken specific measures to integrate flood risk in our risk management processes and are looking to expand our risk frameworks to include all material physical hazards.

The details of our flood assessment approach on our UK property portfolio were outlined in our 2021 ESG<sup>2</sup> Report. Our 2021 report (which was refreshed in 2024) showed that our risk to flooding does not pose a significant financial risk. To better support ongoing management, last year we refined the underwriting process with a number of our mortgage lending partners by replacing the flood check which used the Environment Agency's flood map for planning with a more granular data set provided by Royal HeskoningDHV, previously Ambiental, and which differentiates between individual buildings, and provides an individual assessment and score.

For our residential mortgage loans in the Netherlands, our origination partner provides us with a monthly report regarding flood risk impact in terms of expected loss on our portfolio, which remains a small proportion of the current property value after considering defences present in the Netherlands.

When assessing transition risk in our property portfolio (distinct from our corporate bond portfolio scenario analysis) we have continued to use the Bank of England scenarios as published in their 2021 CBES, allowing for inflation on the estimated costs, as part of our ongoing review to assess the impact on the lifetime mortgage portfolio. Stresses to property values indicated a small reduction in the mortgage portfolio value, similar to last year should such measures be brought in.

1. We, Rothesay, are solely responsible for scenario selection, all assumptions underlying such selection, and all resulting findings, and conclusions and decisions. McKinsey & Company is not an investment adviser and has not provided any investment advice.

2. P32 – p37, Environmental, Social and Governance Report 2021, <https://www.rothesay.com/media/lp0n5guy/rothesay-esg-report-2021-pdf.pdf>

# Non-Financial and Sustainability Information Statement continued

## Risk management

Our climate risk management approach is fully embedded within our risk management framework as part of a holistic approach for the identification, measurement, and monitoring of risks. Rothesay's approach is set out in our Risk Management Framework and our public Responsible Investment and Stewardship Policy.

This work is led by a team of dedicated Sustainability analysts, who support the analysis of climate issues and facilitate the embedding of climate-related considerations across the business.

Our process for the identification, assessment and management of climate risks considers physical, transition and liability climate risks. Climate risk can materialise through many of our key risk channels so climate is seen as a cross-cutting risk, though it has the greatest impact on our credit risk channel. In addition to this report, we outline the management of sustainability risks within our ORSA.

Two of our business' Key Risk Indicators (KRIs) relate to the Carbon Intensity of our portfolio: one for the total portfolio and one for the Publicly Traded Corporate Debt (PTCD) sub-portfolio. In both cases we are managing towards a 50% reduction in the Carbon Intensity by 2030, from a base in 2020. This information is included within our Management Information which is shared with management on a weekly basis as well as regularly with the Sustainability Committee, Executive Risk Committee, and the Board.

We also manage our climate risk exposure at the issuer level by assessing ongoing developments in their climate risk management strategy and performance against target metrics, including Carbon Intensity, Carbon Footprint and emissions reductions. This aligns the risk management of our investments for the benefit of our policyholders, with real-economy decarbonisation. We continue to refine our climate scoring approach to identify, prioritise and assess assets with elevated exposure to climate risk, for which more detailed analysis is undertaken. A climate score is allocated to all issuers within the portfolio based on the materiality of climate impacts.

We take a materiality-based approach to the management and prioritisation of climate-related risks. Heightened scrutiny, based on clear materiality thresholds, is triggered as the associated climate risk or opportunity increases to ensure focus is on those entities with the greatest likelihood of having a significant impact on our exposure to risk. From a climate perspective, our focus is on financing the transition to Net Zero by preferentially investing in entities with clear transition plans and which are instrumental in effecting real-economy emission reductions.



## Non-Financial and Sustainability Information Statement **continued**

### Metrics and targets

To track our progress on transitioning our investment portfolio to Net Zero, we have a number of additional targets in place:

**Net Zero  
by 2050**

Rothesay is committed to transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement.

**Engage  
with  
issuers**

Engage with at least 20 of our climate material issuers every year within our publicly traded corporate debt sub-portfolio.

**Low-carbon  
sectors**

We seek to partner with governments and industry to identify ways in which we can increase our lending to sectors which support a low-carbon economy.

**50%  
reduction  
by 2030**

We aim to reduce the Scope 1&2 Carbon Intensity of our total portfolio by 50% by 2030, with the baseline set in 2020. We also aim to reduce the Scope 1&2 Carbon intensity of our publicly traded corporate debt sub-portfolio by 50% over the same timeframe.

Target	YE 2025 value	YE 2024 value	Base year value (2020 unless stated otherwise)	Change vs base year (%)
50% reduction in the Carbon Intensity of our portfolio by 2030	<b>118</b>	123	211 <sup>3</sup>	-39%
50% reduction in the Carbon Intensity of our publicly traded corporate debt sub-portfolio by 2030	<b>129</b>	126	222 <sup>4</sup>	-39%

3. These numbers were rebased in our 2021 ESG report due to data adjustments. Details can be found in our 2021 ESG report.

4. These numbers were rebased in our 2021 ESG report.

## Non-Financial and Sustainability Information Statement **continued**

### **Carbon Intensity**

Each year, we undertake an exercise to measure Carbon Intensity (CI) across as much of the portfolio as possible, including all issuers in high-emissions sectors. While a revenue-based measure of CI allows for comparisons among the broadest range of issuers, it has the drawback, in inflationary times, of flattering the steepness of emissions declines as revenue increases driven by inflation become disconnected from production increases. We actively monitor the impact of trading decisions and issuer actions on CI reductions, and with our targets in mind, we have developed weekly internal reporting to attribute the evolution of the CI as the portfolio's composition varies to trading actions or to changes in market levels for FX and interest rates. We also report a Partnership for Carbon Accounting Financials (PCAF) data quality score for this metric.

For our portfolio, as constituted at year end 2025, the average CI was 118 tCO<sub>2</sub>e / mm USD revenue.

We track the CI of both the whole portfolio and our PTCO sub-portfolio, defined as listed issuers with an International Securities Identification Numbering System (ISIN) and reported data in the Corporate category (excluding Secured Financing) together with the Real Estate Investment Trusts (REITs) component of the Property category. At YE25 the CI of our PTCO portfolio was 129 tCO<sub>2</sub>e / mm USD revenue.

### **Financed emissions**

This measure tracks the share of issuer emissions for which Rothsay can be deemed responsible by virtue of the portion of their balance sheet we finance (the attribution factor). Although the attribution factor is still affected by market factors such as FX and interest rate movements, these have been less volatile than price inflation in recent years, so macro factors should have a lower impact on metric movements compared to CI.

Further information on our Financed Emissions can be found in our Climate Report.

### **Portfolio temperature alignment**

Where data is relevant and available, we use temperature alignment scores to provide an additional dimension to our understanding of the climate characteristics of our holdings. This score is an all-encompassing forward-looking metric that considers the expected trajectory of a company's emissions from now to 2050 and compares it with a carbon budget compatible with 1.5 degrees that has now been allocated to the company based upon both the difficulty of decarbonising its sector and the current scale of production of the company. The greater the margin by which the company is expected to exceed its budget the more its temperature score exceeds 1.5.

Although very promising in theory, these types of scores are still in their infancy and should be treated with caution given their complexity and reliance on underlying data that may lack comprehensiveness and quality. Not only is the budget allocation somewhat subjective, but so is the estimation of the emissions trajectory which depends heavily on the reliance placed on any corporate targets being met. Further information on our Portfolio temperature alignment can be found in our Climate Report.



Rothsay is committed to transitioning our investment portfolio to Net Zero greenhouse gas emissions by 2050

**Tom Pearce**  
Chief Executive Officer



## Our stakeholders

### Securing positive outcomes for our stakeholders

We are dedicated to protecting the pensions of our policyholders and delivering positive outcomes for all our stakeholders, including our policyholders, our suppliers, our people, our community and our shareholders.



## Our policyholders

# We protect our policyholders while delivering great service



We take our obligation to pay the correct benefits at the right time very seriously.

Providing good customer outcomes is at the heart of what we do at Rothesay – we pride ourselves on doing the right thing and treat all our policyholders as individuals.

We are very proud of the service we deliver and the feedback we receive from our policyholders.

### Genuine service excellence

96%  
positive

Policyholders rating our service 'good' or 'excellent' over the year

// A large company that places a value on the clients it serves, even the small ones, long may you do it, thank you very much.

A Rothesay policyholder

20  
seconds

80% of calls to our contact centres are answered in 20 seconds or less

## Our policyholders **continued**

### Consumer Duty

Rothesay's Board once again attested that we meet the highest standards of consumer protection and put our policyholders' needs first.

### Robust service delivery

Our commitment to deliver excellent service continues to be recognised by the Pension Administration Standards Association (PASA), the independent body dedicated to driving up standards in pension administration. In January 2025 we were reaccredited with PASA's Gold Standard.

We have complemented our strategic Third Party Administrator model with Willis Towers Watson, Aptia UK Limited and Capita Pension Solutions by introducing RothesayOne, our policyholder portal that will give individuals more flexibility when managing their pension.

RothesayOne has been designed to increase automation by combining leading vendors from the market with Rothesay technology, all provisioned within a Rothesay technology environment for added information and data security. This approach will help to decrease our time taken to respond to policyholders and improve our ability to offer bespoke care for those that need it.

We continue to actively invest in automation and efficiency drives in order to manage existing and future business without compromising our high service standards.

### Service levels and KPIs

We manage our administrators through a series of proven and robust governance processes, including very stringent service level agreements. We constantly measure performance for quality and accuracy, and strive for time taken to complete the end-to-end process to be as short as possible.

### Policyholder feedback

We actively seek out feedback from our policyholders and encourage them to complete surveys by telephone, online or on paper.

We have launched RothesayTalk, a policyholder feedback forum where policyholders can sign up to attend a range of events and provide feedback on their experience with us. Feedback will also be gathered on wider topics to help us better understand their needs and improve our service, for example our digital offering. The first forum was held in October 2025. Policyholders heard about the history of Rothesay and the BPA market and shared their views on their experience with Rothesay so far, and their appetite for online services.

We continue to use independent third parties to help us understand policyholder satisfaction and identify areas for improvement. We are a member of the Institute of Customer Service and carry out regular benchmarking surveys which help us assess our service against other industries as well as our own. As an example, in response to feedback previously received, we have introduced short educational videos to help policyholders understand their policy and other areas of interest such as tax.

Where policyholders express dissatisfaction or make complaints, we undertake a full root cause analysis to help ensure we learn from each and every complaint. Our complaint levels continue to be low with just 2.51 complaints received per 1,000 policyholders (2024: 1.91 complaints per 1,000) of which 0.66 complaints per 1,000 policyholders were upheld in the customer's favour (2024: 0.65 complaints per 1,000).



## RothesayOne case study

# Transforming Policyholder Administration

Rothesay's innovative policyholder administration platform, putting policyholder's at the centre of Rothesay's operations.

This year, we launched RothesayOne, an innovative policyholder administration platform developed in partnership with Brightwell and Procentia. The new platform puts policyholders at the centre of Rothesay's operations by delivering outstanding customer service and meeting the growing demand for self-service and digital capabilities.

The first phase of RothesayOne's rollout welcomed former members of the Cobham Pension Plan as the initial policyholders to be managed on the new system.

Through RothesayOne, these policyholders now have their enquiries handled, payments processed, and calls answered efficiently via a single, integrated solution. A key feature is the introduction of an interactive online portal, which empowers policyholders to perform a range of self-service tasks at their convenience, enhancing both accessibility and user experience.

Bringing policyholder administration in-house with RothesayOne marks a significant strategic milestone for the Company. The new platform gives Rothesay's Operations Team much greater control over the administration process compared to third-party arrangements. This direct oversight allows for real-time monitoring of service delivery and the ability to manage workflows directly within the system. In addition, Rothesay can assume direct control of the platform's services when needed, adding resilience and flexibility to its administration capabilities.

RothesayOne leverages advanced technology by combining leading vendors from the market with Rothesay technology, all provisioned within a Rothesay desktop. This integration increases automation, improves response times, and enables the delivery of more personalised service to policyholders. The approach also positions Rothesay to scale its operations efficiently, with plans to transition over 150,000 policyholders to the platform in coming years.

The successful launch of RothesayOne is the result of extensive collaboration between Rothesay's internal teams and its partners. Brightwell, a third-party administration provider owned by the BT Pension Scheme, brings expertise in process automation and large-scale scheme management. Procentia, owned by Brightwell, supplies pensions administration software used by major organisations such as British Airways, BP and Rolls Royce.

RothesayOne represents a major advancement in policyholder administration, combining technological innovation, operational control and a strong focus on customer service. The platform positions Rothesay to deliver best-in-class service at scale, supporting every policyholder with efficiency and care.



## Our policyholders **continued**

### Supporting our policyholders

We understand that policyholders will need help in a wide range of scenarios and we adapt our processes accordingly.

Our call handlers focus on listening to policyholders' needs and, where appropriate, offering them a service enhancement that is right for them. If they think a policyholder may be vulnerable, or the policyholder gives details of a vulnerability, the call handlers are trained to ask questions to find out how we may best help them. Details of the enhancements we offer can be found at [www.rothesay.com/policyholders/how-we-approach-accessibility](http://www.rothesay.com/policyholders/how-we-approach-accessibility).

Feedback from call handlers and analysing our data identified that we are often contacted by relatives or friends of policyholders who do not have a Power of Attorney in place. As a result, we have developed a Rothsay Letter of Authority which a policyholder can complete so that we can communicate directly with their family or friend to ensure they still receive the support they need.

### Partnering with other organisations

A key part of our strategy to support and protect our policyholders is to partner with carefully selected organisations to ensure we are continuously improving the service we provide, especially to policyholders who have been identified as vulnerable. Not only do we strive to ensure that all of our processes are designed to achieve good customer outcomes, but we also seek to exceed the standards set out by the FCA, the Pensions Regulator and the Association of British Insurers (ABI), including being a member of their Vulnerable Customers Working Group.

We also continue to work closely with Alzheimer's Society, Tax Aid and Cruse Bereavement Support. We are also a member of the Death Notification Service, a free customer-facing service that is intended to make the death notification process easier during a difficult time.

### Governance and oversight

The Customer Conduct Committee (CCC), a full Board-level committee, is focused on ensuring good outcomes for customers, clients and counterparties, as well as overseeing Rothsay's approach to regulatory conduct in relation to customers. In doing so, the Committee is supported by the Executive Customer Committee (ECC) and the Customer Working Group (ECG), which receives detailed reporting on all service levels and complaints, customer initiatives and regulatory requirements.

### Rothsay policyholders\*

	2025	2024
Number of policyholders at 1 January	1,004,920	934,611
Increase in respect of new business	43,840	119,855
Reduction in respect of deaths and member options	(101,672)	(49,546)
<b>Number of policyholders at 31 December</b>	<b>947,088</b>	1,004,920

\* Policyholder estimates are based on analysis of data available and include buy-ins.

## Our policyholders case study

# Alzheimer's Society partnership

As part of its commitment to helping people in need, Rothesay has entered the fourth year in its partnership with Alzheimer's Society.

The partnership has delivered a wide range of initiatives with two key objectives – improving the lives of people living with dementia and improving the service for Rothesay policyholders, particularly those in vulnerable circumstances.

Initiatives delivered include:

- Dementia Friends information sessions provided to over 200 Rothesay employees and administrators with commitment up to Board level. The sessions aim to improve people's understanding of dementia and how it impacts a person affected by the disease.
- Sponsorship of the Lasting Power of Attorney (LPA) service enables a free, end-to-end support offer, guiding people through the process of completing and registering an LPA. Funded by Rothesay and delivered by highly trained staff and volunteers, the service supported over 1,600 referrals in 2024, increasing to 2,035 were made into the helpline and in 2025 we saw this figure increase to 2,300.
- Sponsorship of the NHS Continuing Healthcare service enables a staff-managed volunteer service supporting families affected by dementia through the CHC appeals process. Rothesay funding ensures trained volunteers can offer clear guidance, practical support and reassurance, helping families understand decisions, feel less alone, and navigate a complex system with confidence. Whether or not a decision is overturned the service reduces stress, builds understanding, and supports families to advocate effectively at a difficult time.
- Sponsorship of the Alzheimer's Society Carer Guides. These guides are sent to people who receive a diagnosis of dementia, with the aim to educate and provide support at a difficult time. Over the last two years, 95,000 guides have been issued.
- Rothesay website and policyholder portal review. Alzheimer's Society enabled us to connect with those living with dementia and their carers to provide powerful insight into how to improve our website customer portals to make them more accessible. Enhancements have been implemented such as increasing the time to complete the multi-factor authentication from three minutes to five minutes.



**The partnership has won Highly Commended in the 2025 PMI Pinnacle Awards in the Impact on Society category and Bronze in the Collaboration Network award in the Collaboration category.**

## Pension trustees

# Securing positive outcomes for our stakeholders

2024 was a busy year for the bulk annuity market with volumes of c.£48bn in premiums paid and nearly 300 transactions in total. This momentum continued into 2025 where transaction numbers are expected to have grown to nearly 350, with smaller schemes driving this increased activity. In terms of volumes, it has clearly been a year of two halves: with less than £10bn completed in H1, but more than £30bn completed in H2. This is driven by the timing of larger transactions, the majority of which completed later in the year, and a number of mid-size transactions (£100m-£500m) over the course of summer and autumn which contributed meaningful volume.

In 2025, we completed our highest number of bulk annuities in a single year, with 17 schemes transacting with us and totalling £5.2bn in volume. This includes seven schemes under £50m in size, which is a segment of the market we have not previously participated in. This strategic shift for Rothesay is driven by the significant level of demand from smaller schemes looking to transact, and the opportunity to work with more pension schemes amidst the largest transactions in the market. We expect to continue this approach into 2026 and anticipate working with a broad spectrum of schemes.

Over the course of the year, we also completed the transfer of the Scottish Widows bulk annuity business, welcoming 39 new pension schemes to Rothesay. It has also been a busy year for buy-outs, with nine schemes proceeding to buy-out. Being able to demonstrate a successful track record in helping schemes to buy-out is increasingly becoming an item for consideration when selecting an insurer, and it's an area we are continually focused on. This includes improvements in automation and self-validation to speed up parts of the process, but also proactively engaging with trustees of pension schemes early in the process to ensure

Rothesay provides pension de-risking solutions to the trustees of over 300 pension schemes.

sufficient planning, preparation and expectation management on both sides.

Alongside this, we have continued to focus on improving the policyholder's journey, noting the shift in trustee and sponsor focus in this area.

Our investment and innovation priorities have included:

- Enhanced online functionality for policyholders
- Improvements in technology to help our administrators best serve our policyholders
- Focus on reducing process turnaround times, whilst maintaining overall policyholder satisfaction levels
- Improvements to increase our operational resilience

Pension schemes continue to be increasingly well-prepared for the de-risking process, including data cleansing, preparation of legal documentation for due diligence purposes and transition of assets, including illiquids, to prepare for a buy-in or buy-out transaction.

Our partnership with the England and Wales Cricket Board continues to positively contribute to our brand awareness by both trustees and scheme members alike. We have continued to work with several industry groups and supported a number of industry events alongside our charitable work where we are delighted to support and enable the various fundraising and events for Alzheimer's UK, Age UK and Hospice UK, including the annual fund-raising carol concert, annual conferences and a range of important initiatives.

We also hosted the fourth edition of our 'Next Generation of the Bulk Annuities Market' event. This provides networking experience and insights of industry leaders and inspirational speakers for those who will lead the pension risk transfer market in the years ahead.

## Our strategic business partners

### Third party partners

We follow a strategic outsourcing model for the provision of administration services. Key to delivery of excellent customer service is our close working relationship with our third-party administrators, WTW, Capita Pension Solutions and Aptia UK Limited.

We also work closely with each of our lifetime mortgage servicers, More2life, Pure Retirement, Just and Royal London Equity Release, as well as our fixed-for-term mortgage partner Kensington Mortgages.

Other strategic business partners include Northern Trust, for middle office functions, and Goldman Sachs, which provides technology services. We are making good progress in migrating these technology services to Rothesay in a multi-year project.

The Board receives regular reporting on the performance of all of Rothesay's material third party partners and on progress with the development of Rothesay's technology platform.

### Reinsurers

We have entered into additional longevity reinsurance arrangements in 2025. We have reinsurance coverage (APM) of 91% (2024: 90%).

The long-term nature of these reinsurance agreements means that developing a strong working relationship with our reinsurance counterparties is important. We administer reinsurance arrangements in-house which is operationally efficient and allows us to build and maintain strong working relationships with our reinsurance counterparties.

### Other suppliers

#### **Oversight**

The Business Controls Committee, which is chaired by the Chief Operations Officer (COO), is responsible for approval, implementation and monitoring of the Group's vendor management policy. The policy is designed to ensure that the legal, regulatory, information security, reputational, commercial, operational and financial risks associated with third-party relationships are appropriately managed.



### **Prompt Payment Code**

Rothesay is a member of the Prompt Payment Code. Rothesay aims to pay suppliers promptly, with the average time taken to pay invoices in 2025 being 15 days (2024: 16 days) and 93% being paid within 30 days (2024: 91%).

### **Modern slavery**

As required by the Modern Slavery Act 2015, on 20 June 2025 Rothesay published its annual statement on its website describing the steps taken by Rothesay to ensure that slavery and human trafficking is not taking place in any part of our business or in any of our supply chains.

The statement also notes that we expect our suppliers to ensure fair employment practices. For example, we require our cleaning suppliers to pay the personnel who work at our premises a salary which is equivalent to at least the London Living Wage.

### **Anti-bribery and corruption**

Rothesay is firmly committed to complying with all applicable laws and regulations designed to combat bribery and corruption. Collectively, these laws and conventions prohibit the Group, its personnel, and others acting on the Group's behalf from offering, making or receiving payments or providing or receiving goods or services for the purpose of gaining an improper competitive advantage or inducing or rewarding the improper performance of a relevant function or activity. This prohibition applies to all Group personnel.

Rothesay will not tolerate bribery of or by its personnel, its agents or its third parties.

Our Group Financial Crime Policy sets the standards to identify, manage and mitigate bribery and corruption risks. In addition Rothesay has policies and procedures that address Gifts and Entertainment, Charitable Contributions, Anti Money Laundering (AML)/Know Your Customer (KYC) and transaction approvals. These standards are supported by regular business training.

The Chief Compliance Officer provides regular reports to the Audit Committee on the operation of the Group's system of internal control for financial crime prevention, including bribery and corruption, as well as compliance with applicable financial crime laws and regulations.

## Our people

The dedication and expertise of our people is fundamental to Rothesay's ongoing success.



We are committed to fostering our unique culture through engagement with our people to deliver growth and exceptional outcomes.



## Our people continued

### Our culture

We hold ourselves to the highest standards of integrity, transparency and accountability. That commitment is embedded in our culture and the way in which we work, shaping our decisions, behaviour and how we engage with one another each day.

Our values are integral to our performance evaluation framework and apply to all employees. We maintain these standards in our expectations of partners and suppliers throughout our supply chain.

### Our values

Original &  
Creative

Collaborative  
& Diverse

Dedicated,  
Genuine &  
Accountable

Meticulous &  
Fast-paced

### Growing our talent

Our business has continued to grow and as at the end of 2025, Rothesay had 571 permanent employees, an increase of 6% from 2024.

To support the growth of our business, we have continued to recruit talent across the following areas:

- Technology – to ensure Rothesay is at the leading edge of automation and enhancing our risk management systems.
- Operations – to support our growing policyholder population as the business continues to expand.
- Risk and compliance.

Promoting internal mobility across functions and our international offices plays a vital role in advancing employee development and supporting our continued business growth.

Continued investment in our Early Career Programme continues to strengthen our talent pipeline and build capability for the future. Our Intern and Graduate Programmes have evolved to deliver meaningful outcomes, highlighted by a record intern-to-graduate conversion rate in 2025. These structured programmes provide participants with targeted business and technical training, exposure to senior leaders and hands-on day-to-day on-desk learning experiences.

Our ongoing commitment to developing future talent also extends to work experience and apprenticeship programmes, broadening access to career pathways and ensuring a sustainable pipeline of skilled professionals for the years to come.

96%

Employee Survey  
response rate  
(2024: 94%)

86%

My coworkers  
respect my thoughts  
and feelings  
(2024: 85%)

## Our people continued

### Engaging our employees

In our most recent annual employee survey<sup>1</sup>, we received an outstanding response rate of 96%, the highest it has ever been. The results showed an engagement score of 73% (2024: 78%), with comments in response to “the best thing about working for Rothesay” overwhelmingly about the calibre of our people and our friendly and inclusive culture. Our commitment to creating a positive working environment is reflected in the survey results, with 85% agreeing with the statement “I am proud to work for Rothesay”.

Since the survey took place, progress has been made on areas of employee experience that were identified as priorities for investment. These include: enhancing our Early Careers programme with improved guidance for managers and employees at each stage of the performance management process; introduction of annual health assessments for all employees; and continuing to foster an inclusive culture through an enhanced Diversity & Inclusion programme with events celebrating cultural and religious occasions.

Employee turnover is 8.65% (2024: 7.61%), which is low compared to the market.

We share key business updates and bring our employees together in a number of ways including:

- Bi-annual Town halls held in-person and online.
- Regularly held Lunch and Learns with the Executive Team which particularly benefit new joiners.
- Employee communications including a monthly newsletter and our intranet.
- The Rothesay Speaker Series which highlights key topics in 2025 included Dr Mohammed El-Erian, Tim Peake and Verity Harding.
- Social events held externally and on-site including monthly breakfasts.

### Investing in our people: building capability for the future

People are at the heart of everything we do at Rothesay. Over the past year, we've continued to invest in their growth through a broad range of technical and professional development opportunities, including access to industry-recognised qualifications and bespoke learning programmes.

Our Learning and Development (L&D) strategy is designed to equip employees with the skills, knowledge and capabilities needed to thrive in a dynamic business environment. This work is driven by close collaboration between L&D, Human Resources (HR), managers and teams across the business to identify development needs and tailor solutions that support both individual growth and organisational success.

We host a series of business insight sessions, led by Executives, senior leaders and internal subject matter experts to engage and inform employees (especially new joiners), helping to build a deeper understanding of our business and culture.

Rothesay recognises the importance of people managers and continues to invest in bespoke development programmes for managers supported by our trusted external L&D advisers. These programmes aim to build manager capability and foster a culture of continuous improvement. Alongside this, we maintain our commitment to effective performance management, ensuring that feedback is timely, constructive and embedded throughout the year enabling reflection, growth and development at every level.

All of this contributes to our ongoing commitment to a culture of excellence. We are proud to offer development opportunities that are inclusive and forward looking, helping our people meet the evolving demands of their roles and the future of our business.



1. The 2024 employee survey was deferred until early 2025 with a refreshed process and planned enhancements to drive our people strategy and therefore 2024 comparatives related to the 2023 survey.

## Our people continued

### Employee wellbeing: supporting our people to thrive

At Rothesay, wellbeing is more than a benefit – it's a core part of our culture. We recognise that supporting the physical, mental and financial wellbeing of our people has a direct impact on performance, engagement and the overall health of our organisation.

Our approach is intentionally broad and flexible, offering employees a blend of resources they can access whenever they need them. We stay close to emerging wellbeing needs and continuously adapt our offering to reflect current needs and future opportunities.

This year we undertook a comprehensive market review of our UK workplace pension scheme, investing significant time and effort to ensure the best outcomes for our employees. As a result of this review, we are transitioning to a new pension provider that likely offers improved investment performance and lower administration fees. This change means a greater portion of our employees' contributions will remain invested for their retirement to maximise long-term value.

We continue to invest in and see real value in our Employee Assistance Programme (EAP), which provides 24/7 access to a wide range of confidential services, from counselling to practical advice. This is complemented by our private healthcare insurance, available to all employees and their dependants, along with leading dental coverage for UK-based staff.

Our employee wellness subsidy can be used through Gymflex, giving employees access to a wide network of gyms near home or work. Alternatively, the subsidy can be used at our onsite gym and wellness centre, which features regular fitness classes, personal training and massage therapies.

Additional wellbeing benefits include:

- Annual health assessment
- Emergency childcare support
- Fertility support
- Free flu vaccinations
- Cycle to work scheme
- Eye care
- Headspace app access
- Mental Health Support Services – including onsite Mental Health First Aiders

### Diversity and inclusion

At Rothesay, we believe every individual should have an equal opportunity to thrive. As a founder-led business, we've built a culture that actively values difference, knowing that a diverse and inclusive workforce strengthens our business, enhances innovation and drives better outcomes.

Our policies are designed to ensure that no employee is disadvantaged due to background, beliefs or personal circumstances, including but not limited to, protected characteristics. We recognise that varied perspectives and lived experiences enrich our workplace and help us better serve our clients and communities.

Over the course of the year, we have continued to encourage employees to take an active role in shaping our inclusive culture – contributing ideas, organising events and speakers, celebrating key cultural and religious occasions as well as raising awareness of issues affecting underrepresented groups. These have helped to foster understanding, build community and celebrate the richness of our people.



## Our people **continued**

Our commitment to inclusion extends to how we support employees at different life stages. We offer fertility support, emergency family care and return to work coaching for new parents – ensuring our workplace remains flexible, supportive and family-friendly.

Our continued participation in programmes like 10,000 Interns reflects our long-term commitment to improving diversity and representation in the financial sector.

Together, these efforts reflect our belief that diversity and inclusion is a continuous journey. By listening, learning and acting, we aim to build a workplace where everyone feels respected, supported and empowered to succeed.

### Gender pay gap

The table below provides a summary of our gender pay gap data:

	2025 Mean	2025 Median	2024 Mean	2024 Median
% by which hourly pay is lower for female employees than male	<b>19%</b>	<b>23%</b>	18%	20%
% by which bonuses are lower for female employees than male	<b>64%</b>	<b>32%</b>	53%	29%

The table shows the gender pay gap has increased over the year, which is primarily due to a small number of changes in the composition of the senior leadership team compared with the previous reporting period. Given this dynamic, the median pay gap, which is representative of the typical employee, has increased by comparatively less versus the previous reporting period than the mean pay gap. We are proud of our 43% female Board representation, compared to our overall Company female representation of 34% which reflects improved participation of women at the highest level of our Company's decision making. In common with many other organisations, our gender pay gap arises as a result of having a higher number of men in senior roles than women. Low turnover of employees and three-year deferred pay structure means that organic progress in closing the gap is likely to take time. For a more detailed discussion of this topic and information on the actions we are taking to address it, please see our separate Gender Pay Gap Report which will be published by 4 April 2026.



## Our people continued

In our most recent annual employee survey, we received an outstanding response rate of 96%. The results showed an engagement score of 73%. Our commitment to creating a positive working environment is reflected in the survey results, with 85% agreeing with the statement



I am proud to work  
for Rothesay.



The community

# Investment in the UK economy

**Rothesay has invested £43bn<sup>1</sup> (2024: £42bn) in helping fund companies and projects that benefit the UK, such as transport, infrastructure, education and social housing.**

Rothesay is an active supporter of the Government's ambition to unlock greater investment in long-term assets to help drive the UK's economic recovery and believes that there is a substantial opportunity for annuity providers to do more in this space.

## Taxation

Rothesay's tax strategy is designed to ensure compliance with the tax laws of those countries in which Rothesay operates (primarily the UK). Any tax planning undertaken has commercial and economic substance and has regard to Rothesay's corporate responsibilities and brand and the potential impact on all stakeholders. We do not undertake planning that is contrived or artificial. Rothesay has zero tolerance for tax evasion of any kind.

Rothesay makes a significant tax contribution in the UK, with £665m remitted to UK tax authorities in relation to 2025 (2024: £450m). Rothesay had an effective corporation tax rate of 25.1% during 2025 (2024: 28.3%), please see note B.8.



As well as investing £31bn (2024: £29.1bn) in companies that benefit the UK, Rothesay also holds £12bn (2024: £13bn) of UK Government debt which is used to finance spending across the public sector.

We actively seek out future opportunities to help finance reliable renewable energy projects and we are always willing to support the Government in its efforts to develop low-carbon generation and infrastructure. We stand ready to fund projects that aid the transition to a low carbon economy.

In addition, by providing funding to back lifetime mortgages, Rothesay is helping older people access the equity in their houses, without the need for them to move. Mortgages are written with a no negative equity guarantee which means that borrowers don't have to worry about the liability growing above the value of their house.

The higher effective tax rate in 2024 reflects the carry-back of tax losses arising in 2024 to the 2023 period, which was subject to a corporation tax rate of 23.52%, lower than the enacted rate of 25%. As a result, the tax credit recognised in respect of those losses was lower than would otherwise have been the case, increasing the effective tax rate for the year.

	2025	2024
Taxes paid	£m	£m
Corporation tax	150	30
Other taxes	38	40
Taxes collected	477	380
<b>Total remitted</b>	<b>665</b>	<b>450</b>

1. The amount shown as invested in the UK economy is based on the current market value of the investments held.

## The community **continued**

### Giving back

**During 2025 the Rothesay Group has donated £1.6m to the Rothesay Foundation and has a further £4.7m set aside to fund future charitable projects.**

We established the Rothesay Foundation in 2020 with the aim of supporting organisations that seek to improve the quality of life for older people, helping them to live their lives in happy, safe and fulfilling ways.

In 2024, following a successful pilot that identified approximately £23m of annual benefits for older people living in need, the Rothesay Foundation provided additional funding to Age UK to significantly expand its benefit check service over two years. It initially committed £2.47m to grow the service, and in 2025, a further £160,000 to extend the programme into Scotland and more of Wales (see case study).

Last year, the partnership was recognised at the 2025 Third Sector Business Charity Awards, winning in the Banks and Financial Services category.

The Rothesay Foundation has also been exploring technological solutions to address how we can provide impactful support to older people at scale by bringing the charitable and commercial sectors together to create innovative partnerships. This year we have established a new partnership with Kinly, a technology-driven organisation making applying for benefits simpler and faster, ensuring older people can more easily access the financial support to which they are entitled (see case study).

The Rothesay Foundation is pleased to continue supporting the East End Community Foundation's Life Chances Campaign, which addresses the high levels of pension poverty in East London. We are in the second year of our three-year, £150,000 commitment which is helping build the capacity of local community groups to deliver advice and increase benefits uptake. In addition, we have committed a further £50,000 a year over three years towards the East End Community Foundation's Winter Appeal, enabling the delivery of 1,000 essential care packages per year to isolated older people during the festive season.

To date, through its campaigns, the Rothesay Foundation has helped over 13,000 older people check whether they are eligible for unclaimed benefits, identifying approximately £62m of annualised benefits for pensioners in need.

The Rothesay Foundation has also renewed its partnership with Clarion Futures, the charitable foundation of Clarion Housing. At the end of 2024 we provided a £525,000 commitment to help fund their 2025 wellbeing spaces programme, offering support to people affected by the ongoing cost of living crisis. Our support has enabled 57 wellbeing spaces to open this year, generating more than 65,000 visits and distributing more than 4,000 wellbeing items. Following its success in 2025, we have committed a further £1m to support the programme to the end of 2027.

Rothesay supports Tax Help for Older People, a charity service providing free, independent and expert help and advice for older people on lower incomes who cannot afford to pay for professional tax advice. We also continue to sponsor Alzheimer's Society's Carer's Guide and a number of their events as well as sponsoring Hospice UK with their annual carol concert and a number of their fundraising events.

Every year we choose an employee-nominated Charity of the Year. In 2025, we supported Cancer Research UK, the world's leading cancer charity. We organise various Charity of the Year fundraising events throughout the year to raise money for our chosen charity, ranging from bake sales to quiz nights. We also encourage our employees to support charities personal to them through our Matched Giving policy which gives everyone an annual matched allowance of £1,000 (along with the additional £1,000 to be matched 4:1). Through this initiative, alongside our Give as You Earn policy, we raised over £436,000 last year to support a range of charities chosen by employees.

In addition to fundraising, we provide our employees the opportunity to use two working days for volunteering. As part of our partnership with Age UK, employees have the opportunity to volunteer for Age UK's telephone friendship service which supports older people struggling with loneliness. We are proud that so many people have engaged with both the volunteering days and the various fundraising social events and shows our commitment to giving back to the community.

We are a corporate partner of the British Museum and support a number of other charities including partnering with the Fullerton-Long Caribbean Scholarship Fund which was established alongside the IFoA Foundation, the charitable arm of the Institute and Faculty of Actuaries, to support high-performing young actuaries.

**Community** case study

# Age UK benefits check service



The Rothesay Foundation funds an ongoing programme with Age UK which provides free and confidential benefits checks to help older people in need find out and receive the state benefits they could be entitled to.

Since the programme expanded in 2024, the aim is to uncover £63m in unclaimed benefits by the end of 2026, and to support over 12,000 older people with a benefit check through Age UK's national Advice Line and local Age UK's. The expanded programme is currently set to exceed its target and has supported over 8,400 older people with a benefit check and identified approximately £38m in annualised unclaimed benefits.

The service allows dedicated Age UK staff to help individuals check eligibility, complete applications and navigate the benefit system with confidence. Our funding also supports follow-up calls which allow Age UK to check in with people after their benefit check to ensure their claim has been successful and offer extra support if needed.



## The community continued

Matt Talbot from Age UK Wigan Borough, a local Age UK charity funded through the partnership, has highlighted how the Foundation's support is making a real difference. By enabling staff to reach out to older people who may otherwise miss out on vital benefits, he explained:



The 12-week follow-up is a great way of checking in with those who opted to self-claim and establish if they did go ahead with the claim. For those who didn't, it has provided a second chance for us to offer support.

**Matt Talbot**

Programme & Information Administrator  
at Age UK Wigan Borough



Mrs A<sup>1</sup>, 69, benefitted from form-filling support through Age UK's Advice Line, funded by the Foundation. After her Winter Fuel Payment stopped and her income dropped, she turned to Age UK for help. Thanks to the Foundation's funding, she was able to receive support from an adviser who helped her complete her Attendance Allowance form. With help from the Advice Line, Mrs A was awarded the higher rate of Attendance Allowance.

1. Mrs A's story is true. However, names and some details have been changed to protect the privacy of the people we help.



The Age UK adviser was like a guardian angel. Because I have ADHD and I have problems with forms, I just cannot even look at a form. So it was lovely and so helpful when someone says they will phone you back and do the form with you. The Age UK Adviser took her time with me. She didn't rush me; she didn't get me flustered. She calmed me down and put questions a different way if I didn't quite get them.



Aims to identify  
an additional  
**£63m**  
more in annual benefits  
over two years

**8,400**  
older people supported  
with the benefit check

## Community case study

# Innovation & collaboration with Kinly

This year, the Rothesay Foundation has been running a pilot programme with Kinly, a technology-driven company offering full end-to-end support from benefit checks and form filling through to ensuring that payments have been received.

The dedicated support teams at Kinly use AI technology to speed up the process of applying for benefits, making it simpler and faster for older people to successfully receive the financial support that they are eligible for.

Results from the pilot show that 75% of older people find the process of applying for benefits the main barrier to receiving them. By addressing this challenge directly, the partnership is removing a critical obstacle that prevents many older people from securing vital financial support.

Through this pilot, the Rothesay Foundation has contacted over 20,000 older people, offering them support from Kinly to check the benefits they are eligible for and access to support with applying. Since launching in July this year, the pilot has conducted over 580 benefit checks, identified £1.2m in annualised unclaimed benefits and successfully supported 170 benefit applications.



## The community **continued**

Mr D<sup>1</sup>, aged 72, lives alone in London and relied on his State Pension. With rising living costs and health challenges including arthritis and depression, he struggled to cover essentials like heating, food and care needs.

After receiving a letter from the Rothesay Foundation, Mr D contacted Kinly and the team identified that Mr D was eligible for Attendance Allowance and Pension Credit, increasing his income by £9,889 per year.

The financial boost has transformed his quality of life, allowing him to manage his bills confidently and maintain his wellbeing.

Through innovation and collaboration, the Rothesay Foundation's partnership with Kinly is helping older people live with greater security, confidence and independence.

# 580

benefit checks  
delivered to support  
older people  
and £1.2m of  
benefits identified

# 20,000

older people contacted  
and offered support  
from Kinly

I wouldn't have got either of these benefits without you. I am speechless, I just can't thank you enough for what you have done for me.

Through our pilot with Kinly, the Foundation is exploring technology solutions and new ways to unite the charitable and commercial sectors in innovative partnerships. Looking ahead, we will continue to focus on delivering high-impact support for older people at scale, expanding access to benefit checks, helping with the application process, and strengthening the systems that support those most in need.

**James Dickson**  
Chairman Rothesay Foundation

1. Mr D's story is true. However, names and some details have been changed to protect the privacy of the people we help.

## Section 172 statement

# Providing long-term pension security is at the heart of what we do.



As well as policyholders, Rothesay has responsibility to a number of other stakeholders, including suppliers, our people, our community, the regulators and our investors.

Stakeholder engagement and the way in which their interests have been taken into account by the Board in its decision making is described in the following pages.

The way in which the Board oversees the operations of Rothesay more broadly is covered in the Governance Report.

### Section 172(1) statement

At each Board meeting, the Board considers the impact on stakeholders and the requirements of s.172 of the Companies Act 2006 when making decisions. The Company Secretary sets out the text of s.172 on every Board agenda.

Given the long-term nature of our business, the Board is very focused on the likely long-term consequences of decisions and believes that it has acted in a way that promotes the success of Rothesay. Our Corporate Social Responsibility policy describes the way in which Rothesay aims to engage positively with all our stakeholders – a key concern of the Board. By doing so, we also believe that Rothesay will achieve positive outcomes with respect to our sustainability objectives.

## Running a responsible business

### Examples of key Board decisions and impact on stakeholders

#### Decision 1:

##### Decision to issue further Restricted Tier 1 notes

The Board took the decision to approve the issuance of Restricted Tier 1 notes, and to repay an existing debt instrument which became callable in 2025. This provided additional capital for new business and refinanced existing debt at a lower overall cost of borrowing.

#### Taking stakeholder views into account

##### Our policyholders

Policyholder security remains the Board's priority, and the debt issuances increased the overall amount of solvency capital available to back the policyholder liabilities.

##### Our shareholders

The issuance allowed the Group to efficiently refinance £250m of existing subordinated debt which was repaid in October 2025, whilst further supporting its ability to execute substantial volumes of future new business.

##### Our bondholders

The issuance allowed new investors the opportunity to invest in Rothesay's debt.

##### The PRA

Rothesay notified the PRA of their intention to issue new debt, including providing pro forma solvency and liquidity metrics for each step of the process. There was no objection raised.

#### Outcome

The Board approved the debt issuance during October 2025.

#### Decision 2:

##### Decision to launch RothesayOne

The Board took the decision to launch RothesayOne – an innovative policyholder administration platform.

#### Taking stakeholder views into account

##### Our policyholders

The new platform puts policyholders at the centre of Rothesay's operations by delivering outstanding customer service and meeting the growing demand for self-service and digital capabilities.

##### Our people

RothesayOne leverages advanced technology by combining leaders from the market with Rothesay technology, all provisioned on a Rothesay desktop. Rothesay employees were able to collaborate with external partners, expanding their skill set and their network.

##### The PRA

Rothesay notified the PRA of their intention to launch RothesayOne.

#### Outcome

The Board approved the decision to launch RothesayOne during June 2025.

Investing in our client experience with our new platform, RothesayOne, allows policyholders to perform a range of self-service tasks online at a convenient time for them.

## Stakeholder engagement continued

Overview	Engagement	Outcomes
<h3>Our people</h3> <p>The commitment and quality of our people are integral to Rothesay's success.</p>  <p><b>Read more on page <a href="#">78</a></b></p>	<ul style="list-style-type: none"> <li>• Senior management and the Chair have frequent, informal interaction with our people.</li> <li>• The Board reviews the results of our employee engagement surveys and the actions taken in response.</li> <li>• The Board oversaw enhancements to employee benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Rothesay's people have very high levels of engagement with 85% saying that their manager treats people fairly.</li> <li>• We were pleased to see excellent progress across all key areas of the survey including talent and staffing, leadership, diversity and inclusion.</li> </ul>
<h3>Our policyholders</h3> <p>Providing long-term pension security to nearly one million policyholders and working with trustees is at the heart of what we do.</p>  <p><b>Read more on page <a href="#">71</a></b></p>	<ul style="list-style-type: none"> <li>• The Customer Conduct Committee receives regular reports on customer service levels and complaints, and oversees customer interaction.</li> <li>• The Board discusses customer service issues and in 2025 ensured the obligation of Consumer Duty is fully embedded into the business model.</li> <li>• Directors and management have ad hoc meetings with pension scheme trustees throughout the year.</li> </ul>	<ul style="list-style-type: none"> <li>• 96% of policyholders rate our service 'good' or 'excellent'.</li> <li>• We executed 17 transactions during 2025 which allowed pension schemes to de-risk their liabilities.</li> </ul>
<h3>Our business partners</h3> <p>Our strategic third party partners are critical to us delivering service excellence to our customers.</p>  <p><b>Read more on page <a href="#">77</a></b></p>	<ul style="list-style-type: none"> <li>• The Board receives regular updates on the performance of our strategic third party partners, who are monitored against defined KPIs.</li> </ul>	<ul style="list-style-type: none"> <li>• Our partners have continued to deliver excellent service to Rothesay and our customers.</li> </ul>
<h3>Our community</h3> <p>We invest over £43bn in the UK economy and make a significant tax contribution in the UK. We have established the Rothesay Foundation and support a range of charities.</p>  <p><b>Read more on page <a href="#">84</a></b></p>	<ul style="list-style-type: none"> <li>• The Board has reviewed Rothesay's Corporate Social Responsibility policy.</li> </ul>	<ul style="list-style-type: none"> <li>• We have dedicated £6.3m for future charitable projects.</li> <li>• We have remitted £665m to UK tax authorities in relation to 2025.</li> </ul>

## Stakeholder engagement **continued**

Overview	Engagement	Outcomes
<h3>Our regulators</h3> <p>Having a transparent, open and proactive relationship with our regulators is important to the performance of the business.</p>	<ul style="list-style-type: none"> <li>• We continue to maintain an open, transparent and constructive relationship with our regulators.</li> <li>• We have regular ongoing interaction with the PRA on all material matters relating to the business, led by the CRO.</li> <li>• We engage constructively with the FCA on key regulatory initiatives and matters impacting customers. We do this both directly and via trade associations.</li> <li>• The Chair and Directors have regular meetings with the PRA.</li> <li>• The PRA attends the Board as part of the Periodic Summary Meeting cycle.</li> <li>• During the year, Rothesay has responded to a number of relevant consultations.</li> </ul>	<ul style="list-style-type: none"> <li>• Our regulators remain fully engaged with Rothesay in a range of important matters, including key strategic developments for the business.</li> <li>• Rothesay is able to ensure that its views are reflected on matters that impact Rothesay and the BPA market.</li> </ul>
<h3>Our reinsurers</h3> <p>Our reinsurers help us to manage our balance sheet by allowing us to hedge longevity risk via longevity swap transactions.</p>  <p><b>Read more on page <a href="#">77</a></b></p>	<ul style="list-style-type: none"> <li>• The Board Risk Committee oversees reinsurance counterparty risk management and approves all material reinsurance transactions.</li> <li>• The Audit Committee receives a report from the Chief Actuary on Rothesay's reinsurance arrangements and strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Our reinsurers have provided a further £6bn of longevity reinsurance protection.</li> <li>• The reinsurers have also responded quickly in support of us underwriting new business, and have been a trusted and reliable partner.</li> </ul>
<h3>Our shareholders</h3> <p>Rothesay benefits from the support and commitment provided by its two long-term institutional shareholders.</p>	<ul style="list-style-type: none"> <li>• Each of the institutional shareholders is represented on the Board by two Non-Executive Directors.</li> <li>• Representatives of the shareholders attend the Board and other Board committees.</li> <li>• The shareholders receive regular management information.</li> </ul>	<ul style="list-style-type: none"> <li>• GIC and MassMutual provide Rothesay with exceptional long-term support.</li> <li>• The shareholders assist in the sourcing of investments, share best practice and provide longevity reinsurance.</li> </ul>
<h3>Our bondholders</h3> <p>Rothesay appreciates the support of our bondholders.</p>	<ul style="list-style-type: none"> <li>• Senior management meets with debt investors on a regular basis and makes presentations to groups of investors and analysts.</li> </ul>	<ul style="list-style-type: none"> <li>• We were pleased with the response from investors to the issuance of our RT1 notes in November 2025.</li> </ul>

## Section two

## Governance

 In this section

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A robust governance framework helps ensure that we continue to provide pension security for our policyholders, value to our shareholders and positive outcomes for other stakeholders.

# Governance at a glance

## Board highlights from 2025

Board meeting attendance

99%

2024: 99%

Average Non-Executive Director tenure

4.8 yrs

2024: 5.4 yrs

Board female representation

43%

2024: 47%

Independence of Board

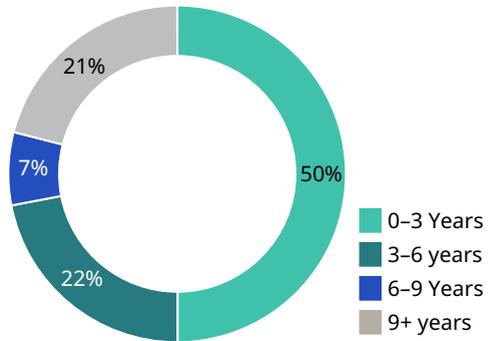
57%

2024: 53%

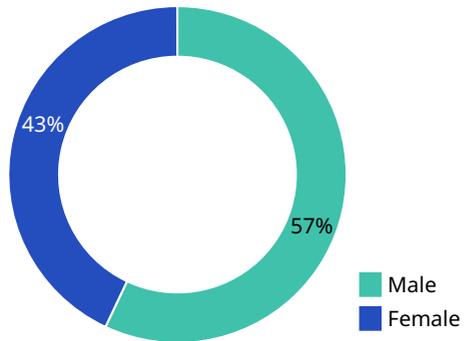


## Board composition dashboard

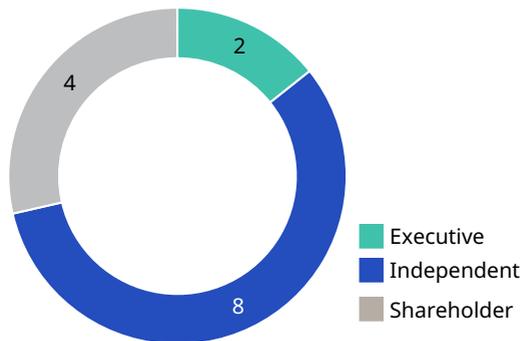
### Board tenure



### Gender diversity



### Independence of Board



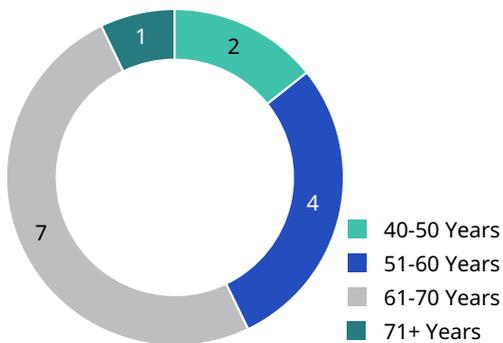
## Governance at a glance continued

### Directors' skills and experience in

Skills and experience	
General management	14
Insurance industry	11
Investment	11
Strategy	14
Risk management	14
Legal/regulatory	11
Corporate governance	14
Technology/operations	8
Human resources	7
Qualified Accountant/ Actuary	6
Retail customers	13
Marketing	7
Mergers & acquisitions	12
International business	14

**The Wates Corporate Governance Principles** For more information see page [103](#)

### Directors' age range



In 2025, the Board remained highly engaged and effective, underpinned by a robust committee structure, providing rigorous oversight, timely decision-making and strong stewardship on behalf of shareholders, policyholders and wider stakeholders.

**Bruce Carnegie-Brown**  
Chair

## Chair's introduction

## Robust corporate governance

Rothesay's governance structure means that decisions can be made quickly and efficiently whilst ensuring that there is robust oversight.



## Corporate governance highlights

- Approval of the 2025 dividend.
- Approval of the strategic business plan and ORSA.
- Approval of the 2024 Climate and Sustainability Reports and Transition Plan.
- Approval of the launch of RothesayOne, Rothesay's new policyholder administration platform.
- Approval of the issuance of \$500m Restricted Tier 1 notes.
- Transition of the Chair taking effect on 1 July 2025.

## Chair's introduction **continued**

### Board engagement

A strong Board with an effective committee structure is a key component of the governance framework of Rothesay. Our Board remains highly engaged; various matters necessitated a number of additional Board meetings/sessions during the year, and the level of attendance and contributions was very high. In addition, many issues were dealt with virtually and by correspondence, enabling matters to be progressed efficiently and in a timely manner. The Board has decided to apply the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), for further information please see page [103](#).

### Shareholders

Following GIC's reinvestment during 2024 they continue to hold 50.2% of Rothesay Limited and MassMutual continue to hold 47.6% with the remainder being held by the Employee Benefit Trust, Directors, management and employees. GIC and MassMutual are two of the world's leading institutional investors and provide Rothesay with exceptional long-term support and a stable platform for growth in the future.

Representatives of the shareholders beyond their appointed Directors are closely involved with Rothesay, and members of their teams are regularly invited to attend Board and other Board Committee meetings. The shareholders receive regular management information and their teams also interact directly with management. We believe that the enhanced interactions with shareholders benefit the Company and helps to ensure that shareholders have good visibility, aiding decision making when shareholder support is required.

The shareholders also support Rothesay in other ways, where appropriate, for example by assisting in the sourcing and evaluation of investments, providing debt financing and providing longevity reinsurance.

The Shareholders' Agreement sets out a number of reserved matters, including:

- Changes to the rights of shareholders.
- Issuance of new equity or debt.
- Material changes to the business strategy of Rothesay.
- Material acquisitions or disposals.

The Board reviews and approves all related party transactions. For information on related party transactions see note I.4.

### Board composition

After almost 18 years on Rothesay's Board, Addy Loudiadis retired from her Non-Executive position as Founder Director and stepped down from the Board on 3 April 2025.

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

An extensive induction programme is organised for all new independent Non-Executive Directors who commit significant time to the process of learning about the business and operations of the Company. For further information please see page [102](#).

### How the Board operates

The Board is led by the Chair, Bruce Carnegie-Brown. As noted above, Bruce was appointed to the Board on 1 May 2025 and became Chair on 1 July 2025. Day-to-day management of Rothesay is led by Tom Pearce, the Chief Executive Officer. Tom is supported by the Leadership Team, more details of which can be found at [www.rothesay.com](http://www.rothesay.com).

Terry Miller was appointed as Senior Independent Director (SID) of Rothesay on 11 January 2024 and continued in that role during 2025.

The Board has responsibilities to shareholders, policyholders, the regulators, employees and other stakeholders for the overall performance of Rothesay. More information on stakeholder engagement can be found on page [92](#). The Board's role is to provide oversight and direction to the senior management team and to ensure that there is an appropriate risk and control framework for Rothesay.

The Board is supported by the Audit Committee, the Board Risk Committee, the Customer Conduct Committee, the Nomination Committee and the Remuneration Committee.

Terms of reference for these Committees can be found at [rothesay.com/about-us/environmental-social-governance/our-reports-and-governance](http://rothesay.com/about-us/environmental-social-governance/our-reports-and-governance)

## Chair’s introduction continued

In the following sections of the Governance Report, the chairs of these Committees provide a report on activity in the year.



### How the Board spent its time in 2025

The Board met formally 11 times during 2025, in addition to dealing with several matters via email correspondence.

The Board agenda is set by the Chair, in consultation with management, and generally includes:

- An update from the CEO on business performance, material new investments and liability transactions.
- Reports from Board Committee chairs.
- An update on Rothesay’s financial performance and expenditure against budget.
- Discussion of key projects.
- An update from the Company Secretariat on governance and administrative matters.
- Approval of interim and year-end financial statements.

The Board also spent time discussing and approving the payment of an interim dividend.

Following extensive consideration at Board Committee level, the Board approved Rothesay’s Consumer Duty Annual Assessment.

The Board received updates on the ongoing development and enhancement of Rothesay’s technology platform and other information technology and information security initiatives.

## Chair's introduction **continued**

The Board approved new pension risk transfer and asset deployment transactions.

The Board received updates on the impact of market conditions on Rothesay's financial and liquidity position and commentary on various markets (e.g. the pension risk transfer market and debt capital markets). The Board also received updates from Rothesay's operations in North America.

The Board approved Rothesay's 2024 Climate and Sustainability Reports and Rothesay's Public Net Zero Transition Plan.

The Board held a strategy off-site event during the year outside of the formal Board meeting schedule. The event included:

- Discussion of the strategic business plan and projections.
- Discussion of business opportunities which could be considered in the future.
- Presentations from external speakers on politics.

The discussion of the strategic business plan was focused on the pension risk transfer market and on the potential growth opportunity over the next five years and beyond. The Board was keen to ensure that Rothesay is appropriately positioned from both an operational and solvency perspective to capitalise on the opportunities that are likely to arise.

The Board makes extensive use of virtual communications and deals with matters by correspondence where it is effective to do so. On complex subjects, management provides Directors with the opportunity for one-to-one briefings outside of Board meetings which helps to make the process of dealing with these matters more efficient for the Board.

### **Board performance and effectiveness**

The Board recognises that the continuous development of Directors is important to the Board's performance and effectiveness.

During the year, the following development activities took place:

- One-to-one induction sessions with the new Chair.
- One-to-one briefing sessions for independent Non-Executive Directors on the annual report and accounts.
- One-to-one briefing sessions for independent Non-Executive Directors on the interim accounts.

External speakers are periodically invited to engage with the Board, so that the Board can benefit from external perspectives. During 2025, the following session took place:

- Briefing session from the UK Debt Management Office.

An annual process is undertaken to review the fitness and propriety of senior management and Directors. This was overseen by the Chair and the Regulatory Legal Counsel in 2025.

An internally facilitated review of Board and Board Committee effectiveness was undertaken during the year by the Company Secretariat. This consisted of completion of a questionnaire by Directors and a number of other senior executives and collation and presentation of the results at a Board meeting.

The review concluded that the Board and its Committees are highly effective and led to a small number of recommendations which will be addressed over 2026. An externally facilitated review of Board and Board Committee effectiveness is planned for 2026.

In addition, the Chair meets annually with all Directors individually to discuss their feedback on Board performance and their individual contribution. Furthermore, the Senior Independent Director meets with the Chair to discuss his performance.

## Governance in action

# Induction of new Board members

All newly appointed Directors receive a thorough, tailored induction on joining the Board, organised by the Company Secretariat to provide the information required to become effective as soon as possible in their role.

The induction aims to:

- a) Build an understanding of Rothsay's business, operations and markets, including opportunities and risks;
- b) Develop links with people in the business and an understanding of the Company's culture and key external relationships; and
- c) Ensure an understanding of the Board's governance framework and Board processes.

In addition to the core elements of the induction process outlined below, newly appointed Board members have ongoing access to the Company Secretary, members of the management team and resources as appropriate to update their knowledge and skills.

### Meetings with Board members and external advisers

Newly appointed Directors meet with each member of the Board as well as certain of the Board's advisers and external stakeholders, including (as appropriate) the Company's auditors, and Remuneration Committee advisers.

### Meetings with senior management and employees

New Board members spend time meeting with executive management including the Chief Executive Officer and Chief Financial Officer, as well as other members of the senior leadership team.

### Training

An electronic induction pack is provided to ensure a thorough understanding of incoming Directors' roles and responsibilities, and the governance framework within which the Board operates.



# The Wates Corporate Governance Principles

The Board has decided to apply the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles). Information can be found on our approach to compliance in the Strategic Report and in this Governance Report.

Principle	Where further information can be found
<p><b>1. Purpose and leadership</b> – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.</p>	<p>Rothesay's purpose is to provide pension security for our policyholders and value to our shareholders over the long term.</p> <p>Rothesay's strategic objectives are discussed on page <a href="#">34</a>.</p> <p>More information can be found on Rothesay's culture on page <a href="#">78</a>.</p>
<p><b>2. Board composition</b> – Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<p>Board effectiveness is described under "Board performance and effectiveness".</p> <p>Board composition is described on page <a href="#">99</a>.</p> <p>The Nomination Committee is responsible for ensuring that Rothesay's Board and management team have the appropriate mix of expertise and experience. See page <a href="#">108</a>.</p>
<p><b>3. Board responsibilities</b> – The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.</p>	<p>Board governance is described on page <a href="#">99</a>.</p> <p>The Audit Committee is responsible for overseeing the systems and controls that ensure the reliability of information provided to the Board. See page <a href="#">110</a>.</p>
<p><b>4. Opportunity and risk</b> – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.</p>	<p>The Board has overall responsibility for identifying opportunities to create and preserve value and this is discussed on page <a href="#">100</a> under "How the Board spent its time in 2025".</p> <p>The Board Risk Committee (BRC) is responsible for the operation of Rothesay's risk management framework. The framework is described on page <a href="#">48</a> and more can be found on the BRC on page <a href="#">117</a>. Risks and opportunities are also highlighted as part of the description of strategic objectives on page <a href="#">34</a>.</p>
<p><b>5. Remuneration</b> – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.</p>	<p>The Remuneration Committee is responsible for ensuring that Rothesay's remuneration policy appropriately rewards and incentivises our people. See page <a href="#">120</a>.</p>
<p><b>6. Stakeholder relationships and engagement</b> – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<p>Rothesay's purpose is to provide pension security for our policyholders and value to our shareholders over the long term. Rothesay has responsibility to a number of other stakeholders, including our suppliers, our people, our community, the environment and our bondholders.</p> <p>The Customer Conduct Committee (CCC) is responsible for ensuring good outcomes for customers, and that clients and counterparties are treated fairly by us, and more can be found on the CCC on page <a href="#">115</a>.</p> <p>Further information on stakeholder engagement and examples of how we take their interests into account can be found on pages <a href="#">92</a> to <a href="#">93</a>.</p>

## Board of Directors



**Bruce Carnegie-Brown**  
Independent Non-Executive  
Director and Chair

Appointed: May 2025

**Committees**



Bruce Carnegie-Brown is Chair of the Board, the Nomination Committee and the Remuneration Committee. Bruce is Chairman of Ebury Partners, a global fintech business; Gresham House, a specialist alternative asset manager; Cuvva, a digital motor insurance business; and Gatehouse Advisory Partners, a geopolitical consulting firm. Bruce became a Deputy Lieutenant of Greater London in 2015. Bruce has held a number of executive and non-executive positions in financial services. He has served as Chairman of Lloyd's of London, Vice Chairman and Lead Independent Director of Banco Santander, Chairman of Moneysupermarket Group plc (now MONY Group plc), Chairman of Aon UK Ltd, Non-Executive Director of JLT Group plc and Senior Independent Director of Catlin Group Ltd and Close Brothers Group plc, among other non-executive roles. He is a Past President of the Chartered Management Institute, the Institute of Financial Services (now LIBF) and former Chair of the Leadership Council of TheCityUK. Bruce began his career at Bank of America, before joining JP Morgan and working there for 18 years in various senior positions. He then became Chief Executive of Marsh McLennan's UK, European and Middle East businesses and, after that, was Managing Partner of 3i Group plc's Quoted Private Equity Division.

In addition, Bruce was formerly Chairman of Marylebone Cricket Club, Trustee of Historic Royal Palaces and Trustee of Shakespeare's Globe Trust.



**Thomas (Tom) Pearce**  
Chief Executive Officer

Appointed: August 2013

**Committees**



Tom Pearce is Co-Founder and Chief Executive Officer of Rothesay. Tom founded Rothesay with Addy Loudiadis in 2007 and was previously its Managing Director. Tom has overall responsibility for Rothesay's strategy and operational delivery, including Business Development, Financing, Investment Origination and Operations. Tom has been a Board Director of Rothesay since 2016 and he also sits on the Board of the Association of British Insurers. Prior to founding Rothesay, Tom was part of the fixed income and investment banking team at Goldman Sachs with responsibility for pension fund and insurance company clients.



**Graham Butcher**  
Chief Financial Officer

Appointed: October 2023

**Committees**



Graham Butcher is Rothesay's Chief Financial Officer, responsible for all divisions of Rothesay's finance function, including financial reporting, capital management, product control and actuarial assurance. As Chief Financial Officer, Graham also oversees corporate strategy and new business underwriting. Graham joined Rothesay in 2007 and was previously the company's Head of Strategy and Chief Underwriting Officer, where he led all strategic initiatives, business planning and the pricing, underwriting and risk management of new business. Prior to joining Rothesay, Graham was at Willis Towers Watson where he qualified as a Fellow of the Institute of Actuaries in 2006.

## Board of Directors continued



**Lisa Arnold**  
Independent Non-Executive Director

Appointed: July 2023

**Committees**



Lisa Arnold is a member of Rothesay's Board Risk Committee, Customer Conduct Committee and Remuneration Committee. Lisa currently holds non-executive roles at Polar Capital Global Healthcare Trust PLC, Whitbread UK Pension Fund and Allied Domecq Pension Fund. Lisa has held senior positions across financial services, specialising in pharmaceutical, healthcare and biotech. She previously held non-executive positions at PIMCO Europe Ltd, J Sainsbury Pension Scheme, Aquila Energy Efficiency Trust, GSK Pension Scheme & Fund, Tate & Lyle Pension Trust, Cheltenham Ladies College, John Laing Pension Trust, Futura Medical PLC and MHRA (Medicines and Healthcare products Regulatory Agency).



**Angela Darlington**  
Independent Non-Executive Director

Appointed: August 2022

**Committees**



Angela Darlington is a member of Rothesay's Audit Committee, Board Risk Committee, Customer Conduct Committee and Nomination Committee. Angela is currently a council member of the London School of Hygiene & Tropical Medicine and a non-executive director of Yorkshire Building Society. Angela started her career with Bacon & Woodrow and then worked with William M Mercer on a wide variety of actuarial assignments across many countries. Angela joined Aviva in 2001 where she held a number of senior roles including UK Life chief risk officer, group chief risk officer and CEO of Aviva's UK Life and Health Insurance business. Most recently, Angela was on the board of the Association of British Insurers as well as a member and chair of the Scenario Analysis Working Group as PRA-FCA Climate Change Forum.



**Katherine Garner**  
Independent Non-Executive Director

Appointed: April 2024

**Committees**



Katherine Garner is a member of Rothesay's Audit Committee, Board Risk Committee and Customer Conduct Committee. Katherine is currently Chair of the Isle of Man based RL360 companies and a non-executive member of the IFGL Group Audit and Risk Committee. A Fellow of the Institute of Actuaries since 1997, Katherine was previously the chief executive officer of Sun Life Financial of Canada in the UK and a member of its board of directors. Katherine started her employment with Sun Life Financial of Canada in 2008 and, prior to that, was employed by HSBC, where her roles included, head of operations, head of life insurance and also finance director of the Dublin life company and deputy head of investments in the UK. Katherine was also a non-executive director of Reclaim Fund Limited.



**Edward (Ed) Giera**  
Independent Non-Executive Director

Appointed: January 2021

**Committees**



Ed Giera is Chair of Rothesay's Board Risk Committee and a member of the Audit Committee, Nomination Committee and Remuneration Committee. Previously, Ed was global head of pensions advisory at JP Morgan and held other senior roles during a twenty-year career with the investment bank. He was the senior independent director of Santander UK Group Holdings, chair of the board risk committee, and member of the audit, remuneration, responsible banking, and nomination committees. Ed chaired Pension Insurance Corporation Group's audit & risk committee and was a member of the board origination committee. He also served on the board of ICBC Standard Bank Plc, and the Renshaw Bay Real Estate and Renshaw Bay Structured Finance Funds, respectively.

## Board of Directors continued



**Heather Jackson**  
Independent Non-Executive Director

Appointed: April 2021

**Committees**



Heather Jackson is a member of Rothesay's Audit Committee, Board Risk Committee and Customer Conduct Committee. Heather currently holds non-executive directorship positions at Ikano Bank AB, Skipton Building Society Group and The Veterinary Defence Society. She is also a trustee with Yorkshire Cancer Research. Heather has held senior positions across retail and financial services, specialising in technology and change leadership. She was chief information officer for Capital One (in the UK & Europe) and, subsequently, Global CIO at HBOS/Lloyds. At HBOS/Lloyds, she also led several functions, including payments, procurement, operations and human resources. She previously held non-executive directorship positions at JD Sports Fashion, Lookers PLC, Tandem Bank and the Child Maintenance Enforcement Commission.



**Therese (Terry) Miller CBE**  
Senior Independent Non-Executive Director

Appointed: September 2017

**Committees**



Terry Miller is Chair of Rothesay's Customer Conduct Committee and a member of the Audit Committee, Board Risk Committee, Nomination Committee and Remuneration Committee. Terry is a director of the Rothesay Foundation. She is also a non-executive director, chair of the nominations committee and chair of the remuneration committee of Goldman Sachs International Bank and of Goldman Sachs International. As an executive, Terry spent 17 years at Goldman Sachs; latterly as a partner and international general counsel. She subsequently became general counsel of the London Organising Committee of the Olympic and Paralympic Games (LOCOG). In a non-executive capacity, she has served as a director and trustee of the Invictus Games Foundation; a non-executive director of the British Olympic Association; a non-executive director and safeguarding champion of the British Equestrian Federation; and a non-executive director and senior independent director of both Galliford Try plc and Stelrad Group plc.



**Sophie O'Connor**  
Independent Non-Executive Director

Appointed: October 2023

**Committees**



Sophie O'Connor is Chair of Rothesay's Audit Committee and a member of both the Board Risk Committee and Customer Conduct Committee. Sophie currently holds non-executive directorship roles at SMBC Bank International PLC and Tide Holdings Limited. Sophie started her career at Ernst and Young, and then worked for Bank of America Merrill Lynch (previously Merrill Lynch) in the UK and US, where she held a number of senior finance and chief operating officer roles. She previously held non-executive positions at Bupa Insurance, Scottish Widows, Lloyds Banking Group Insurance and Embark Group (subsidiaries of Lloyds Banking Group), Sanne PLC, BNY Mellon (International) Bank, Reliance Mutual and Mineworkers' Pension Scheme and was also a trustee of Chance to Shine.



**M. Timothy (Tim) Corbett**  
Non-Executive Director

Appointed: November 2013

**Committees**



Tim is the former chief investment officer of MassMutual. He joined as chief investment officer in 2011 with responsibility for MassMutual's overall investment strategy for the company's general account. He retired from the company in 2023. Prior to joining MassMutual, Tim had been chief investment officer and head of pension fund management with the State of Connecticut Treasurer's Office since 2009. Tim began his professional career at Aetna in 1982, where he ultimately became head of portfolio management, responsible for investment policy and strategy for the \$20bn general account portfolio. From 2002 to 2008, Tim served as managing director and head of asset management at the Hartford Investment Management Company.

## Board of Directors continued



**Geoffrey (Geoff) Craddock**  
Non-Executive Director

Appointed: January 2023

**Committees**



Geoff Craddock is a member of both Rothesay's Nomination Committee and Remuneration Committee. Geoff is MassMutual's chief risk officer. Geoff began his career in a range of trading and brokerage positions with various investment banks beginning in Europe. Subsequently, he held roles at the Canadian Imperial Bank of Commerce (CIBC) where he oversaw global market risk management for the bank's investment banking, trading and retail activities. In 2008, Geoff joined MassMutual's asset management subsidiary, OppenheimerFunds, establishing and leading their risk management and asset allocation function after the global financial crisis, enhancing their governance structure and facilitating execution of strategic initiatives. Geoff also served as the leadership sponsor for OppenheimerFunds' corporate giving programme. Geoff assumed his current role at MassMutual in 2017.



**Arjun Gupta**  
Non-Executive Director

Appointed: January 2023

**Committees**



Arjun Gupta is a member of both Rothesay's Nomination Committee and Remuneration Committee. Arjun is president of Europe at GIC. In this role, he heads GIC's London office, which covers Europe, the Middle East, and Africa. Arjun is a member of the GIC Global Leadership Group and in addition, he is co-chair of the GIC Healthcare Business Group, a member of the Integrated Strategies Group investment committee, and a member of the Global Leadership Group nominating committee. Arjun joined GIC Private Equity in 2010 and subsequently held roles as head, portfolio within private equity and head, consumer and healthcare for private equity. He also served on the private equity management and investment committees. Prior to joining GIC, Arjun spent over 20 years in the consumer goods industry with Kraft Foods, where his last two roles were as managing director, Greater China and president, Asia Pacific.



**Robin Jarratt**  
Non-Executive Director

Appointed: December 2013

**Committees**

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Robin Jarratt is a GIC global industrial adviser. He was formerly head of the Private Credit Group at GIC, with responsibility for all private credit investments in the US, Europe, and Asia. Robin retired from GIC in 2024.

## Nomination Committee report

### Appointing new talent

The Nomination Committee is responsible for ensuring that Rothesay's Board and management team have the appropriate mix of expertise and experience.

**Bruce Carnegie-Brown**  
Chair of the Nomination Committee

#### Committee membership

Bruce Carnegie-Brown (Chair)

Geoff Craddock

Angela Darlington

Ed Giera

Arjun Gupta

Terry Miller



## Nomination Committee report **continued**

### **I am pleased to present the Nomination Committee's report for the year ended 31 December 2025.**

The Nomination Committee is responsible for monitoring the balance of skills, knowledge, experience, independence and diversity on the Board, identifying and recommending Board, Board Committee and certain senior management appointments to the boards of the various Group entities, as appropriate, and monitoring succession plans for the Executive Directors and the development plans of senior management within Rothesay.

The responsibilities of the Committee include reviewing the structure, size and composition of the Board of Directors, identifying and nominating candidates to fill Board vacancies as and when they arise, and approving certain senior management appointments.

The charts presented in the Governance at a glance section show the gender diversity of the Board, Board tenure and the composition of the Board from an independence perspective.

### **Committee membership and attendance**

The Committee is composed of Non-Executive Directors with an appropriate mix of expertise and experience and a majority of independent Non-Executive Directors. The other Shareholder Directors were also invited to attend Committee meetings.

### **Board composition**

For more details see Governance at a glance **on page 96**.

The CEO and CFO also attended Committee meetings when deemed appropriate.

The Committee met formally on two occasions and made use of virtual communications and correspondence to deal with matters efficiently.

### **Committee activities during 2025**

Having focused on Board succession planning, particularly as regards the role of Chair, and also having dealt with certain senior management appointments during 2024, in 2025 the Committee focused on Board Committee composition.

The Committee, alongside the Board, oversaw the extension of the term of one Board Member and also dealt with the composition of various Board committees.

The mix of skills and experience of the Board is summarised in the graph on page [97](#).

### **Committee performance and effectiveness**

Due to the timing of the Board and Board Committee effectiveness review relative to the Chair succession and the ad hoc nature of the Committee's consideration of matters, the Board concluded that it would not be additive to review the effectiveness of the Committee in Q4 of 2025. The performance and effectiveness of the Committee will be reviewed in 2026.



## Audit Committee report

The Audit Committee plays a key role in monitoring the robustness of Rothesay's systems and controls.

**Sophie O'Connor**  
Chair of the Audit Committee

### Committee membership

Sophie O'Connor (Chair)

Angela Darlington

Katherine Garner

Ed Giera

Heather Jackson

Terry Miller



## Audit Committee report continued

### **I am pleased to present the Audit Committee's report for the year ended 31 December 2025.**

The Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes and Rothesay's process for monitoring compliance with laws and regulations and business principles.

The Committee has unrestricted access to management and external advisers to help discharge its duties. It is satisfied that in 2025 it received adequate, reliable and timely information to perform its responsibilities effectively.

### **Committee membership and attendance**

The Committee is composed of only independent Non-Executive Directors with an appropriate mix of expertise and experience.

The Committee met on seven occasions in 2025 at appropriate times in the financial and regulatory reporting audit cycle. The Chair of the Board, CEO, CFO, CRO, Chief Actuary, Chief Auditor, Chief Compliance Officer and representatives of PwC and the shareholders regularly attended Committee meetings. Other members of senior management were also invited to attend as appropriate to present reports. During the year the Committee held private sessions with the Chief Auditor, Chief Compliance Officer and PwC without management present.

A number of Committee members are also members of, or regular attendees at, the Board Risk Committee and Customer Conduct Committee. This ensures effective coordination across the committees. As Chair of the Committee, I report on matters dealt with at each Committee meeting to the subsequent scheduled Board meeting.

### **Committee activities during 2025**

The work of the Committee during 2025 fell under five main areas: financial statements and accounting policies, regulatory compliance, internal control (including oversight of the Internal Audit function) and oversight of the external audit and audit tender process.

### **Financial statements and accounting policies**

The Committee reviewed Rothesay's financial announcements, the annual report and accounts, the half-year results and the going concern assumptions in relation to the annual report and accounts; please see the Viability and going concern section on page 58.

An important focus of the Committee is assisting the Board in ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for stakeholders to assess Rothesay's position and performance, business model and strategy. The Committee has also considered compliance with the Companies (Miscellaneous Reporting) Regulations 2018 and that there is appropriate disclosure on compliance with the Wates Corporate Governance Principles. The Committee has reviewed the climate reporting disclosures.

During 2025, the Committee received reports on Rothesay's IFRS 17 reporting, and reviewed how our disclosures compared to those of our peers. The Committee reviewed and approved the IFRS 17 June and December 2025 disclosures.

The Committee reviewed the relevant Solvency disclosures including the Solvency and Financial Condition Report (SFCR). This included oversight of Rothesay's use of transitional solvency relief during the year, including consideration as to its continuing appropriateness.

The Committee reviewed the key assumptions used in calculating both the long-term insurance liabilities and the MCEV. Key assumptions included the annuitant mortality assumptions, the credit default allowance on the investment portfolio, the expense assumptions and the risk adjustment requirements around the IFRS assumptions. For IFRS and MCEV, the illiquidity premium is also a key assumption. The Committee also reviewed the categorisation and valuation of Level 3 assets. The following table provides more detail on material accounting issues considered by the Committee.

The Committee reviewed Rothesay's tax policy, strategy statement and reporting on payment practices and performance under regulations made under Section 3 of the Small Business, Enterprise and Employment Act 2015.

The Committee received reports from the Chief Actuary on areas including the reliability and adequacy of technical provisions, the quality of data, underwriting policy and reinsurance arrangements.

## Audit Committee report continued

### Significant IFRS accounting issues considered by the Committee

Issue	Committee's response
<p><b>Longevity and credit default assumptions used to determine the valuation of insurance liabilities</b></p> <p>The inherent uncertainty involved in setting the assumptions used to determine the insurance liabilities for Rothesay, particularly in relation to longevity and credit defaults, represents the most significant area of judgement due to the potential impact these assumptions have on the financial statements.</p>	<p>The Committee focused on management's proposals for demographic and economic reserving assumptions.</p> <p><b>Demographic assumptions:</b> The Committee reviewed available data illustrating recent trends in longevity experience in the UK population, the longevity experience on different blocks of business, industry benchmarking data and reinsurer pricing. Scheme-specific base mortality assumptions were updated following this review. As 91% of the longevity risk is reinsured, Rothesay has visibility over market pricing for the majority of its liabilities. After consideration of the drivers of short-term longevity improvements, the Committee concluded that updates to the assumed improvements to reflect expectations of higher short-term longevity improvements were appropriate along with changes to the assumed long-term longevity improvement rates and the adoption of CMI 2024 model.</p> <p><b>Economic assumptions:</b> The Committee reviewed the methodology used to determine economic assumptions including credit default assumptions for liquid and illiquid assets utilised in determining the discount rate for valuing the liabilities and LPI assumptions used for projecting liabilities. The reviews included consideration of available industry benchmarking data. The Committee concluded that the assumptions used are appropriate for the determination of the insurance liabilities.</p>
<p><b>Valuation of investments classified as Level 3 under IFRS 13</b></p> <p>The valuation of Level 3 assets is based on either inputs into a valuation model or observable prices for proxy positions. This is inherently complex and requires the use of significant management judgement. Furthermore, the balances are material to the financial statements.</p>	<p>The Committee reviewed and approved the Group's valuation policy. The Committee also receives and reviews a report from the Finance function setting out the way in which all Level 3 assets have been valued and the range of plausible valuations.</p>
<p><b>IFRS 17 post transition</b></p> <p>Post the transition to IFRS 17 there has been a requirement for the use of significant management judgement, in relation to the methodologies and assumptions and the presentation of the results.</p>	<p>The Committee has reviewed both the 2025 June and December disclosures. The Committee also reviewed peer analysis comparing our IFRS disclosures to those of our peers. The results of this were used as a basis for decisions regarding the 2025 year end accounts.</p>

## Audit Committee report **continued**

### **Regulatory compliance**

The Committee received regular compliance updates, including:

- from the Chief Compliance Officer on compliance breaches by employees, on whistleblowing and the way in which Rothesay ensures compliance with relevant laws and regulations, including financial crime and market conduct;
- on compliance with Data Protection regulations, particularly UK General Data Protection Regulation (GDPR);
- updates on Solvency compliance including the operation of the matching adjustment portfolio and calculation of transitional capital relief; and
- the results of the reviews undertaken by the Compliance function.

The Committee also reviewed and approved the 2025 Compliance plan.

### **Internal control and Internal Audit**

The Board has overall responsibility for Rothesay's risk management and internal control systems and alongside the Board Risk Committee, the Committee seeks to ensure that Rothesay operates within a framework of prudent and effective controls and that the Board and its committees receive reliable information. The Group's internal controls are designed to manage rather than eliminate operational risks and can provide only reasonable assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place throughout the period covered by this report and up to the date of approval of the annual report and accounts for 2025. Where any significant weaknesses were identified, corrective actions have been taken, or are being taken and monitored by management and the relevant committees.

The Committee received reports from the Operational Risk function on the robustness of Rothesay's internal controls, It also received reports from the Business Controls Committee, which is chaired by the COO and focuses on the control environment within Rothesay, the management of third parties and the risks arising from new activities.

The Committee is supported in its oversight of the control framework by regular reports from the Internal Audit function. The Internal Audit Charter sets out the objectives, scope and responsibilities of the Internal Audit function and how it maintains independence from the first and second line management of Rothesay. The Committee reviews, and approves, the Internal Audit Charter annually. The Internal Audit Charter was updated in November 2024 to align with the Global IIA Standards that came into effect in January 2025.

Rothesay's Chief Auditor reports directly to the Chair of the Committee and their remuneration is approved by the Remuneration Committee. Rothesay is supported in delivery of internal audits by use of external advisers to supplement the in-house Internal Audit team.

The Internal Audit plan for 2025 was reviewed and approved by the Committee, with internal audits being planned and prioritised following a risk-based assessment of the business. The Committee also reviewed the combined assurance plan which also considered the activity of compliance and operational risk.

Internal Audit continued to closely monitor the project to develop Rothesay's technology platform.

The Committee received regular reports from Internal Audit on the audits that had been carried out, management's response to findings and progress in addressing identified issues.

Through its close interaction with Internal Audit and feedback from management, the Committee is able to assess the effectiveness of the Internal Audit function. On this basis, the Committee concluded that the function has access to appropriate resources and that it was operating effectively.

## Audit Committee report **continued**

### External audit

The Committee ran a competitive tender process during 2025 and have recommended the appointment of Deloitte as auditors from the 2027 year end. PwC will remain as auditors for the 2025 and 2026 year ends.

Thomas Ferguson became Rothesay's external audit partner from the 2024 year end and continued in such role during 2025.

The Committee has approved an External Auditor Policy (which was reviewed during the year) which aims to:

- preserve the independence and objectivity of the external auditors in performing the statutory audits;
- ensure the effectiveness of the external auditors; and
- avoid any conflict of interest by outlining both the types of services that the external auditors can and cannot undertake and the considerations that should be applied in assessing potential conflicts of interest.

During 2025, the Committee performed its annual review of the independence, effectiveness and objectivity of the auditor. Management and Directors each completed a questionnaire which sought to evaluate the auditor against a range of criteria. The Committee then reviewed the results and concluded that PwC remains independent and effective.

During 2025, the Financial Reporting Council conducted an Audit Quality Inspection in relation to PwC's 2024 audit of Rothesay. The review assessed the audit as "Good" and highlighted good practice during the audit.

The fees paid to PwC for the year ended 31 December 2025 are summarised in the table below:

	2025 £000s	2024 £000s
Audit of the financial statements of Rothesay and its subsidiaries	3,112	2,748
<b>Total audit</b>	<b>3,112</b>	<b>2,748</b>
Required by regulation	344	316
Audit-related assurance services	285	274
Other assurance services	145	110
Non-audit services	—	—
<b>Total fees</b>	<b>3,886</b>	<b>3,448</b>

Other assurance services provided in 2025 relate to work associated with debt issuances. These services are in compliance with applicable independence rules and Rothesay felt that the external auditors were best placed to provide these services because of their understanding of Rothesay.

### Committee performance and effectiveness

The internal review of Board effectiveness also considered the effectiveness of the Audit Committee, concluding that it worked effectively.



## Customer Conduct Committee report

The Customer Conduct Committee is responsible for ensuring the delivery of good outcomes for customers and that clients and counterparties are treated fairly by us, as well as overseeing Rothesay's approach to regulatory conduct of Consumer risk.

**Terry Miller**

Chair of the Customer Conduct Committee

**Committee membership**

Terry Miller (Chair)

Lisa Arnold

Angela Darlington

Katherine Garner

Heather Jackson

Sophie O'Connor



## Customer Conduct Committee report **continued**

### **I am pleased to present the Customer Conduct Committee's report for the year ended 31 December 2025.**

In 2025, I have continued to work with the Chairs of the Board Risk Committee and Audit Committee to coordinate the customer and compliance-related accountabilities of the three committees to ensure appropriate coverage and to minimise duplication.

### **Committee membership and attendance**

The Committee is composed solely of independent Non-Executive Directors with an appropriate mix of expertise and experience. The Chair of the Board, CEO, CFO, Chief Operations Officer, Chief Auditor, Chief Compliance Officer and General Counsel (who chairs the Executive Customer Committee) also regularly attended Committee meetings. Other members of management were also invited to attend as appropriate, including to present reports.

The Committee met formally on six occasions in 2025 (including once as a bipartite meeting with the Board Risk Committee) in addition to reviewing customer conduct issues and data via email.

In addition to holding bipartite or tripartite meetings when such an approach is considered appropriate, a number of Committee members are also members of the Audit Committee and Board Risk Committee. Alongside my continued engagement with the Chairs of the other Board Committees, this ensures effective coordination across the three committees.

### **Committee activities during 2025**

The Committee generally considers the following regular items:

- A report from the Executive Customer Committee, including:
  - Reporting from the Operations team on customer satisfaction, complaints and the performance of Rothesay's third-party administrators on their operations;
  - Reporting on customer initiatives; and
  - Reporting from the Mortgages team on complaints and on progress being made on long-outstanding cases;
- A report on regulatory updates;
- A report from the Compliance function on customer conduct risk; and
- A report from Internal Audit on customer-related audits.

Ahead of the 31 March 2025 regulatory deadline for the 2024/2025 Operational Resilience Self-Assessment Report, the Committee held a bipartite meeting with the Board Risk Committee to review the 2024/2025 Operational Resilience Self-Assessment Report, including receiving feedback from Ernst & Young LLP.

Other matters considered in 2025 included the:

- the Consumer Duty Annual Assessment;
- the launch of RothesayOne; and
- the Committee's Reporting/Review Matrix (which sets out the respective roles/obligations of the Customer Working Group, the Executive Customer Committee and the Committee itself).

Following Rothesay's acquisition of the Scottish Widows bulk annuity portfolio from Lloyds Banking Group, the Committee continued to receive regular reports on the preparations for the Part VII process until its approval by the High Court and the subsequent migration of Scottish Widows pension policies in the second quarter of 2025.

### **Committee performance and effectiveness**

The internal review of Board effectiveness also considered the effectiveness of the Customer Conduct Committee, concluding that it worked effectively.

## Board Risk Committee report

The Board Risk Committee is responsible for the operation of Rothesay's risk management framework.

**Ed Giera**

Chair of the Board Risk Committee

**Committee membership**

Ed Giera (Chair)

Lisa Arnold

Angela Darlington

Katherine Garner

Heather Jackson

Terry Miller

Sophie O'Connor



## Board Risk Committee report **continued**

### **I am pleased to present the Board Risk Committee's report for the year ended 31 December 2025.**

The Committee's primary responsibilities are the ongoing monitoring and control of all risks associated with the activities of Rothesay, within the parameters set by the Board and as set out in the risk and investment policies of Rothesay.

The Committee is also responsible for the oversight of the Executive Risk Committee (ERC) and its sub-committees, which are responsible for the ongoing monitoring and control of all financial risks, insurance risks and operational risks associated with the activities of Rothesay. The ERC has 19 members and is chaired by the CRO.

### **Committee membership and attendance**

The Committee is composed of only independent Non-Executive Directors with an appropriate mix of expertise and experience.

The Committee met for five scheduled meetings during 2025 in addition to dealing with various (out-of-cycle) matters by circulation.

The CEO, CRO, CFO, Chief Underwriting Officer, Head of Asset & Liability Management, General Counsel, Chief Actuary, Non-Executive Directors and shareholder representatives regularly attended Committee meetings. Other members of senior management were also invited to attend as appropriate to present reports. The Committee also meets independently with the CRO on a regular basis.

### **Committee activities during 2025**

#### ***Risk appetite monitoring***

The Committee received regular, detailed reports on key risk exposures and the drivers of risk, and monitored risk exposures against Rothesay's overall risk appetite. The Committee also reviewed and recommended amendments to ensure that Rothesay's Risk Appetite Statement, Risk Management Framework, and Risk Limit and Stress Testing Framework, effectively set appropriate limits and capacity for each primary risk type.

### ***Risk management and governance***

The Committee received regular reports from the ERC and the CRO presenting risk metrics and Key Risk Indicators (KRIs) by exposure type, management's risk register of the key financial and non-financial risk exposures, as well as key changes in the risk ranking and risk profiles, management areas of focus, and emerging risks.

Regular reporting includes:

- Planned investment activity
- Compliance with risk limits including in relation to liquidity, market, and counterparty risks
- Changes to credit ratings
- Climate change and sustainability risk
- Changes in the risk register
- Stress testing
- Potential impact of emerging risks
- Changes in liability composition and exposures
- Operational risk metrics and events
- Assessment and monitoring of technology resilience, transition, data, and cyber risk.

Specific areas of focus for the Committee during 2025 included US policy risk, concentration risk stress scenarios, and material developments in both liquid and illiquid credit and rates markets.

During 2025, the Committee reviewed and recommended for approval by the Board, Rothesay's Recovery and Resolution Plans, as well as Rothesay's Own Risk and Solvency Assessment (ORSA).

During the year, the Committee reviewed and approved updates to a number of policies including:

- Market risk policy
- Counterparty risk policy
- Underwriting, reinsurance and insurance risk policies
- ORSA policy
- Investment and credit policy
- Responsible investment and stewardship policy.

## Board Risk Committee report **continued**

### **Operational, Technology and Cyber risks**

The Committee regularly received updates and assurance assessments from the Risk and Internal Audit functions relating to the transition of Rothesay's risk management platform and technology infrastructure, including the management of cloud risks, the associated Technology risk, controls, incidents, and potential impact on the firm's risk posture.

The Committee also received periodic updates and considered Rothesay's operational resilience and Third Party risk profile, including operational risk reporting across risk categories, material vendor assessments, and progress on the Operational Resilience Programme.

### **New transactions**

The Committee reviewed the underwriting assumptions made in relation to the large bulk annuity transactions undertaken and proposed. This included consideration of any associated reinsurance transactions and the asset investment approach. The Committee also reviewed and approved the reinsurance transactions entered into during 2025.

The Committee reviewed and approved frameworks for Subscription Finance and US Mortgages, both of which were the focus of recommended investment transactions.

The Committee also reviewed and approved management's recommendations regarding changes to certain risk limits.

### **Internal model**

Rothesay's Full Internal Model (FIM) has been in operation since Q2 2023. The Committee oversees the operation of the FIM and has reviewed minor model changes and ongoing validation work. The Committee noted the quarterly model changes provided in regulatory submissions; summaries of internal model triggers, including breaches on material models; and other relevant Internal Model matters. The Committee also reviewed and approved the comprehensive Annual Validation Report, and the Annual Calibration and Validation Plan.

### **Committee performance and effectiveness**

The internal review of Board effectiveness also considered the effectiveness of the Board Risk Committee, concluding that it worked effectively.



## Remuneration Committee report

### Ensuring appropriate reward and incentives for our people

The Remuneration Committee is responsible for ensuring that Rothesay's remuneration policy provides for, and is implemented in a way that delivers, appropriate reward and incentives for our people.

**Bruce Carnegie-Brown**  
Chair of the Remuneration Committee

#### Committee membership

Bruce Carnegie-Brown (Chair)

Lisa Arnold

Geoff Craddock

Ed Giera

Arjun Gupta

Terry Miller



## Remuneration Committee report **continued**

### **I am pleased to present the Remuneration Committee's report for the year ended 31 December 2025.**

#### **Committee membership and attendance**

The Committee is composed solely of Non-Executive Directors with an appropriate mix of expertise and experience. Membership includes representation from Rothesay's shareholders facilitating the close alignment of long-term interests. The independent Non-Executive Directors form a majority.

The Committee met formally on three occasions in 2025 in addition to considering remuneration matters via email. The CEO, and CFO also regularly attended part of Committee meetings as appropriate and relevant. Deloitte was engaged to provide independent advice on remuneration. The advice provided included benchmarking, independent input and industry insights, as well as attendance at Committee meetings as appropriate and relevant.

#### **Committee responsibilities**

The Committee is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of Rothesay and for reviewing compliance with the policy in so far as it relates to senior managers and other employees. Within the context of the policy, the Committee is specifically responsible for making recommendations for the remuneration packages of the independent Non-Executive Directors, Executive Directors and other senior managers of Rothesay. The Committee is further responsible for monitoring the overall level and structure of remuneration for the wider population.

Rothesay's remuneration policy is intended to:

- Promote sound and effective risk management;
- Align individuals' incentives with multi-year performance;
- Discourage excessive or concentrated risk-taking;
- Allow Rothesay to attract and retain proven talent;
- Align aggregate remuneration with the performance of Rothesay as a whole and encourage teamwork.

This is achieved by ensuring that variable remuneration is linked to performance across a range of financial and non-financial metrics. The CRO and CCO provide input to the Committee and financial metrics are ignored when evaluating the performance of second and third-line employees. Considerable attention is paid to non-financial matters in assessing performance.

Remuneration packages combine a base salary, cash bonuses, a deferred equity award plan and for some employees a long-term stock appreciation rights plan (the SARs plan).

A summary of the components of remuneration of Executive Directors and senior management can be found in the table on the next page.

#### **Committee activities during 2025**

The Committee reviewed and approved recommendations for the remuneration packages of certain senior managers of Rothesay and also reviewed the recommendations of management in relation to the compensation for employees of the wider Group. The Committee reviewed and, as appropriate, approved remuneration proposals for certain new joiners and certain leavers.

The Committee reviewed the total remuneration costs of the Group in relation to the generation of value.

In considering remuneration packages, the Committee was mindful of the pressure on employee retention and challenges of recruitment.

The Committee again approved the award of shares to all eligible UK employees under the Schedule 2 Share Incentive Plan in order that all employees benefit from the success of Rothesay. The Committee also approved an offer by Rothesay to acquire vested shares from employees and an offer for employees and officers to acquire shares from Rothesay.

The Committee reviewed Rothesay's gender pay gap data for 2021 to 2025 and discussed the progress and actions that were being taken to reduce the gap.

The Committee also reviewed the composition of the material risk-taker population.

#### **Committee performance and effectiveness**

Due to the timing of the Board and Board Committee effectiveness review relative to the Chair Succession and the Committee's meeting schedule, the Board concluded that it would not be additive to review the effectiveness of the Committee in Q4 of 2025. The performance and effectiveness of the Committee will be reviewed in 2026.

## Remuneration Committee report **continued**

### Components of remuneration for Executive Directors and senior management

Component	Rationale
<b>Salary</b>	Salaries are set at a level which is intended to reflect the individual's responsibility, skill, competence and contribution to Rothesay's objectives, whilst at the same time taking note of the external value placed on the job in the market generally.
<b>Bonus</b>	The annual bonus rewards the achievement of strategic objectives and is qualitatively linked to Rothesay's KPIs, adjusted for current and future risks. Part of the cash bonus may be deferred. Bonuses are intended to reward achievement.
<b>Long-term incentives</b>	<p>Part of the annual bonus may be awarded as equity (through the deferred equity award plan). The deferred equity award plan ensures that stock vests and is delivered over several years. It is anticipated that when stock vests, a cash alternative will be offered. In addition, Rothesay also operates a stock appreciation rights plan (the SARs plan) for senior management. The SARs plan pays out at the end of at least three years, assuming performance triggers are met. Both plans ensure that the interests of shareholders and senior management are aligned.</p> <p>Since 2020, under the Schedule 2 Share Incentive Plan, all eligible UK employees were offered shares which would not vest fully for three years. Further shares will be issued under this plan in 2026.</p>
<b>Benefits</b>	Executive Directors and senior management are entitled to benefits in line with those provided to all employees.
<b>Pension</b>	Rothesay operates a defined contribution scheme. Executive Directors and senior management are entitled to membership of the scheme and receive contributions in line with those paid for all employees. Employees on lower salaries are entitled to an additional matched contribution of up to 2%.
<b>Equity</b>	Directors and senior management may hold equity as a result of historic awards and annual vestings.
<b>Shareholding guidelines</b>	As the Company is not quoted, Directors and senior management are unable to sell shares except as part of a liquidity event approved by the Remuneration Committee.
<b>Malus and clawback</b>	Any bonus that has been deferred is capable of a downward adjustment or forfeiture and the rules of the deferred equity award plan ensure that equity can be clawed back even after vesting.

# Report of the Directors

The Directors present their annual report and audited consolidated financial statements for Rothesay Limited (the Company), registered number 08668809, for the period ended 31 December 2025.

Comparative information has been presented for the year ended 31 December 2024.

## 1. General information

Rothesay Limited is the ultimate holding company of the Rothesay Group of companies. Rothesay Limited is a registered limited company incorporated and domiciled in the United Kingdom.

All accounting policies, where relevant, have been included within the specific note disclosures.

## 2. Results

The consolidated results for Rothesay and its subsidiaries (the Group or Rothesay) for the year are set out in the consolidated statement of comprehensive income on page 138. All likely future developments and material assessments of the Group's performance are discussed in the Strategic Report.

## 3. Registered office

Details of the Company and its subsidiaries, including registered offices, can be found in note H.2.

Copies of the annual accounts of subsidiary undertakings are publicly available on the Companies House website or can be obtained from the Company Secretary, The Post Building, 100 Museum Street, London WC1A 1PB.

## 4. Directors

The membership of the Board of Directors of the Company is given within the Corporate Governance Report on pages 104 to 107, which is incorporated by reference in this 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.

## 5. Qualifying third-party indemnities

The Articles of Association of the Company provide for the Directors and Officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. The Company also provides certain protections for Group Directors and senior management against personal financial exposure that they may have incurred in their capacity as such. These include qualifying third-party indemnity provisions (as defined under Section 234 of the Companies Act 2006) in force for the benefit of the Directors of the Group during the year and at the date of approval of the financial statements.

## 6. Dividend

The Board approved the payment of an interim dividend on 15 August 2025. The size of the payment was £488m (2024: £361m) which was paid on 7 October 2025. The Directors have recommended no final ordinary dividend in respect of the year ended 31 December 2025 (2024: £nil).

## 7. Disclosure of information to auditors

In the case of each Director in office at the date the Directors' report is approved:

- So far as each Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- They have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

## 8. Auditors

PricewaterhouseCoopers LLP will continue in office as auditors of the Company pursuant to Section 487(2) of the Companies Act 2006. Resolutions to reappoint PricewaterhouseCoopers LLP as auditors to the Group and to authorise the Directors to determine their remuneration are proposed.

## 9. Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

## Report of the Directors **continued**

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

### **10. Internal control and risk management systems**

Rothesay has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these internal control and risk management systems include:

- Management ensures that processes are appropriately followed, documented and controlled;
- The Risk function and management conduct checks on internal controls at least half-yearly;
- The Internal Audit function reviews and assesses controls on an ongoing basis;
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the consolidated financial statements. The Audit Committee is kept apprised of such developments; and

- The Group's results are subject to various levels of review by management, and the Audit Committee and the Board review the draft consolidated financial statements, Strategic Report and Report of the Directors. The Remuneration Committee reviews the remuneration disclosures. The Audit Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

### **11. Streamlined Energy and Carbon Reporting**

Rothesay Limited has prepared Streamlined Energy and Carbon Reporting (SECR) for the Rothesay Group. The Rothesay Limited Group SECR can be found in the Sustainability section of this report.

### **12. Post Balance Sheet Events**

On 27 January 2026, the Government introduced a draft Commonhold and Leasehold Reform Bill which proposed capping residential ground rents at £250 per annum from 2028, reducing to "a peppercorn", or zero, after 40 years. Should the proposed changes be enacted as anticipated in final legislation, the write down in the fair value of Rothesay's relevant assets as at 31st December 2025 is estimated to be £313m with a resultant increase in the value of our liabilities, prior to management actions. Rothesay is undertaking a range of management actions to mitigate the impact of the proposed cap, including mitigation of the impact on the value of our liabilities. While Rothesay supports the Government's objective to strengthen leaseholder protection and address remaining egregious ground rent escalations, the capping of all ground rents through retrospective legislation represents a concerning interference by the Government in legally binding contractual property rights, which is without precedent in the UK.

### **13. Date of authorisation of issue**

The financial statements were authorised for issue by the Board of Directors on 13 February 2026.

On behalf of the Board



**Tom Pearce**  
Chief Executive Officer  
13 February 2026

# Independent auditors' report to the members of Rothesay Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Rothesay Limited's Group financial statements and Company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual report and accounts 2025 (the "Annual Report"), which comprise:

- the Consolidated and Company statements of financial position as at 31 December 2025;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated and Company cash flow statements for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and as agreed with the Audit Committee, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in note B.7 Auditors' remuneration, we have provided no non-audit services to the Company in the period under audit.

# Independent auditors' report to the members of Rothesay Limited **continued**

## **Our audit approach**

### **Overview**

#### **Audit scope**

- Our audit scope has been determined to provide coverage of all material consolidated Group and Company financial statement line items.

#### **Key audit matters**

- Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group).
- Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group).
- Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group).
- Recoverability of the Company's investment in subsidiaries (parent)

#### **Materiality**

- Overall Group materiality: £85,000,000 (2024: £85,000,000) based on 1.02% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt.
- Overall Company materiality: £27,960,000 (2024: £27,810,000) based on 1.00% of Total Assets.
- Performance materiality: £63,750,000 (2024: £63,750,000) (Group) and £20,970,000 (2024: £20,857,500) (Company).

#### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

## Independent auditors' report to the members of Rothesay Limited **continued**

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group)</b>	
<p>Refer to Audit Committee report and notes D.1 Financial Investments and D.7 Payables and financial liabilities.</p>	<p>The procedures to assess the appropriateness of the valuation of certain investments classified as Level 3 included the following:</p>
<p>The valuation of certain financial investments categorised as Level 3 is considered inherently complex and uses management judgement to determine the appropriate methodology and selection of assumptions. Furthermore, the balances are material to the financial statements.</p>	<ul style="list-style-type: none"> <li>Assessed the design and, where applicable, the operating effectiveness of key controls, including the independent price verification process and controls over the accuracy of relevant data inputs;</li> </ul>
<p>We have focused on the following financial investments based on magnitude and inherent risk:</p>	<p>We performed the following audit procedures in respect of Lifetime mortgages:</p>
<ol style="list-style-type: none"> <li>Lifetime Mortgages (LTM);</li> <li>Commercial real estate loans;</li> <li>UK and European residential mortgages and loans;</li> <li>Assets secured on cashflows from residential freehold properties; and</li> <li>Other illiquid debt instruments.</li> </ol>	<ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of controls related to the accuracy and completeness of data used in the modelling of LTMs;</li> <li>For a sample of mortgages, agreed data used in the modelling of LTMs to policyholder documentation;</li> <li>Tested inputs into the valuation model to external sources, where possible, and contractual data;</li> <li>Engaged our valuation experts to assess the appropriateness of the methodology, models and key assumptions used in the valuation, including the No Negative Equity Guarantee, applying industry knowledge and experience and compared to recognised actuarial practices. This included consideration of any changes made during the year and the impact of current economic conditions;</li> <li>Evaluated the appropriateness of significant assumptions, including the property price inflation assumption, prepayment assumptions and the illiquidity premium used within the valuation process, with reference to market data and industry benchmarks where available; and</li> <li>Performed a revaluation of a sample of lifetime mortgages using an independent model to:</li> <li>Assess the accuracy of the modelled calculation; and</li> <li>Validate that the assessed methodology and assumptions have been appropriately applied.</li> </ul>
<p>As at 31 December 2025, there was significant subjectivity in the valuation of assets secured on cashflows from residential freehold properties given the uncertainty surrounding future legislative changes. This uncertainty impacted both the valuation of the assets secured on cashflows from residential freehold properties, which are included within Loans Secured on Property, as well as the Credit Default assumption associated with these assets.</p>	
<p>On 27 January 2026, after the reporting date, the Draft Commonhold and Leasehold Reform Bill was published. This outlined the intention to introduce a legislative cap on ground rents of £250 a year changing to a peppercorn after a period of 40 years. This has been disclosed as a post-balance sheet subsequent event in Note I.7.</p>	

## Independent auditors' report to the members of Rothesay Limited **continued**

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group) continued</b>	

For loans secured on property, including commercial real estate loans, UK and European residential mortgages and loans, and assets secured on cashflows from residential freehold properties;

- Tested the design and operating effectiveness of controls related to the accuracy and completeness of data used in the modelling;
- Tested inputs into the valuation models to contractual data and, where applicable, external sources;
- Engaged our valuation experts to:
- Assess the appropriateness of the valuation methodologies used, including any changes in the year;
- Assess the appropriateness of the year end calibration of key assumptions, including validating these assumptions with reference to market information and historical performance, or considering expert judgement;
- Where applicable, we assess credit rating methodologies, including comparing these to market standards;
- Review the application of the credit rating methodologies for a sample of assets; and
- For a sample of investments, reperformed management's valuation to confirm model calculations are appropriate.
- Considered the appropriateness of the associated disclosure, including the impact of the Draft Commonhold and Leasehold Reform Bill published after the reporting date.

Based on the procedures performed and evidence obtained, we consider the valuation of certain Level 3 financial investments to be appropriate.

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## Independent auditors' report to the members of Rothesay Limited **continued**

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group)</b></p> <p>Refer to Audit Committee report and note E - Insurance contracts and reinsurance.</p> <p>Annuitant mortality and specifically longevity improvements are inherently uncertain and continue to be an area of judgement. The potential long-term impact on longevity of the COVID-19 pandemic and medical advances also involves significant expert judgement.</p> <p>Management utilises the Group's own historic experience and available market data in the calculation of the appropriate assumptions. For the rate of mortality improvement, this includes the latest model and datasets from the Continuous Mortality Investigation (CMI) bureau, CMI 2024. The calibration of this model requires expert judgement. The IFRS 17 Risk Adjustment for longevity is calibrated using reinsurance pricing to determine stressed mortality assumptions to reflect the entity's required compensation for the risk.</p> <p>We consider the longevity methodology and assumptions underpinning the insurance contract liabilities to be a key audit matter, especially given the mono-line nature of the Group's insurance business.</p>	<p>The procedures to assess the appropriateness of the longevity methodology and assumptions used in the valuation of the insurance contract liabilities included the following:</p> <ul style="list-style-type: none"> <li>• Tested the reasonableness of the base mortality methodology and assumptions, including for new liability trades, with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience;</li> <li>• Tested the controls in place around the performance of longevity experience analysis studies, approval of the proposed methodology and assumptions; and their implementation within actuarial models;</li> <li>• Assessed the appropriateness of expert judgements used in the development of the mortality improvement methodology and assumptions by applying our industry knowledge and experience. This includes the selection and parameterisation of the CMI model including the calibration of the initial and long term improvement rates, as well as any expert judgements used in relation to the potential future impact of the current economic environment and the potential long term impacts the COVID-19 pandemic have had on longevity;</li> <li>• Assessed the appropriateness of expert judgements used in the IFRS 17 Risk Adjustment calibration for longevity risk by applying our industry knowledge and experience;</li> <li>• Compared the longevity methodology and assumptions selected by the Group against those used by their peers using our annual survey of the market; and</li> <li>• Assessed the disclosure of the longevity methodology and assumptions and the associated financial impact on the liabilities arising from changes in these over 2025.</li> </ul> <p>Based on the audit procedures performed and evidence obtained, we consider the longevity methodology and assumptions used in the valuation of Insurance contract liabilities to be appropriate.</p>

# Independent auditors' report to the members of Rothesay Limited **continued**

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group)</b>	

Refer to Audit Committee report and note E – Insurance contracts and reinsurance.

The Group has significant holdings in complex and illiquid investments in addition to liquid assets. The credit default risk assumption determines a deduction from the yield on the assets assumed to back the liabilities; this asset yield is used to determine the top-down discount rate used to value the liabilities. The credit default risk for these illiquid assets is judgemental and is generally lower than the corresponding credit default risk deduction on a typical unsecured credit portfolio. The methodology used to determine the credit default risk for liquid assets is more complex than others in the market.

The deduction from the asset yield reflects the Group's view of the value of the security held for the asset class which in itself is an area of judgement. The challenging economic environment has also increased the uncertainty in relation to the credit default assumptions made.

For 2025 year-end, the calibrations of the credit default assumptions for both the liquid and illiquid asset classes have been assessed and updated where necessary to reflect the most up to date information available. This includes lifetime mortgages and loans secured on residential ground rent assets, including the potential impact of the current Leasehold reform environment.

The procedures to assess the appropriateness of the credit default risk methodology and assumptions used in the valuation of the insurance contract liabilities included the following:

- Assessed the methodologies used to derive the assumptions for both liquid and illiquid asset classes with reference to relevant rules and actuarial guidance, by applying our industry knowledge and experience and by assessing the consistency of the assumptions with those used for the asset valuations where appropriate;
- Tested controls performed by management over the approval and implementation of credit default methodology and assumptions as well as controls over monitoring and updating the IFRS 17 discount rate to reflect changes in credit default assumptions;
- Validated significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practices;
- Assessed the reasonableness of the expert judgements made in determining changes to the credit default assumptions for material asset classes, such as lifetime mortgages and loans secured on residential ground rent assets, as well as for asset classes where the holdings have increased materially over the year such as French home loans;
- Compared the assumptions selected against those adopted by peers using our annual survey of the market (to the extent available);
- Tested the analysis of the movement in credit default risk assumption prepared by management for each asset class based on current market data and developments in the asset portfolio; and
- Assessed the disclosure of the credit default risk assumptions and the associated financial impact on the liabilities from changes in these assumptions over 2025.

Based on the procedures performed and evidence obtained, we consider the methodology and assumptions for Credit Default used in the valuation of Insurance contract liabilities to be appropriate.

## Independent auditors' report to the members of Rothesay Limited **continued**

Key audit matter	How our audit addressed the key audit matter
<b>Recoverability of the Company's investment in subsidiaries (parent)</b>	
<p>Refer to Financial statements of the Company and Note H – Investments in subsidiaries</p> <p>Rothesay Limited Company has investments in subsidiaries held at cost less impairment. Rothesay Life Plc, the regulated life insurance company, is the material investment in subsidiary for the Company. Given the principal purpose of the parent Company is as a holding company, and the magnitude of the investment in subsidiaries, the assessment of whether there were any indicators of impairment was a key area of audit focus.</p>	<p>In respect to the carrying value of investments in Rothesay Life Plc ('RLP') we:</p> <ul style="list-style-type: none"> <li>• Verified that the accounting policy is in compliance with the applicable financial reporting framework;</li> <li>• Considered the reasonableness of management's assessment as to whether there is any indication of impairment; and</li> <li>• Assessed other external and internal sources of information to determine whether any other indicators of impairment exist.</li> </ul> <p>Based on the procedures performed and the evidence obtained, we consider the carrying value of investments in RLP to be appropriate.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Decisions regarding scoping require professional judgement based on quantitative and qualitative considerations, including the size and nature of business activities in each operating entity.

The Group is predominantly based in the United Kingdom and its core business is the UK pension scheme Bulk Purchase Annuity market.

The Group consists of the parent Company, Rothesay Limited, and a number of subsidiary companies, of which the most significant is Rothesay Life Plc, the regulated life insurance Company within the Group.

We have determined two components which were subject to full scope audits, Rothesay Limited (Company) and Rothesay Life plc. In addition, we performed a limited scope audit covering specific financial statement line items for a further six components. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement.

Our scoping resulted in 93% coverage of consolidated total assets, 93% coverage of consolidated total liabilities and 99% coverage of consolidated profit before tax.

### The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group's Annual Report and Accounts. Within the Group's Non-Financial and Sustainability Information Statement section of the Annual Report and Accounts, (including the Task Force on Climate-related Financial Disclosures (TCFD)), the Group has made commitments to transitioning their investment portfolio to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement. We have considered these disclosures as part of our consideration of other Information disclosed in the Annual Report and Accounts as set out in the 'Reporting on other information' section of this report. The key area of the financial statements where Rothesay evaluated that climate risk has a potential impact is on the valuation of financial investments, specifically Loans secured on property. We agree that this is the key area of potential impact and that the relevant disclosures that have been made within the financial statements are appropriate.

## Independent auditors' report to the members of Rothesay Limited **continued**

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
<b>Overall materiality</b>	£85,000,000 (2024: £85,000,000)	£27,960,000 (2024: £27,810,000)
<b>How we determined it</b>	1.02% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt	1.00% of Total Assets
<b>Rationale for benchmark applied</b>	We determine a materiality that reflects the context of the business performance and benchmarks which represent key performance indicators considered important to the users of the financial statements. We consider Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt (Adjusted Equity) to be the most appropriate benchmark as it represents a reflection of value that aligns with the long-term value of the Group. We have presented the materiality as a percentage of this metric and considered alternative benchmarks including: Total assets; Insurance revenue and Insurance service result; and Profit before tax, in determining the appropriate materiality to be applied.	Total assets has been used as the benchmark. The Parent Company's primary purpose is to act as a holding company and not to generate operating profits. Accordingly, a profit-based measure is not considered relevant.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £7,300,000 and £80,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £63,750,000 (2024: £63,750,000) for the Group financial statements and £20,970,000 (2024: £20,857,500) for the Company financial statements.

## Independent auditors' report to the members of Rothesay Limited **continued**

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,000,000 (Group audit) (2024: £4,250,000) and £2,796,000 (Company audit) (2024: £1,390,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Directors' going concern assessment, including key assumptions, using our knowledge of the Group and Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Assessing the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been driven by the Group's ORSA as well as any relevant external factors;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the Directors' assessment of going concern; and
- inquiring and understanding the actions taken by management to mitigate the identified risks, including review of Board Risk Committee minutes and attendance of all Audit Committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# Independent auditors' report to the members of Rothesay Limited **continued**

## **Strategic report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the Directors for the financial statements***

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates, including the valuation of insurance contract liabilities and the valuation of investments classified as Level 3 under IFRS 13. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the Group's whistleblowing register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Risk Committee and attending all Audit Committees;
- Reviewing data regarding policyholder complaints, the Group's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Assessing whether there is any indication of management bias in the key accounting estimates including the valuation of insurance contract liabilities and the valuation of certain financial investments classified as Level 3 under IFRS 13;

## Independent auditors' report to the members of Rothesay Limited **continued**

- Determining fraud risk criterias to identify potential inappropriate journals and obtaining appropriate audit evidence as required; and
- Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material and immaterial financial statement line items.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report. As agreed with the Audit Committee, we also describe our audit approach, including communicating key audit matters.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## Independent auditors' report to the members of Rothesay Limited **continued**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### ***Companies Act 2006 exception reporting***

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

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

We have no exceptions to report arising from this responsibility.

### **Thomas Ferguson (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

13 February 2026

## Section three

# Financial Statements

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➤ The financial statements set out the consolidated results for Rothesay Limited and its subsidiaries for the year ended 31 December 2025.



## Consolidated statement of comprehensive income

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Insurance revenue	B.1	4,675	4,234
Insurance service expense	B.1	(3,966)	(3,475)
Net expense from reinsurance contracts held	B.1	(128)	(63)
<b>Insurance service result</b>		<b>581</b>	<b>696</b>
<b>Total investment return/(loss)</b>	B.2	<b>3,685</b>	<b>(1,699)</b>
Finance (expense)/income for insurance contracts issued	B.2	(2,090)	2,031
Finance expense for reinsurance contracts held	B.2	(37)	(191)
<b>Net insurance finance result</b>		<b>(2,127)</b>	<b>1,840</b>
<b>Net insurance and investment result</b>		<b>2,139</b>	<b>837</b>
Operating expenses	B.3	(210)	(84)
Finance costs	B.4	(724)	(640)
<b>Profit before tax</b>		<b>1,205</b>	<b>113</b>
Income tax expense	B.8	(303)	(32)
<b>Profit for the year</b>		<b>902</b>	<b>81</b>

	Note	2025 £m	2024 £m
<b>Profit for the financial year</b>		<b>902</b>	<b>81</b>
<b>Cash flow hedges:</b>			
Fair value (losses)/gains during the year	C.4	(6)	4
<b>Total comprehensive income for the year</b>		<b>896</b>	<b>85</b>

All income and expenses are related to continuing operations.

Notes A-I form an integral part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2025

	Notes	2025 £m	2024 £m
<b>Assets</b>			
Property, plant and equipment	I.1	64	48
Lease – right-of-use assets	I.6	62	51
Financial investments	D.1	124,450	117,428
Investment properties	D.6	146	—
Deferred tax assets	G.1	523	586
Reinsurance contract assets	E.4	391	302
Accrued interest and prepayments	D.3	1,190	1,062
Receivables	D.4	3,539	3,836
Cash and cash equivalents	D.5	277	241
Assets held for sale		—	3
<b>Total assets</b>		<b>130,642</b>	<b>123,557</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	C.1	3	3
Share premium	C.4	681	681
Tier 1 notes	C.3	793	793
Employee scheme treasury shares and share-based payment reserve	C.2	(149)	(148)
Other reserves	C.4	131	137
Profit and loss reserve	C.4	3,129	2,749
<b>Total equity</b>		<b>4,588</b>	<b>4,215</b>
<b>Liabilities</b>			
Insurance contract liabilities	E.1	66,646	64,222
Reinsurance contract liabilities	E.4	200	223
Payables and financial investment liabilities	D.7	56,183	52,012
Lease liabilities	I.6	75	64
Borrowings	D.8	2,699	2,616
Accruals	D.9	251	205
<b>Total liabilities</b>		<b>126,054</b>	<b>119,342</b>
<b>Total equity and liabilities</b>		<b>130,642</b>	<b>123,557</b>

Notes A-I form an integral part of these financial statements.

The financial statements on pages 138 to 221 were approved by the Board of Directors on 13 February 2026 and signed on its behalf by:



**Tom Pearce**  
Chief Executive Officer  
13 February 2026  
Company number 08668809

## Consolidated statement of changes in equity

### For the year ended 31 December 2025

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Employee scheme treasury shares and share-based payment reserve £m	Profit and loss reserve £m	Other reserves £m	Total equity £m
<b>As at 1 January 2025</b>		<b>3</b>	<b>681</b>	<b>793</b>	<b>(148)</b>	<b>2,749</b>	<b>137</b>	<b>4,215</b>
Profit for the financial year	C.4	—	—	—	—	902	—	902
Adjustment to retained earnings		—	—	—	—	1	—	1
Tier 1 note coupon	C.3, C.4	—	—	—	—	(47)	—	(47)
Tier 1 coupon tax relief	C.3, C.4	—	—	—	—	12	—	12
Dividends paid	C.4, C.5	—	—	—	—	(488)	—	(488)
Effective portion of changes in fair value of cash flow hedges	C.4	—	—	—	—	—	(6)	(6)
Share-based payments	C.2	—	—	—	(1)	—	—	(1)
<b>As at 31 December 2025</b>		<b>3</b>	<b>681</b>	<b>793</b>	<b>(149)</b>	<b>3,129</b>	<b>131</b>	<b>4,588</b>

### For the year ended 31 December 2024

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Employee scheme treasury shares and share-based payment reserve £m	Profit and loss reserve £m	Other reserves £m	Total equity £m
<b>As at 1 January 2024</b>		<b>3</b>	<b>507</b>	<b>793</b>	<b>(150)</b>	<b>3,065</b>	<b>133</b>	<b>4,351</b>
Profit for the financial year	C.4	—	—	—	—	81	—	81
Tier 1 note coupon	C.3, C.4	—	—	—	—	(47)	—	(47)
Tier 1 coupon tax relief	C.3, C.4	—	—	—	—	11	—	11
Effective portion of change in fair value of cash flow hedges	C.4	—	—	—	—	—	4	4
Share issuance	C.1, C.4	—	174	—	—	—	—	174
Dividends paid	C.4, C.5	—	—	—	—	(361)	—	(361)
Share-based payments	C.2	—	—	—	2	—	—	2
<b>As at 31 December 2024</b>		<b>3</b>	<b>681</b>	<b>793</b>	<b>(148)</b>	<b>2,749</b>	<b>137</b>	<b>4,215</b>

Other reserves as at 31 December 2025 includes a hedging reserve of (£1m) (2024: £5m) and the reorganisation reserve (please see glossary for further details) of £132m (2024: £132m) (which reflects the impact of Rothesay's reorganisation in 2013, specifically the excess of consolidated net assets to the historical cost of investment in subsidiary entities) (see note C.4).

# Consolidated cash flow statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
<b>Cash flows from operating activities</b>			
Profit for the year		902	81
<b>Adjustments for non-cash movements in profit for the year</b>			
Adjustment to retained earnings	C.4	1	—
Hedging reserve	C.4	(6)	4
Exchange rate movement on USD borrowings		(43)	6
Amortisation of debt costs	B.4	4	7
Property, plant and equipment depreciation	I.1	2	2
Lease – right-of-use assets depreciation	I.6	6	6
Financing charge on lease liabilities	B.4	6	4
Employee benefit trust	C.2	(8)	(12)
Share-based payment	C.2	7	14
Interest income	B.2	(3,485)	(3,086)
Interest expense	B.4	714	627
Income tax expense/(credit)	B.8	229	(39)
<b>Net (increase)/decrease in operational assets</b>			
Financial investments	D.1	(7,021)	(18,460)
Investment properties	D.6	(146)	—
Deferred tax assets	G.1	63	72
Reinsurance contract assets	E.4	(89)	(86)
Receivables	D.4	230	(1,741)
Prepayments	D.3	(21)	(21)
Assets held for sale		3	124
<b>Net increase/(decrease) in operational liabilities</b>			
Insurance contract liabilities	E.1	2,424	9,592
Reinsurance contract liabilities	E.4	(23)	(238)
Financial investment liabilities	D.7	4,800	10,652
Other payables	D.7	(630)	183
Accrued expenses	D.9	(7)	8
<b>Cash flows used in operating activities</b>		<b>(2,088)</b>	<b>(2,301)</b>
Interest paid		(662)	(590)
Interest received		3,378	2,915
Taxes paid		(151)	(137)
<b>Net cash flows generated/(used in) operating activities</b>		<b>477</b>	<b>(113)</b>
<b>Cash flows (used in)/generated from financing activities</b>			
Interest payments on Tier 1 notes	C.3	(47)	(47)
Cash outflows for lease liabilities	I.6	(10)	(10)
Repayment of borrowings	D.8	(250)	(400)
Proceeds from issuance of debt (net of issuance costs)	D.8	372	754
Proceeds from issuance of ordinary share capital (including share premium)	C.1	—	174
Dividends paid	C.5	(488)	(361)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(423)</b>	<b>110</b>
<b>Net cash outflows used in investing activities</b>			
Acquisitions of property, plant and equipment	I.1	(18)	(23)
<b>Net cash outflows used in investing activities</b>		<b>(18)</b>	<b>(23)</b>
Net increase/(decrease) in cash and cash equivalents		36	(26)
Cash and cash equivalents at 1 January	D.5	241	267
<b>Cash and cash equivalents at 31 December</b>	D.5	<b>277</b>	<b>241</b>

# Company statement of financial position

As at 31 December 2025

	Notes	2025 £m	2024 £m
<b>Assets</b>			
Investment in subsidiaries	H.2	2,658	2,651
Financial investments		1	—
Receivables	D.4	137	119
Cash and cash equivalents		—	1
<b>Total assets</b>		<b>2,796</b>	<b>2,771</b>
<b>Equity and liabilities</b>			
Share capital	C.1	3	3
Share premium	C.4	681	681
Share-based payment reserve		(21)	(30)
Profit and loss reserve		1,931	1,939
<b>Total equity</b>		<b>2,594</b>	<b>2,593</b>
<b>Liabilities</b>			
Other payables	D.7	202	178
<b>Total liabilities</b>		<b>202</b>	<b>178</b>
<b>Total equity and liabilities</b>		<b>2,796</b>	<b>2,771</b>

Notes A-I form an integral part of these financial statements.

The loss of the Company for the financial year was £13m (2024: loss of £11m). As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements.

The financial statements on pages 138 to 221 were approved by the Board of Directors on 13 February 2026 and signed on its behalf by:



**Tom Pearce**  
Chief Executive Officer  
13 February 2026  
Company number 08668809

## Company statement of changes in equity

### For the year ended 31 December 2025

	Share capital £m	Share premium £m	Share-based payment reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2025	3	681	(30)	1,939	2,593
Loss for the financial year	—	—	—	(13)	(13)
Dividends received	—	—	—	493	493
Dividends paid	—	—	—	(488)	(488)
Share-based payments	—	—	9	—	9
<b>As at 31 December 2025</b>	<b>3</b>	<b>681</b>	<b>(21)</b>	<b>1,931</b>	<b>2,594</b>

### For the year ended 31 December 2024

	Share capital £m	Share premium £m	Share-based payment reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2024	3	507	(45)	1,950	2,415
Loss for the financial year	—	—	—	(11)	(11)
Share issuance	—	174	—	—	174
Dividends received	—	—	—	361	361
Dividends paid	—	—	—	(361)	(361)
Share-based payments	—	—	15	—	15
<b>As at 31 December 2024</b>	<b>3</b>	<b>681</b>	<b>(30)</b>	<b>1,939</b>	<b>2,593</b>

## Company cash flow statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
<b>Cash flows from operating activities</b>			
Loss for the year	I.2	(13)	(11)
<b>Adjustments for non-cash movements in net loss for the year</b>			
Share-based payments		8	14
Amortisation of debt costs		—	2
Interest expense		3	4
<b>Net increase in operational assets</b>			
Financial investments		(1)	—
Receivables	D.4	(18)	(11)
<b>Net increase in operational liabilities</b>			
Other payables	D.7	24	9
<b>Net cash flows generated from operating activities</b>		<b>3</b>	<b>7</b>
<b>Cash flows used in financing activities</b>			
Proceeds from issuance of ordinary share capital	C.1	—	174
Interest paid		(4)	(5)
Dividends paid	C.5	(488)	(361)
<b>Net cash flows used in financing activities</b>		<b>(492)</b>	<b>(192)</b>
<b>Cash flows generated from/(used in) investing activities</b>			
Dividends received	I.2	493	361
Investment in subsidiaries	H.2	(5)	(175)
<b>Net cash flows generated from investing activities</b>		<b>488</b>	<b>186</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1)</b>	<b>1</b>
Cash and cash equivalents at 1 January		1	—
<b>Cash and cash equivalents at 31 December</b>		<b>—</b>	<b>1</b>

# Notes to the financial statements

## Note A – Material accounting policy information

### A.1 Basis of preparation and consolidation

The consolidated financial statements of Rothesay and those of the Company have been prepared and approved by the Directors in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. The accounting policies have been applied consistently. The financial statements have been prepared on a going concern basis. The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties measured at fair value and financial assets and financial liabilities that are measured at fair values (see notes D.1 and D.7) at the end of each reporting period.

The Directors have considered the appropriateness of adopting the going concern basis for the preparation of the consolidated financial statements. The Board has considered forward-looking scenarios intended to test the impact of stresses and scenarios that may impact Rothesay's ability to execute its business plan. The results demonstrate the robustness of Rothesay's solvency. Management and the Board believe Rothesay 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 consolidated and separate financial statements of the Company are presented in sterling (£) rounded to the nearest million (£m) except where otherwise stated. The separate Company statement of financial position is presented on page [142](#).

An analysis regarding recovery or settlement more than 12 months after the year end is presented in the notes.

Assets and liabilities are offset and the net amount reported in the 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 income statement unless required or permitted by IFRS.

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Rothesay obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date Rothesay gains control until the date Rothesay ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. The notes to the financial statements reflect the Rothesay Group position unless otherwise stated.

Control is achieved when Rothesay is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Rothesay controls an investee if and only if Rothesay has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Rothesay reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All of Rothesay'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; please refer to note B.1 for Rothesay's total insurance revenue. Rothesay's insurance operations are within the United Kingdom.

## Notes to the financial statements **continued**

### **Note A – Material accounting policy information (continued)**

#### **A.1 Basis of preparation and consolidation (continued)**

During the preparation of the consolidated financial statements, Rothesay 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 Rothesay's accounting policies. Key considerations of the standard include:

- assessment of the significance of insurance risk transferred to Rothesay 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.7(e));
- the method used to measure the coverage units for both immediate and deferred annuities provided under insurance contracts (see note E.6); and
- the assessment of whether Rothesay controls underlying entities and investments (see note H.1).

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).

In accordance with IAS 1 and published FRC guidance, within each of the relevant notes Rothesay has included the following information:

- the assumptions made and the uncertainties around these;
- how sensitive the assets and liabilities are to these assumptions;
- expected resolution of the uncertainty and the range of possible outcomes for the financial year ending 31 December 2026; and
- explanation of any changes made to past assumptions if the uncertainty is unresolved.

#### **A.2 Contract classification**

Contracts under which Rothesay 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. Rothesay has classified its policyholder contracts as insurance contracts based on a contract-by-contract assessment of substantive rights and obligations. Rothesay 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 Rothesay has the possibility of a significant loss. For Rothesay, 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 Rothesay.

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

## Notes to the financial statements **continued**

### **Note A – Material accounting policy information (continued)**

#### **A.3 Foreign currency transactions**

Transactions denominated in foreign currencies are translated into sterling at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the financial statement date. Gains and losses on exchange are recognised in investment returns and operating expenses. The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- income, expenses and cash flows denominated in foreign currency are translated at average exchange rates; and
- all resulting exchange differences are recognised through the statement of consolidated comprehensive income and taken to the currency transaction reserve within equity.

#### **A.4 Accounting policies and changes in accounting policies**

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

- 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 Rothesay:

- 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 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 Rothesay and will require additional disclosures in relation to management performance measures but there will not be any impact on financial results.
- 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 Rothesay.

## Notes to the financial statements **continued**

### **Note B – Income statement notes**

#### **Insurance revenue**

Insurance revenue is recognised as Rothesay provides services under groups of insurance contracts. Such contracts include reinsurance inwards, i.e. where Rothesay has reinsured a third-party insurer. The insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which Rothesay expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units released during the year (see note E.6).
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year.
- Other amounts, including experience adjustments for premium receipts for current or past services.

In addition, Rothesay allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. Rothesay recognises the allocated amount as insurance revenue and an equal amount as insurance service expense.

#### **Insurance service expense**

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred.

The insurance service expense includes:

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows. This is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Payments relating to investment components and premium refunds are excluded from insurance service revenue and insurance service expense (see note E.1).

#### **Net expense from reinsurance contracts held**

Reinsurance expenses are recognised similarly to insurance revenue but also includes a consideration for the effects of changes in non-performance risk of reinsurers. Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. Rothesay recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each year represents the total of the changes in the asset for remaining coverage that relate to services for which Rothesay expects to pay consideration.

Allocation of reinsurance premiums paid include:

- Expected recovery for insurance service expenses incurred during the year.
- Change in the risk adjustment for non-financial risk.
- Net cost/gain recognised in profit or loss for the services received.
- Amounts relating to recovery in reinsurance acquisition cash flows.
- Other amounts, including reinsurance premiums experience adjustment for current or past service.

Amounts recoverable from reinsurers include:

- Amounts recoverable for claims and other expenses incurred during the year.
- Changes in amounts recoverable arising from changes in liability for incurred claims.
- Amounts relating to recovery in reinsurance acquisition cash flows.

## Notes to the financial statements continued

### Note B – Income statement notes (continued)

#### B.1 Insurance service results

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

	2025 £m	2024 £m
<b>Insurance revenue</b>		
Amounts relating to changes in liabilities for remaining coverage:		
– Expected insurance service expense incurred during the year	3,918	3,449
– Change in the risk adjustment for non-financial risk	13	11
– CSM recognised in profit or loss for the services provided during the year	689	725
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	55	49
<b>Total insurance revenue</b>	<b>4,675</b>	<b>4,234</b>
<b>Insurance service expense</b>		
Incurred claims and other incurred insurance service expenses	(3,911)	(3,426)
Amortisation of insurance acquisition cash flows	(55)	(49)
<b>Total insurance service expense</b>	<b>(3,966)</b>	<b>(3,475)</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>709</b>	<b>759</b>
<b>Net expense from reinsurance contracts held</b>		
Amounts relating to changes in liabilities for remaining coverage:		
– Expected recovery for insurance service expenses incurred during the year	(3,064)	(2,546)
– Net cost recognised in profit or loss for the services received	(118)	(62)
– Amounts relating to recovery in insurance acquisition cash flows	6	5
<b>Total allocation of reinsurance premiums paid</b>	<b>(3,176)</b>	<b>(2,603)</b>
Amounts recoverable for claims and other expenses incurred during the year	3,054	2,545
Amounts relating to recovery in insurance acquisition cash flows	(6)	(5)
<b>Amounts recoverable from reinsurers</b>	<b>3,048</b>	<b>2,540</b>
<b>Total net expense from reinsurance contracts held</b>	<b>(128)</b>	<b>(63)</b>
<b>Total insurance service result</b>	<b>581</b>	<b>696</b>

## Notes to the financial statements continued

### Note B – Income statement notes (continued)

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

This note provides an analysis of the total investment return/(loss) and net insurance finance expense recognised in profit or loss during the year. Net foreign exchange gain/(loss) is not shown in the table below because it is not material.

	2025 £m	2024 £m
Interest income on financial investments at fair value through profit or loss (FVTPL)	3,485	3,086
Unrealised gains/(losses) on financial investments and liabilities at FVTPL	764	(4,929)
Realised (losses)/gains on financial investments and liabilities at FVTPL	(493)	200
Investment management expenses	(71)	(56)
<b>Total investment return/(loss)</b>	<b>3,685</b>	<b>(1,699)</b>
<b>Finance (expense)/income from insurance contracts issued</b>		
Interest accreted to insurance contracts using current financial assumptions on fulfilment cash flows	(3,167)	(2,745)
Interest accreted to insurance contracts using locked-in rate on the CSM	(192)	(173)
Effects of changes in interest rates and other financial assumptions	1,269	4,949
<b>Total finance (expense)/income from insurance contracts issued</b>	<b>(2,090)</b>	<b>2,031</b>
<b>Finance expense from reinsurance contracts held</b>		
Interest accreted to reinsurance contracts using current financial assumptions on fulfilment cash flows	(164)	(178)
Interest accreted to reinsurance contracts using locked-in rate on the CSM	15	8
Effects of changes in interest rates and other financial assumptions	113	(22)
Effect of changes in non-performance risk of reinsurers	(1)	1
<b>Total finance expense from reinsurance contracts held</b>	<b>(37)</b>	<b>(191)</b>
<b>Total net insurance finance (expense)/income</b>	<b>(2,127)</b>	<b>1,840</b>
Represented by:		
Amounts recognised in profit or loss	1,558	141
Amounts recognised in other comprehensive income	—	—

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 year. Interest accreted to insurance contracts using the 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 2025 is higher than in 2024 due to the new business written between reporting periods and the change in the interest rate 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.

## 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 Rothesay 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 to be included in the measurement of future insurance contracts. 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 inception are shown with attributable acquisition costs:

	2025 £m	2024 £m
Attributable acquisition costs and new business acquisition costs incurred after scheme inception	95	196
Fulfilment cash flows (excluding all new business acquisition costs)	89	79
Non-attributable costs	210	84
<b>Expenses</b>	<b>394</b>	<b>359</b>

Non-attributable costs have increased due to lower allocations against new business. Non-attributable costs are broken down below. Reinsurance fees can be positive or negative as this amount represents the change in provisions relating to such fees. For 2025, attributable acquisition costs includes nil insurance acquisition asset (2024: nil).

	2025 £m	2024 £m
Reinsurance fees	(3)	(5)
Property, plant and equipment depreciation	2	3
Lease – right-of-use assets depreciation	6	6
Other non-attributable costs	205	80
<b>Operating Expenses</b>	<b>210</b>	<b>84</b>

## Notes to the financial statements continued

### Note B – Income statement notes (continued)

#### B.4 Finance costs

Finance costs consist of interest payable on financial liabilities and financing charge on lease liabilities. Finance costs are accounted for on an accruals basis.

	2025 £m	2024 £m
Interest payable on collateral	204	246
Interest payable on collateralised agreements and financing	350	228
<b>Total interest payable on collateral and collateralised agreements</b>	<b>554</b>	<b>474</b>
Interest payable on borrowings from related parties	18	18
Interest payable on third-party borrowings	146	144
Financing charge on lease liabilities	6	4
<b>Total borrowing costs</b>	<b>170</b>	<b>166</b>
<b>Net finance costs</b>	<b>724</b>	<b>640</b>

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

#### B.5 Employee information

	2025 No.	2024 No.
Average number of staff employed during the year	555	500
<b>Employees by department at year end</b>		
Management	33	35
New business origination and investments	106	95
Technology, operations and project management	262	246
Finance, legal and HR	115	111
Risk and Internal Audit	55	52
	<b>571</b>	<b>539</b>

Rothesay employee costs during the financial year (including Directors' salaries and other pension costs) are as follows:

	2025 £m	2024 £m
Wages and salaries	211	175
Social security costs	37	29
Other pension costs	9	8
<b>Total employee benefits expense</b>	<b>257</b>	<b>212</b>

## Notes to the financial statements **continued**

### **Note B – Income statement notes (continued)**

#### **B.5 Employee information (continued)**

Total employee benefit expenses have increased slightly driven by changes in the share price and movements in the employee population. The key management personnel who have the authority and responsibility for planning, directing and controlling the activities of Rothesay include its Directors. Further details of key management personnel transactions are included in note I.4.

Directors' emoluments in respect of qualifying services to Rothesay were as follows:

	2025 £m	2024 £m
Directors' remuneration		
Aggregate emoluments	21	19
Company pension contributions to money purchase schemes	—	—
<b>Total Directors' remuneration</b>	<b>21</b>	<b>19</b>
Highest paid Director		
Total amount of emoluments	12	9
Company pension contributions to money purchase schemes	—	—
<b>Total highest paid Director</b>	<b>12</b>	<b>9</b>

In accordance with the Companies Act 2006, Directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services. This total does not include the value of equity awards in accordance with the provisions of Schedule 5 of SI 2008/410.

During 2025, Directors received no emoluments for non-qualifying services which are required to be disclosed. Three Directors have been granted shares in Rothesay Limited (including the highest paid Director) (2024: two) in respect of long-term incentive schemes. No Directors have exercised options during the year. During 2025, two Directors were awarded a total of £12m compensation in relation to a long-term incentive plan, which rewards performance over a three-year period (2024: £10m).

#### **B.6 Pension contributions**

*Rothesay operates a defined contribution pension scheme, sponsored by Rothesay Pensions Management Limited, and contributions to the scheme are charged to the consolidated statement of comprehensive income as they accrue. Contributions are also paid on behalf of employees of Rothesay Asset Management North America LLC and Rothesay Asset Management Australia Pty Ltd.*

The amount charged for the financial year was £9m (2024: £8m). There were no outstanding contributions as at 31 December 2025 (2024: £nil).

## Notes to the financial statements continued

### Note B – Income statement notes (continued)

#### B.7 Auditors' remuneration

Fees paid and payable to Rothesay's auditors are as follows:

	2025 £000s	2024 £000s
Remuneration receivable by the Company's auditors for the audit of the consolidated and Company financial statements	109	105
Remuneration receivable by the Company's auditors for the audit of the financial statements of the Company's subsidiaries	3,003	2,643
<b>Total audit</b>	<b>3,112</b>	<b>2,748</b>
Required by regulation	344	316
Audit-related assurance services	285	274
Other assurance services	145	110
Non-audit services	—	—
<b>Total fees</b>	<b>3,886</b>	<b>3,448</b>

Audit-related assurance services include the review of the Group's interim accounts and MCEV statements. Other assurance services provided in 2025 and 2024 relate to work associated with debt issuances. These services are in compliance with applicable independence rules and Rothesay considered that the external auditors were best placed to provide these services because of their expertise and their understanding of Rothesay.

#### B.8 Income tax expense

The major components of income tax for the year ended 31 December 2025 are set out below:

	2025 £m	2024 £m
Current income tax:		
UK corporation tax	229	1
Loss carry back to prior year	—	(34)
Adjustment in respect of prior year	—	(6)
<b>Total current income tax</b>	<b>229</b>	<b>(39)</b>
Deferred tax:		
Origination and reversal of temporary differences	72	65
Adjustment in respect of prior year	2	6
<b>Total deferred tax</b>	<b>74</b>	<b>71</b>
<b>Total tax expense in the consolidated statement of comprehensive income</b>	<b>303</b>	<b>32</b>

## Notes to the financial statements **continued**

### **Note B – Income statement notes (continued)**

#### ***B.8 Income tax expense (continued)***

The tax expense in the consolidated statement of comprehensive income for the financial year and the standard rate of corporation tax in the UK of 25.00% (2024: 25.00%) is reconciled below:

	2025 £m	2024 £m
Profit on ordinary activities before taxation	1,205	113
Tax calculated at UK standard rate of corporation tax of 25.00%	301	28
Adjustment in respect of prior year	2	1
Impact of tax losses carried back at lower tax rate	—	2
Permanent differences	—	1
<b>Total tax expense in the consolidated statement of comprehensive income</b>	<b>303</b>	<b>32</b>

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 year, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2025. As such, no top-up tax has been accrued during the year. The Group will continue to monitor the availability of transitional safe harbour provisions and future amendments issued by the IASB.

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 31 December 2025 and 31 December 2024, the share capital of Rothesay Limited comprised:

	2025		2024	
	No.	£m	No.	£m
Ordinary share capital of £0.002 each	1,589,914,455	3.2	1,589,914,455	3.2
Ordinary share capital of £0.001 each	1	—	1	—
<b>Authorised and issued share capital</b>	<b>1,589,914,456</b>	<b>3.2</b>	<b>1,589,914,456</b>	<b>3.2</b>

On 24 September 2024, Rothesay Limited issued 42,046,490 ordinary shares for total cash consideration of £174m. No changes have been made to equity share capital in 2025.

The ordinary shares issued are analysed into the following categories:

	2025		2024	
	No.	£m	No.	£m
A £0.002 ordinary	1,555,720,122	3.1	1,555,720,122	3.1
B £0.002 ordinary	34,194,333	0.1	34,194,333	0.1
D £0.001	1	—	1	—
<b>Total</b>	<b>1,589,914,456</b>	<b>3.2</b>	<b>1,589,914,456</b>	<b>3.2</b>

The A and B shares entitle the holder to participate in dividends. All ordinary shares entitle the holder to share in the proceeds of the winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Only the A and D shares have full voting rights. The B ordinary shares have limited voting rights. All classes of shares have been fully paid.

#### C.2 Employee scheme treasury shares and share-based payment reserve

The Rothesay Employee Share Trust (EBT) was established to purchase and hold shares of the Company for delivery of employee share schemes. Shares owned by the EBT are included at cost in the consolidated statement of financial position and are shown as a deduction from shareholders' equity. Gains and losses on sale of shares are charged or credited to the share-based payment reserve in equity. They are disclosed as employee scheme shares until they vest. The table below provides an analysis of the movement in the number of B ordinary shares held by the EBT.

	2025	2024
Number of shares	No.	No.
<b>At 1 January</b>	<b>17,424,552</b>	<b>19,013,488</b>
Shares acquired from employees	1,289,557	988,012
Shares transferred to the Employee Share Incentive Plan Trust (ESIP)	(492,029)	(372,694)
Shares purchased by employees	(432,368)	—
Shares issued to employees as Restricted Stock Units (RSU) vest	(1,780,781)	(2,204,254)
<b>At financial statement date</b>	<b>16,008,931</b>	<b>17,424,552</b>

On 28 March 2025, the EBT purchased 981,529 B ordinary shares for consideration of £4.4m, as well as 8,100 ESIP shares purchased from the ESIP trust. During 2025, it acquired 299,928 (2024: 55,756) B ordinary shares from employees leaving employment. During March 2025 Rothesay operated a Share Acquisition Facility for employees and Directors. 275,065 shares were acquired by employees and Directors from the EBT pursuant to the Share Acquisition Facility.

## Notes to the financial statements continued

### Note C – Equity (continued)

#### C.2 Employee scheme treasury shares and share-based payment reserve (continued)

The Rothesay Life UK Employee Share Incentive Plan (ESIP) has also been established. The plan has been structured to operate within specific rules set by HM Revenue & Customs. A new employee benefit trust was established to support the ESIP (the ESIP Trust). During the period, the Trust transferred 492,029 shares to the ESIP Trust (2024: 372,694 shares). These shares are held in trust for participating employees in accordance with the ESIP rules. Shares owned by the ESIP Trust are included at cost in the consolidated statement of financial position and are shown as a deduction from shareholders' equity. They are disclosed as employee scheme shares until they are withdrawn.

The table below provides an analysis of the movement in the number of B ordinary shares held by the ESIP Trust.

Number of shares	2025 No.	2024 No.
<b>At 1 January</b>	<b>1,459,243</b>	1,120,107
Shares acquired by employees	(8,100)	(11,700)
Shares transferred to employees	(64,182)	(21,858)
Shares transferred from the EBT Trust	492,029	372,694
<b>At financial statement date</b>	<b>1,878,990</b>	1,459,243

During 2025, the Trust transferred 64,182 (2024: 21,858) B ordinary shares to employees leaving employment. The table below details the movement in both the employee benefit trust and the share-based payment reserve.

	Employee benefit trust £m	Share-based payment reserve £m
<b>1 January 2025</b>	<b>(69)</b>	<b>(79)</b>
Equity amortisation and fair value movement	—	2
Employee share purchase	2	—
Employee share buy back	(6)	1
Equity vesting and transfers	(4)	4
<b>31 December 2025</b>	<b>(77)</b>	<b>(72)</b>

	Employee benefit trust £m	Share-based payment reserve £m
<b>1 January 2024</b>	<b>(57)</b>	<b>(93)</b>
Equity amortisation and fair value movement	—	5
Employee share buy back	(3)	—
Equity vesting and transfers	(9)	9
<b>31 December 2024</b>	<b>(69)</b>	<b>(79)</b>

## Notes to the financial statements **continued**

### Note C – Equity (continued)

#### C.3 Restricted Tier 1 notes – sterling

The table below provides a summary of Rothesay’s sterling-denominated RT1 notes:

Notional amount	Issue date	Callable at par at the option of the Group from	Coupon	Carrying amount	
				2025 £m	2024 £m
<b>Loan notes issued through public debt markets</b>					
£350m	12 September 2018	12 September 2028	6.875%	<b>347</b>	347
£450m	13 October 2021	13 October 2031	5%	<b>446</b>	446
				<b>793</b>	793

Rothesay 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 Rothesay 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.4 Share premium account and reserve

	Share premium £m	Profit and loss reserve £m	Hedging reserve £m	Reorganisation reserve £m
<b>Balances as at 1 January 2025</b>	<b>681</b>	<b>2,749</b>	<b>5</b>	<b>132</b>
Profit for the financial year	—	902	—	—
Adjustment to retained earnings	—	1	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	(6)	—
Dividends paid	—	(488)	—	—
Tier 1 note coupon	—	(47)	—	—
Tier 1 note coupon tax relief	—	12	—	—
<b>Balances as at 31 December 2025</b>	<b>681</b>	<b>3,129</b>	<b>(1)</b>	<b>132</b>

	Share premium £m	Profit and loss reserve £m	Hedging reserve £m	Reorganisation reserve £m
<b>Balances as at 1 January 2024</b>	<b>507</b>	<b>3,065</b>	<b>1</b>	<b>132</b>
Profit for the financial year	—	81	—	—
Share capital injection	174	—	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	4	—
Dividends paid	—	(361)	—	—
Tier 1 note coupon	—	(47)	—	—
Tier 1 note coupon tax relief	—	11	—	—
<b>Balances as at 31 December 2024</b>	<b>681</b>	<b>2,749</b>	<b>5</b>	<b>132</b>

## Notes to the financial statements **continued**

### **Note C – Equity (continued)**

#### **C.4 Share premium account and reserve (continued)**

##### **Hedging reserve**

Foreign currency exposure arises on the \$900m RT1 notes and \$325m Tier 2 notes, and the associated coupon payments (see note D.8). 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 Rothesay'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.

Rothesay 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. Rothesay 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 Rothesay'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, Rothesay 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 \$500m RT1 notes, \$400m RT1 notes and \$325m Tier 2 notes are (£15m), £10m and (£12m), respectively, as at 31 December 2025 (2024: £38m) with total nominal amounts of £911m as at 31 December 2025 (2024: £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.7).

#### **C.5 Dividends on ordinary shares**

The Board approved the payment of an interim dividend on 15 August 2025. The size of the payment was £488m (or 31p per share) (2024: £361m or 23p per share), which was paid on 7 October 2025. The Directors have recommended no final ordinary dividend in respect of the year ended 31 December 2025 (2024: £nil).

## Notes to the financial statements **continued**

### **Note D – Financial assets and liabilities**

#### **D.1 Financial investments**

*Financial investments are designated, at initial recognition, as financial investments at fair value through profit or loss (FVTPL), with the exception of (i) derivative assets and lifetime mortgages which are mandatorily measured at fair value through profit or loss and (ii) receivables, cash and accrued interest, which are carried at amortised cost. Fair value is considered consistent with the risk management of the portfolio.*

*Financial investments at fair value through profit or loss are both financial investments held for trading and financial investments designated upon initial recognition at fair value. Such investments are carried in the consolidated statement of financial position at fair value with net changes in fair value presented in investment income. Transaction costs, which are incremental costs that are directly attributable to the acquisition of a financial asset, are expensed. Financial investments include collective investment schemes, government, sub-sovereign and agency obligations, derivative assets, corporate bonds and other corporate debt, certificates of deposit, loans secured on property, mortgages and collateralised agreements and financing.*

*The fair value of a financial instrument is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. the exit price. Financial investments are marked to bid prices and financial liabilities are marked to offer prices. Fair value gains or losses are included in investment income.*

*The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, credit curves and funding rates. The fair value of certain financial investments and financial liabilities require valuation adjustments for counterparty credit quality, funding risk, transfer restrictions, illiquidity, property prices and bid/offer inputs based on market evidence.*

*Financial instruments such as corporate debt securities, covered bonds, government, sub-sovereign and agency obligations, certificate of deposits and certain money market instruments, are valued using quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources. Valuation adjustments are typically made if: (i) the cash instrument is subject to regulatory or contractual transfer restrictions; and/or (ii) for other premiums and discounts that a market participant would require to arrive at fair value.*

*Certain financial instruments, including collateralised agreements and financing, loans secured on property and mortgages, have one or more significant valuation inputs that are not observable. Absent evidence to the contrary, these instruments are initially valued at transaction price, which is considered to be the best initial estimate of fair value. When a pricing model is used, the model is adjusted so that the model value of the cash instrument at inception equals the transaction price. Subsequently, Rothesay uses other methodologies to determine fair value, which vary based on the type of instrument. Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realised on sales.*

*Rothesay uses derivative contracts for the purposes of efficient portfolio management and to mitigate the risk of adverse market movements. Rothesay's derivative contracts consist primarily of over the counter (OTC) derivatives. Rothesay measures the derivative assets and liabilities on the basis of our net exposure to the relevant risk and the fair value is the price paid to transfer the net long or short position at the balance sheet date. OTC derivatives are generally valued using market transactions and other market evidence, including market-based inputs to models, calibration to market clearing transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources.*

## Notes to the financial statements **continued**

### **Note D – Financial assets and liabilities (continued)** **D.1 Financial investments (continued)**

Where models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, model selection does not involve significant management judgement because outputs of models can be calibrated to market clearing levels. In circumstances where Rothesay cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

#### **Hedge accounting**

Rothesay designated certain derivatives as hedging instruments in order to effect cash flow hedges. At the inception of the hedge, Rothesay documented the relationship between the hedging instrument and the hedged item. In addition, Rothesay has and will continue to document whether the hedging instrument is highly effective in offsetting changes in fair value or cash flows of the hedged item. Note C.4 provides further details.

Where a cash flow hedging relationship exists, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net investment income.

Amounts previously recognised in other comprehensive income and accumulated in equity will be reclassified to profit and loss in the accounting period when the hedged item affects profit or loss, in the same line as the hedged item. Hedge accounting will be discontinued when Rothesay cancels the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time is recycled to profit or loss over the period the hedged item impacts profit or loss.

#### **Derecognition**

A financial investment (or, where applicable, a part of a financial investment or part of a group of similar financial investments) is primarily derecognised (i.e. removed from Rothesay's statement of financial position) when; (i) the rights to receive cash flows from the investment have expired; or (ii) Rothesay has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Rothesay has transferred substantially all the risks and rewards of the asset; or (b) Rothesay has transferred control of the investment.

When Rothesay has transferred its rights to receive cash flows from an investment or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred all of the risks and rewards of the investment nor transferred control of the investment, Rothesay continues to recognise the transferred investment to the extent of Rothesay's continuing involvement. In that case, Rothesay also recognises an associated liability. The transferred investment and the associated liability are measured on a basis that reflects the rights and obligations that Rothesay has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Rothesay could be required to repay.

#### **Collateralised agreements and financing**

Collateralised agreements (securities purchased under agreements to re-sell and deposits placed as collateral for stock borrowed) and collateralised financing (securities sold under agreements to repurchase and deposits received as collateral for stock loans) are treated as collateralised financing transactions and are carried at fair value through profit and loss under the fair value option, as the securities are managed on a fair value basis. The collateral can be in the form of cash or securities.

## Notes to the financial statements **continued**

### **Note D – Financial assets and liabilities (continued)**

#### **D.1 Financial investments (continued)**

*Cash collateral is recognised/derecognised when received/paid. Collateral posted by Rothesay in the form of securities is not derecognised whilst collateral received in the form of securities is not recognised on the consolidated statement of financial position. If collateral received is subsequently sold, the obligation to return the collateral and the cash received are recognised in the consolidated statement of financial position.*

#### **Impairment of financial assets**

*In applying the IFRS 9 impairment requirements, Rothesay follows the general approach. Under the general approach, Rothesay determines and recognises the amount of expected credit losses (ECL) depending on the extent of credit deterioration since initial recognition of a financial asset. If there is no significant deterioration in credit risk since initial recognition of a financial asset, Rothesay determines the 12-month expected credit losses; if there has been a significant increase in credit risk since initial recognition of a financial asset, Rothesay determines and recognises the lifetime expected credit losses.*

*Rothesay's financial assets that are subject to impairment include receivables, cash and cash equivalents, and accrued interest. Considering these assets are due within one year, highly liquid with low credit risk, Rothesay assesses the amortised cost balances to approximate to their fair value and recoverable amounts. Due to the short-term nature and low credit risk of these assets, Rothesay assesses no deterioration in credit quality and measures the ECL at 12-month ECL. 12-month ECL results from default events that are possible within the 12 months after the reporting date. Rothesay measures the ECL using a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.*

*Rothesay considers evidence of impairment for these assets at both individual asset and collective levels. All individually significant assets are individually assessed for impairment. Rothesay assumes that credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the end of the reporting date.*

*Rothesay monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, Rothesay will measure the loss allowance based on lifetime rather than 12-month ECL. When assessing whether credit risk for a financial instrument has increased significantly since initial recognition, Rothesay considers reasonable, supportable and forward-looking information. This evaluation encompasses both qualitative and quantitative data, leveraging from Rothesay's expert credit assessments. The quantitative information is a primary indicator of significant increase in credit risk where Rothesay compares the lifetime probability of default as at the end of the reporting date against the lifetime risk of default on initial recognition of the exposure.*

*If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.*

## Notes to the financial statements continued

### Note D – Financial assets and liabilities (continued)

#### D.1 Financial investments (continued)

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

	2025 £m	2024 £m
Financial investments designated at FVTPL	78,272	71,084
Financial investments mandatorily measured at FVTPL	46,178	46,344
<b>Total financial investments at FVTPL</b>	<b>124,450</b>	<b>117,428</b>
Accrued interest at amortised cost	956	848
Receivables at amortised cost	3,539	3,836
Cash and cash equivalents at amortised cost	277	241
<b>Total other financial assets at amortised cost</b>	<b>4,772</b>	<b>4,925</b>
<b>Total financial assets</b>	<b>129,222</b>	<b>122,353</b>
Financial liabilities designated at FVTPL	11,945	6,519
Financial liabilities mandatorily measured at FVTPL	39,469	40,095
<b>Total financial liabilities at FVTPL</b>	<b>51,414</b>	<b>46,614</b>
Payables at amortised cost	4,769	5,398
Borrowings at amortised cost	2,699	2,616
Accrued interest at amortised cost	205	151
<b>Total other financial liabilities at amortised cost</b>	<b>7,673</b>	<b>8,165</b>
<b>Total financial liabilities</b>	<b>59,087</b>	<b>54,779</b>

#### Determination of fair value and fair value hierarchy

Rothesay 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 Rothesay 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 2025 and 2024 (please refer to note D.7 for financial liabilities):

31 December 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	4,557	—	44	4,601
Government, sub-sovereign and agency obligations	17,737	8,806	—	26,543
Corporate bonds and other corporate debt	—	35,189	1,442	36,631
Collateralised agreements and financing	—	172	—	172
Loans secured on property	—	100	10,080	10,180
Certificates of deposit	—	145	—	145
<b>Financial investments designated at FVTPL</b>	<b>22,294</b>	<b>44,412</b>	<b>11,566</b>	<b>78,272</b>
Derivative assets	—	37,904	1,503	39,407
Lifetime mortgages	—	—	6,771	6,771
<b>Financial investments mandatorily measured at FVTPL</b>	<b>—</b>	<b>37,904</b>	<b>8,274</b>	<b>46,178</b>
<b>Total financial investments measured at FVTPL</b>	<b>22,294</b>	<b>82,316</b>	<b>19,840</b>	<b>124,450</b>
<b>Investment properties</b>	<b>—</b>	<b>—</b>	<b>146</b>	<b>146</b>
<b>Total assets measured at fair value</b>	<b>22,294</b>	<b>82,316</b>	<b>19,986</b>	<b>124,596</b>

## 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
<b>Financial investments designated at FVTPL</b>	<b>22,277</b>	<b>41,194</b>	<b>7,613</b>	<b>71,084</b>
Derivative assets	—	38,374	1,567	39,941
Lifetime mortgages	—	—	6,403	6,403
<b>Financial investments mandatorily measured at FVTPL</b>	<b>—</b>	<b>38,374</b>	<b>7,970</b>	<b>46,344</b>
<b>Total financial investments measured at FVTPL</b>	<b>22,277</b>	<b>79,568</b>	<b>15,583</b>	<b>117,428</b>
<b>Assets held for sale</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>3</b>
<b>Total assets measured at fair value</b>	<b>22,277</b>	<b>79,568</b>	<b>15,586</b>	<b>117,431</b>

Rothesay discloses offsetting derivative asset and derivative liability contracts separately in line with IAS 32 requirements and the value of both has reduced during the year 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 increased by £92m during 2025 (2024: decreased by £778m).

Collective investment schemes represent money market funds with same-day liquidity. Rothesay utilises these funds as an additional form of financial investment to back insurance contract liabilities. In 2025, 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, US and European residential mortgages and loans, and assets secured on cashflows from residential freehold properties.

Approximately 16% (2024: 13%) 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				Others			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	Investment properties £m	Assets held for sale £m	Total £m	Collateralised agreements and financing £m	Derivative liabilities £m	Total £m
<b>As at 1 January 2025</b>	<b>1,253</b>	<b>6,267</b>	<b>1,567</b>	<b>93</b>	<b>—</b>	<b>3</b>	<b>9,183</b>	<b>(107)</b>	<b>(1,618)</b>	<b>(1,725)</b>
Total gains/(losses) in the statement of comprehensive income:										
Realised gains	—	—	—	4	—	1	5	—	—	—
Unrealised (losses)/gains	23	(148)	(76)	—	—	—	(201)	2	34	36
Net purchases/(sales)	166	3,961	12	(53)	146	(4)	4,228	—	(33)	(33)
<b>As at 31 December 2025</b>	<b>1,442</b>	<b>10,080</b>	<b>1,503</b>	<b>44</b>	<b>146</b>	<b>—</b>	<b>13,215</b>	<b>(105)</b>	<b>(1,617)</b>	<b>(1,722)</b>
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)

Please see note D.7 for further details of Level 3 financial liabilities. Please refer to note D.6 for the details of investment properties.

## Notes to the financial statements **continued**

### **Note D – Financial assets and liabilities (continued)**

#### **D.1 Financial investments (continued)**

Rothesay'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. No corporate debt was transferred from Level 2 to Level 3 during the year (2024: £nil). No corporate debt was transferred from Level 3 to Level 2 during the year (2024: £nil).

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 Rothesay which allow the lifetime mortgage holders to extinguish their loan by selling their property back to Rothesay 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 Rothesay's strategic partners. The impact of the change in economic assumptions for 2025 was dominated by the increase in long-term interest rates.

	2025 £m	2024 £m
<b>Carrying amount at 1 January</b>	<b>6,403</b>	6,212
Increase in respect of new business	<b>569</b>	481
Redemptions/repayments	<b>(422)</b>	(351)
Accrued interest for the financial year	<b>376</b>	351
Change in economic assumptions	<b>(150)</b>	(283)
Change in demographic assumptions	<b>(5)</b>	(7)
<b>Closing balance at end of the year</b>	<b>6,771</b>	6,403

## Notes to the financial statements continued

### Note D – Financial assets and liabilities (continued)

#### D.1 Financial investments (continued)

The table below provides a summary of the discounted cash flows arising from the lifetime mortgage portfolio:

Group and Company	2025	2024
	£m	£m
Less than one year	441	458
One to five years	1,490	1,358
Over five years	4,840	4,587
<b>Total</b>	<b>6,771</b>	<b>6,403</b>

#### Collateralised agreements

Assets are transferred under repurchase and securities lending agreements with other financial institutions. The nature and carrying amounts of the assets (all carried at fair value) subject to repurchase and securities lending agreements, as well as their related liabilities, are as follows:

Group	2025		2024	
	Asset £m	Related liability £m	Asset £m	Related liability £m
Government and agency obligations	9,269	(8,798)	6,189	(5,770)
Corporate debt	100	(105)	111	(107)
<b>Total collateralised agreements</b>	<b>9,369</b>	<b>(8,903)</b>	<b>6,300</b>	<b>(5,877)</b>

The asset collateral continues to be recognised in full and the related liability reflecting Rothesay's obligations to repurchase the transferred assets at a future date is recognised in other liabilities. Rothesay remains exposed to interest rate risk and credit risk on these pledged instruments. The counterparties' recourse is not limited to the transferred assets.

The net exposure to certain OTC derivatives is collateralised through cash. As at 31 December 2025, the total cash collateral received was £4,438m (2024: £5,121m). Other OTC contracts are collateralised with fixed income securities which are not recognised on the balance sheet of Rothesay.

#### 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 surrounding the implementation of the Leasehold and Freehold Reform Act 2024, as well as the ongoing discussions relating to further reform of the Leasehold system. The value of impacted assets is £1.3bn. See note I.7 for further details.

## 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	Main assumptions	Changes in assumptions	2025			
			Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
<b>Financial assets</b>						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,442	(28)	(3)	(2)
		-25bps/-50bps	1,442	29	3	2
Collective investment schemes	Fund price	+10%	44	4	4	3
		-10%	44	(4)	(4)	(3)
Loans secured on property	Liquidity premium	+25bps/+50bps	10,080	(254)	—	—
		-25bps/-50bps	10,080	275	—	—
Loans secured on property	Property prices	+10%	10,080	18	20	15
		-10%	10,080	(22)	(26)	(20)
Lifetime mortgages	Liquidity premium	+25bps	6,771	(176)	—	—
		-25bps	6,771	183	—	—
Lifetime mortgages	House prices	+10%	6,771	85	64	48
		-10%	6,771	(113)	(88)	(66)
Derivative assets	LPI bid-mid spread	+15bps	1,503	103	103	77
		-15bps	1,503	(103)	(103)	(77)
Investment properties	Property prices	+10%	146	15	15	11
		-10%	146	(15)	(15)	(11)
<b>Financial liabilities</b>						
Derivative liabilities	LPI bid-mid spread	+15bps	1,617	132	132	99
		-15bps	1,617	(132)	(132)	(99)
Collateralised financing agreements	Liquidity premium	+25bps	105	4	4	3
		-25bps	105	(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)

Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	2024			
			Current FV £m	(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
<b>Financial assets</b>						
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	—	—	—
<b>Financial liabilities</b>						
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.2 Derivatives

Rothesay uses derivative financial instruments as part of its risk management strategy and to hedge its solvency position. Objectives include managing exposure to market, foreign currency, inflation and interest rate risks on assets and liabilities (see also note F.2.2). The large movement in the fair value of assets and liabilities has been driven by the change in economic conditions over the year. The total net fair value of Rothesay's derivative assets and liabilities has moved from a net liability of £154m as at 31 December 2024 to net liability of £62m as at 31 December 2025.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities.

Group	2025		2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Derivatives held for risk management</b>				
Interest rate swap	32,041	(32,639)	31,541	(32,084)
Inflation swap	3,778	(3,553)	3,959	(3,414)
Currency swap	3,505	(3,229)	4,278	(4,505)
Credit derivative	8	(25)	96	(26)
Forwards	75	(23)	67	(66)
<b>Total</b>	<b>39,407</b>	<b>(39,469)</b>	<b>39,941</b>	<b>(40,095)</b>

Derivatives are used solely for efficient portfolio and risk management purposes, allowing market risks to be hedged in line with our risk appetite. Under IFRS, certain restrictions apply in relation to the offset of assets and liabilities. Derivatives where the fair value is positive are recognised as an asset, and where the fair value is negative they are recognised as a liability.

Rothesay's exposure under derivative contracts is closely monitored as part of the management of Rothesay's market risk (see also note F.2.2).

#### D.3 Accrued interest and prepayments

Group	2025 £m	2024 £m
Accrued interest	956	848
Rent receivable	1	—
Prepaid expenses	233	214
<b>Total accrued interest and prepayments</b>	<b>1,190</b>	<b>1,062</b>

## Notes to the financial statements continued

### Note D – Financial assets and liabilities (continued)

#### D.4 Receivables

Receivables are recognised initially at fair value of the amount recoverable. Receivables are subsequently stated at amortised cost.

Finance lease receivables are initially measured at fair value plus initial direct cost of entering the lease, and subsequently measured at amortised cost. Rothesay determines at the lease inception, or on lease purchase date, whether the lease is a finance lease or an operating lease. Rothesay classifies a lease as a finance lease if the terms of the lease transfers substantially all of the risk and rewards incidental to the ownership of the underlying asset. Rothesay applies derecognition and impairment requirements of IFRS 9 to the finance lease receivables, and regularly reviews any estimated unguaranteed residual values used in calculating the gross investment in the lease.

Group	2025 £m	2024 £m
Deposits pledged as collateral to third parties	3,391	3,614
Tax receivable	16	82
Finance lease receivable	94	90
Other receivables	38	50
<b>Total receivables</b>	<b>3,539</b>	<b>3,836</b>

Receivables of £3,445m (2024: £3,746m) are due within one year. At 31 December 2025 and 31 December 2024, Rothesay conducted an impairment review of the receivables and found no impairment necessary.

The net exposure to certain OTC derivatives is collateralised through cash posted, as per the terms of the OTC contracts. At 31 December 2025, the total cash collateral posted was £3,391m (2024: £3,614m). Further details of the full extent of collateral usage can be found in the credit risk disclosure in note F.2.1.

The finance lease receivable includes a long-dated commercial property lease. The undiscounted lease payments to be received after the reporting date are shown below. The cashflows provided below are the estimated minimum payments to be received, while the actual cashflows may differ as the lease includes a clause to enable an upward revision of lease payments based on an index with maximum upper limit. The unearned finance income represents the discounting effect of the lease payments receivable.

Group	2025 £m	2024 £m
Less than one year	3	3
One to two years	3	3
Two to three years	3	3
Three to four years	3	3
Four to five years	3	3
More than five years	3,356	3,295
Total undiscounted lease receivable	3,371	3,310
Unearned finance income	(3,277)	(3,220)
<b>Net investment in finance lease</b>	<b>94</b>	<b>90</b>

Rothesay recognised a total of £5.6m finance income on the finance lease receivable in 2025 (2024: £0.6m).

## Notes to the financial statements **continued**

### Note D – Financial assets and liabilities (continued)

#### D.4 Receivables (continued)

The table below shows other receivables for the Company. Other receivables relates to a loan to the employee benefit trust and inter-group balances.

Company	2025 £m	2024 £m
Other receivables	137	119
<b>Total receivables</b>	<b>137</b>	<b>119</b>

#### D.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement held for the purpose of meeting short-term cash commitments.

The cash at bank and in hand of Rothesay at the year end is as follows:

Group	2025 £m	2024 £m
Cash at bank and in hand	277	241
<b>Total cash and cash equivalents</b>	<b>277</b>	<b>241</b>

#### D.6 Investment properties

Rothesay purchased investment properties during the year which relate to ground rent on commercial properties. These are not occupied by the Group but are held for rental income and capital appreciation. Investment properties are initially measured at cost and subsequently measured at fair value. Changes in the fair value are recognised in the statement of comprehensive income. As Rothesay has recently acquired these assets, management assessed that independent external valuation is not required at year-end, considering no significant changes in market conditions.

Rental income from investment properties are recognised on a straight-line basis over the term of the lease.

	2025 £m	2024 £m
Balance as at 1 January	—	—
Additions	146	—
Change in fair value during the period	—	—
<b>Balance as at 31 December</b>	<b>146</b>	<b>—</b>

The fair value measurement of investment properties at year end 2025 and 2024 was categorised as Level 3 as one or more inputs was significant and unobservable (see note D.1).

Rental income recognised in the period in relation to these properties of £1.6m (2024: £nil) is shown within investment return in note B.2.

## Notes to the financial statements **continued**

### Note D – Financial assets and liabilities (continued)

#### D.7 Payables and financial liabilities

Financial investment liabilities are recognised at fair value. The effects of mark-to-market changes in financial liabilities designated at fair value are reported in profit or loss. Payables are recognised initially at fair value of the amount payable, and subsequently stated at amortised cost.

	2025 £m	2024 £m
Derivative liabilities	39,469	40,095
Collateralised agreements and financing	11,945	6,519
<b>Total financial investment liabilities</b>	<b>51,414</b>	<b>46,614</b>
Deposits received as collateral from third parties	4,438	5,121
Employee payables	244	200
Other taxes and social security costs	31	26
Other payables	56	51
<b>Total payables</b>	<b>4,769</b>	<b>5,398</b>
<b>Total payables and financial investment liabilities</b>	<b>56,183</b>	<b>52,012</b>

Employee payables include deferred cash of £75m (2024: £68m) and the fair value of share-based payments awarded to employees over the lifetime of the incentive plans of £94m (2024: £67m).

Other payables include reinsurance fees and trade date adjustments.

Financial investment liabilities are recorded at fair value, of which £1,722m are valued using Level 3 techniques (2024: £1,725m). 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.

Payables and financial liabilities of £7,319m (2024: £11,149m) are all due within one year. Please note that for financial liabilities the balance is calculated using undiscounted expected contractual cash flows consistent with note F.2.3.

The net exposures to certain OTC derivatives are collateralised through cash. As at 31 December 2025, the total cash collateral received was £4,438m (2024: £5,121m). Other OTC contracts are collateralised with fixed income securities which are not recognised on the consolidated statement of financial position for Rothesay.

The table below shows total payables for the Company. Other payables are amounts due to other Group undertakings and Company employee payables includes deferred cash.

Company	2025 £m	2024 £m
Employee payables	75	68
Other payables	127	110
<b>Total payables</b>	<b>202</b>	<b>178</b>

## Notes to the financial statements **continued**

### Note D – Financial assets and liabilities (continued)

#### D.8 Borrowings

*Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Transaction costs are amortised over the period of the borrowings.*

Rothesay's borrowings are as follows:

	2025 £m	2024 £m
Subordinated loans from related parties	299	299
Subordinated loan notes	1,735	1,999
US\$ contingent convertible RT1 notes	665	318
<b>Total borrowed</b>	<b>2,699</b>	<b>2,616</b>

During October 2025, RLP repaid £250m of Tier 2 borrowings. During December 2025, RLP issued \$500m Restricted Tier 1 (RT1) debt in the US dollar market. The notes are perpetual with the first call date being 3 June 2035. A fixed coupon of 7% is payable annually in arrears.

During June 2024, 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.

The £750m revolving credit facility remains in effect but undrawn.

The carrying amounts and features of Rothesay'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	
					2025 £m	2024 £m
<b>Subordinated loans from related parties</b>						
£300m	19 September 2017	19 September 2028	19 September 2023 and quarterly thereafter	6.05%	299	299
<b>Subordinated loans</b>						
£250m	30 October 2015	30 October 2025	No call option	8.00%	—	250
£500m	12 July 2019	12 July 2026	No call option	3.38%	499	496
\$400m	27 October 2021	Perpetual	13 April 2027	4.88%	297	318
£500m	16 May 2023	16 May 2033	16 November 2032	7.73%	498	498
£500m	10 June 2024	10 December 2034	10 June 2034	7.02%	498	498
\$325m	11 June 2024	11 September 2034	11 June 2029	7.00%	240	257
\$500m	3 December 2025	Perpetual	3 June 2035	7.00%	368	—

For the year ended 31 December 2025, an interest expense of £164m (2024: £162m) was recognised in the consolidated statement of comprehensive income in respect of these borrowings.

## Notes to the financial statements *continued*

### Note D – Financial assets and liabilities (continued)

#### D.8 Borrowings (continued)

##### Reconciliation of borrowings

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

	1 January 2025 £m	Net cash flows £m	Non-cash flows £m	31 December 2025 £m
Subordinated loans from related parties	299	—	—	299
Subordinated loan notes	1,999	(250)	(14)	1,735
US\$ contingent convertible RT1 notes	318	372	(25)	665
<b>Total borrowings</b>	<b>2,616</b>	<b>122</b>	<b>(39)</b>	<b>2,699</b>

	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\$ contingent convertible RT1 notes	313	—	5	318
<b>Total borrowings</b>	<b>2,248</b>	<b>354</b>	<b>14</b>	<b>2,616</b>

#### D.9 Accruals

Group	2025 £m	2024 £m
Accrued interest	205	151
Accrued expenses	46	54
<b>Total accruals</b>	<b>251</b>	<b>205</b>

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance**

*Insurance contract liabilities and reinsurance assets and liabilities are determined in line with IFRS 17 using methods and assumptions recommended by the Actuarial function of RLP and approved by the Board.*

#### **Segmental analysis and level of aggregation**

*Under IFRS 17, insurance contracts are aggregated into groups of contracts for measurement and presentation purposes. Rothesay has identified a single portfolio of annuity contracts and manages all of its annuity business together regardless of whether contracts are insurance or reinsurance issued as they are all subject to similar risks and are managed together. The portfolio of annuity contracts are disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:*

- a) Contracts that are onerous at initial recognition;*
- b) Contracts that have no significant possibility of becoming onerous subsequently; and*
- c) Remaining contracts in the portfolio.*

*The profitability of the annuity contracts is assessed and determined based on expert judgement, which compares the premium applicable to a group of contracts with the estimated fulfilment cash flows and allocated insurance acquisition cash flows at initial recognition (accounting policies are described below). Whether a group of insurance contracts has no significant possibility of becoming onerous subsequently is based on expert judgement using Rothesay's Solvency II capital requirements, which include quantitative assessment of whether the contract premium is sufficient to exceed the sum of the contract's day one fulfilment cash flows and the SCR required to cover the material risks of the contract to the level required under Rothesay's Capital Management Policy. Based on the quantitative assessment, the majority of trades would not remain profitable under a wide range of scenarios, in line with Rothesay's expectations.*

*Based on reasonable and supportable information available, we have categorised all our insurance contracts at initial recognition as "remaining contracts in the portfolio". Rothesay currently does not have any onerous contracts or "contracts that have no significant possibility of becoming onerous subsequently", which are contracts that will remain non-onerous in almost all reasonable future financial and non-financial conditions.*

*The aggregation of portfolios of reinsurance contracts held is assessed separately from insurance contracts issued. We apply a similar categorisation approach to reinsurance contracts, which results in the following group categories:*

- a) Contracts with a net gain at initial recognition;*
- b) Contracts that have no significant possibility of a net gain arising subsequently; and*
- c) Remaining contracts in the portfolio.*

*The aggregation assessment of reinsurance contracts held is performed on an individual contract level in a similar manner to the approach for insurance contracts.*

#### **Fulfilment cash flows within contract boundary**

*The fulfilment cash flows are the current estimates of the future cash flows within the contract boundary of a group of contracts that Rothesay expects to collect as premiums and pay out as claims, benefits and directly attributable expenses, adjusted to reflect the timing and the uncertainty of those amounts. The fulfilment cash flows are made up of the present value of the best estimate liabilities and the risk adjustment for non-financial risk (discussed further in the initial measurement section).*

*The estimates of future cash flows:*

- a) are based on a probability-weighted mean of the full range of possible outcomes;*
- b) are determined to be consistent with observable market prices for market variables; and*
- c) reflect conditions existing at the measurement date.*

*We only include cash flows that are within the contract boundary in measuring groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the year in which the policyholder is obligated to pay premiums or Rothesay has a substantive obligation to provide the policyholder with insurance contract services.*

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

#### **Fulfilment cash flows within contract boundary**

*In practice, Rothesay's obligation to provide services generally ends with the death of the last insured life.*

*The reassessment of risks considers only risks transferred from policyholders to Rothesay, which may include both insurance and financial risks, but exclude lapse and expense risks.*

*For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of Rothesay that exist during the reporting period in which Rothesay is compelled to pay amounts to the reinsurer or in which Rothesay has a substantive right to receive insurance contract services from the reinsurer.*

#### **Insurance acquisition cash flows**

*Cash flows which have been identified as insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering all reasonable and supportable information that is available without undue cost or effort. Insurance acquisition cash flows arising before the recognition of the related group of contracts can be recognised as an asset. The asset is derecognised when the insurance acquisition cash flows are included in the measurement of the group of contracts. At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, Rothesay recognises an impairment loss in profit or loss.*

#### **Initial recognition**

*Groups of insurance contracts issued are initially recognised from the earliest of the following:*

- *The beginning of the coverage period;*
- *The date when the first payment from the policyholder is due or actually received, if there is no due date; or*
- *When the Group determines that a group of contracts becomes onerous.*

*Insurance contracts acquired in a portfolio transfer are accounted for as if they were entered into at the date of transfer. Where such contracts benefit from third-party reinsurance, the insurance contract liabilities are shown net of those reinsurance arrangements.*

*Reinsurance contracts held are recognised as follows:*

- *Reinsurance contracts held that provide proportionate coverage are recognised at the later of the beginning of the coverage period of the group, and the initial recognition of any underlying insurance contract.*
- *Other reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held.*

#### **Initial measurement**

*Rothesay has adopted the General Measurement Model (GMM) for the derivation of all our insurance liabilities. Under the GMM, on initial recognition our liabilities comprise the following building blocks:*

##### **a) Best estimate liabilities (BEL)**

*The BEL represents an explicit and unbiased estimate of future cash flows that will arise as Rothesay fulfils the contracts discounted using an approach that reflects the characteristics of the liability (refer to note E.7). In determining the BEL, we use best estimate assumptions based on available market data in an unbiased way. These include demographic assumptions and financial assumptions (refer to note E.7 for the key demographic and financial assumptions applied) which are generally consistent with those used for deriving the best estimate liabilities under other financial reporting metrics such as IEV and Solvency II.*

*Rothesay uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held as the estimates for the underlying groups of insurance contracts.*

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

#### **b) Risk adjustment (RA)**

The RA reflects the compensation that Rothesay requires for bearing the non-financial uncertainty about the amount and timing of cash flows in the liabilities. In determining the RA, we use the provision for adverse deviation approach (the PAD approach) under which we apply margins to the best estimates for material demographic and expense risk. Allowances are made for operational risk and diversification between these risk factors. These allowances reflect Rothesay's compensation for bearing the uncertainty around these risks. A consistent technique is applied to both insurance and reinsurance contracts held, with the RA related to reinsurance reflecting the amount of additional or reduced compensation that Rothesay requires for holding the reinsurance contracts. For more details on Risk adjustment please see note E.7(e).

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note E.7.

#### **c) Contractual service margin (CSM)**

The CSM represents the unearned profit that Rothesay will recognise over time as it provides services in the future of the insurance contract. The CSM is calculated at the inception of the contract and is released as profit as the liability is discharged. Determination of CSM amortisation and coverage units are discussed in note E.6.

The CSM is calculated as the difference between the premiums received by Rothesay and the fulfilment cash flows (the sum of BEL and RA), and any allocated acquisition cash flows. When this calculation results in a net outflow, the group of insurance contracts issued is onerous. This loss is recognised in profit or loss immediately and a loss component is established in the amount of loss recognised.

For reinsurance contracts, the CSM represents the net cost or gain on purchasing reinsurance based on the net outflow to the reinsurer, which is calculated as the sum of the reinsurance premiums, reinsurance BEL and RA, any allocated acquisition cash flows on reinsurance, and any income recognised in profit or loss when Rothesay recognises a loss on initial recognition of an onerous group of underlying insurance contracts. A loss-recovery component is established within the remaining coverage for the income recognised from the loss recognised for the onerous group of underlying insurance contracts.

#### **Insurance contracts subsequent measurement**

Rothesay measures the carrying amount of a group of insurance contracts at each reporting date as the sum of:

- the liability for remaining coverage which comprises the future BEL and RA cash flows that relate to services to be delivered in future periods and any remaining CSM; and
- the liability for incurred claims which includes unpaid incurred claims and expenses.

#### **Changes in fulfilment cash flows**

The BEL and RA are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

- i) Changes relating to future services to the extent that the future BEL and RA cash flows change due to non-financial risks, e.g. because experienced longevity varies from the levels assumed or due to changes in long-term demographic assumptions, adjust the CSM;
- ii) Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- iii) The effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses in the profit or loss.

The most significant non-financial risks that Rothesay is exposed to include demographic risks (including longevity and member option risk) and expense risks, while the most material financial risks include discount rates (including those used in member option calculations) and prospective inflation risk (refer to note E.7 for the details of the key financial and non-financial risks).

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

#### **Changes in the CSM**

The CSM is adjusted to reflect the following at the end of each reporting period:

- i) the effects of new contracts added to the group;
- ii) CSM interest accretion using discount rates determined on initial recognition (“locked-in” economic conditions);
- iii) CSM adjustments due to changes in non-financial assumptions impacting the fulfilment cash flows relating to future service, also calculated using locked-in economic conditions;
- iv) impact of any currency exchange differences; and
- v) amortisation of the CSM for the services provided in the period in line with the coverage units released.

#### **Reinsurance contracts subsequent measurement**

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset/liability for remaining coverage and the asset/liability for incurred claims. The asset/liability for remaining coverage comprise of the fulfilment cash flows related to future service and any remaining CSM. The asset/liability for incurred claims comprise of the fulfilment cash flows related to future services allocated to the group of reinsurance contracts.

The reinsurance CSM is adjusted to reflect the following at the end of each reporting period:

- i) the effect of any new contracts added to the group;
- ii) interest accretion using the locked-in discount rates;
- iii) income recognised in profit or loss in the reporting period related to losses on initial recognition of underlying contracts;
- iv) reversals of a loss-recovery component recognised to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- v) adjustments to the extent that the changes are due to changes to future service, using locked-in economic conditions;
- vi) impact of any currency exchange differences; and
- vii) CSM amortisation recognised in the profit or loss for the services received in the period in line with the coverage units released.

Changes in the fulfilment cash flows adjust the CSM if they relate to future coverage and other future services. Changes in fulfilment cash flows related to the change in risk of non-performance by the reinsurer do not relate to future service and do not adjust the reinsurance CSM, rather the change is recognised in the profit or loss.

#### **Modification and derecognition**

Rothesay derecognises an insurance contract (and reinsurance contract) when:

- the contract is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled; or
- the contract terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

Pension scheme de-risking is generally a two-step process starting with a pension buy-in contract between Rothesay and the pension scheme and followed by conversion from buy-in to buy-out at which point individual contracts are issued to pension scheme members. When Rothesay acquires books of annuities from other insurers this is usually achieved by initially entering into a reinsurance contract between Rothesay and the insurer selling the block, followed by a Part VII transfer where the individual annuity contracts transfer from the insurer to Rothesay along with any associated reinsurance. Rothesay considers the conversion from reinsurance contracts issued into Part VII as a derecognition event as the Part VII is subject to court approval and there is a legal change in the counterparty. At the Part VII date, we derecognise the carrying amount of the CSM and set up a new CSM based on the fair value of the scheme or group at that date.

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

*Rothesay also carries out scheme upsizes and data cleanses that lead to premium adjustments. Scheme upsizes occur when there is an increase in the scheme liabilities due to additional policyholders or additional benefits to existing policyholders. Data cleanses relate to the process required in updating the liabilities insured with respect to an individual scheme, following changes to use more recent policyholder data rather than the data used when the scheme was initially priced. We assess each scheme upsize and data cleanse premium adjustment by reviewing the terms and conditions of the original scheme contract. If the modification does not result in contract derecognition, we reassess the treatment of the changes in cash flows on a case-by-case basis.*

#### **Investment components and premium refunds**

*Investment components relate to amounts that are payable to policyholders in all circumstances, regardless of whether an insured event occurs. Whilst there are no distinct investment components, our insurance products do often include a non-distinct investment component which is identified at the time when incurred claims and revenue are recognised. Investment components are excluded from insurance revenue and insurance service expenses. For immediate annuities the investment component is the guaranteed annuity payments specified in the contractual terms.*

*For deferred annuities that provide policyholders with a right to transfer or commute the contract during the accumulation period, Rothesay determines that these contracts do not include any investment component, because Rothesay is not required to pay any amount if the policyholder does not transfer the contract. Consequently, lump sum payments, including transfer value and pension commencement lump sum payments, are treated as premium refunds. Even though the premium refunds do not represent repayment of investment components, we disclose them together with investment components as their treatment is the same.*

The notes in this section show insurance and reinsurance liability balances as negative numbers.

Following the court approval, the Part VII transfer from Scottish Widows to Rothesay occurred in June 2025. As the business was already recognised on the balance sheet, the transfer is not reflected in note E.5 as new business. The geographical impact of the Part VII is seen across both E.3 and E.4 notes under “Adjustments related to business transfers and terminations”. The impact in note E.3 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.4. Overall the impact of the Part VII was nominal across E.3 and E.4 notes.

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.1 Insurance contracts issued – Analysis of liabilities for remaining coverage and incurred claims

The tables below show the roll-forward of the liability for insurance contracts issued, showing the liabilities for remaining coverage (excluding loss components) and liabilities for incurred claims.

	2025			2024		
	Liabilities for remaining coverage £m	Liabilities for incurred claims £m	Total £m	Liabilities for remaining coverage £m	Liabilities for incurred claims £m	Total £m
<b>Insurance contract liabilities as at 1 January</b>	<b>(64,222)</b>	<b>—</b>	<b>(64,222)</b>	<b>(54,630)</b>	<b>—</b>	<b>(54,630)</b>
<b>Insurance revenue</b>						
Contracts under fair value approach at transition	875	—	875	1,061	—	1,061
New contracts and contracts under full retrospective approach at transition	3,800	—	3,800	3,173	—	3,173
<b>Total insurance revenue</b>	<b>4,675</b>	<b>—</b>	<b>4,675</b>	<b>4,234</b>	<b>—</b>	<b>4,234</b>
<b>Insurance service expense</b>						
Incurred claims and other incurred insurance service expenses	—	(3,911)	(3,911)	—	(3,426)	(3,426)
Amortisation of insurance acquisition cash flows	(55)	—	(55)	(49)	—	(49)
<b>Total insurance service expense</b>	<b>(55)</b>	<b>(3,911)</b>	<b>(3,966)</b>	<b>(49)</b>	<b>(3,426)</b>	<b>(3,475)</b>
<b>Investment components and premium refunds</b>	<b>545</b>	<b>(545)</b>	<b>—</b>	<b>470</b>	<b>(470)</b>	<b>—</b>
<b>Insurance service results</b>	<b>5,165</b>	<b>(4,456)</b>	<b>709</b>	<b>4,655</b>	<b>(3,896)</b>	<b>759</b>
<b>Finance (expense)/income from insurance contracts issued</b>	<b>(2,090)</b>	<b>—</b>	<b>(2,090)</b>	<b>2,031</b>	<b>—</b>	<b>2,031</b>
<b>Total change in profit or loss</b>	<b>3,075</b>	<b>(4,456)</b>	<b>(1,381)</b>	<b>6,686</b>	<b>(3,896)</b>	<b>2,790</b>
<b>Cash flows</b>						
Premiums received	(5,544)	—	(5,544)	(16,406)	—	(16,406)
Claims and other expenses paid	—	3,911	3,911	—	3,426	3,426
Investment components and premium refunds	—	545	545	—	470	470
Insurance acquisition cash flows	45	—	45	128	—	128
<b>Total cash flows</b>	<b>(5,499)</b>	<b>4,456</b>	<b>(1,043)</b>	<b>(16,278)</b>	<b>3,896</b>	<b>(12,382)</b>
<b>Insurance contract liabilities as at 31 December</b>	<b>(66,646)</b>	<b>—</b>	<b>(66,646)</b>	<b>(64,222)</b>	<b>—</b>	<b>(64,222)</b>

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.2 Reinsurance contracts held – Analysis of liabilities for remaining coverage and incurred claims

The table below shows the roll-forward of the net asset for reinsurance contracts held, showing the liabilities for remaining coverage (excluding loss-recovery component) and amounts recoverable on incurred claims arising on business ceded to reinsurers.

	2025			2024		
	Liabilities for remaining coverage £m	Asset for incurred claims £m	Total £m	Liabilities for remaining coverage £m	Asset for incurred claims £m	Total £m
Reinsurance contract liabilities as at 1 January	(223)	—	(223)	(461)	—	(461)
Reinsurance contract assets as at 1 January	302	—	302	216	—	216
<b>Net reinsurance contract liabilities as at 1 January</b>	<b>79</b>	<b>—</b>	<b>79</b>	<b>(245)</b>	<b>—</b>	<b>(245)</b>
<b>Allocation of reinsurance premiums paid</b>						
Changes in the liabilities for remaining coverage	(3,182)	—	(3,182)	(2,608)	—	(2,608)
Amortisation of reinsurance acquisition cash flows	6	—	6	5	—	5
<b>Total allocation of reinsurance premiums paid</b>	<b>(3,176)</b>	<b>—</b>	<b>(3,176)</b>	<b>(2,603)</b>	<b>—</b>	<b>(2,603)</b>
<b>Amounts recoverable from reinsurers</b>						
Amounts recoverable for claims and other expenses incurred	—	3,054	3,054	—	2,545	2,545
Amortisation of reinsurance acquisition cash flows	(6)	—	(6)	(5)	—	(5)
<b>Total amounts recoverable from reinsurers</b>	<b>(6)</b>	<b>3,054</b>	<b>3,048</b>	<b>(5)</b>	<b>2,545</b>	<b>2,540</b>
<b>Net (expense)/income from reinsurance contracts held</b>	<b>(3,182)</b>	<b>3,054</b>	<b>(128)</b>	<b>(2,608)</b>	<b>2,545</b>	<b>(63)</b>
<b>Finance expense from reinsurance contracts held</b>	<b>(37)</b>	<b>—</b>	<b>(37)</b>	<b>(191)</b>	<b>—</b>	<b>(191)</b>
<b>Total change in profit or loss</b>	<b>(3,219)</b>	<b>3,054</b>	<b>(165)</b>	<b>(2,799)</b>	<b>2,545</b>	<b>(254)</b>
<b>Cash flows</b>						
Premiums paid	3,281	—	3,281	3,083	—	3,083
Amounts received	—	(3,054)	(3,054)	—	(2,545)	(2,545)
Acquisition cash flows	50	—	50	40	—	40
<b>Total cash flows</b>	<b>3,331</b>	<b>(3,054)</b>	<b>277</b>	<b>3,123</b>	<b>(2,545)</b>	<b>578</b>
<b>Net reinsurance contract liabilities as at 31 December</b>	<b>191</b>	<b>—</b>	<b>191</b>	<b>79</b>	<b>—</b>	<b>79</b>
Reinsurance contract liabilities as at 31 December	(200)	—	(200)	(223)	—	(223)
Reinsurance contract assets as at 31 December	391	—	391	302	—	302

At 31 December 2025 and 31 December 2024, Rothesay conducted an impairment review of the reinsurance contract assets and found no impairment necessary.

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.3 Insurance contracts issued – Analysis of the measurement components of contract balances

This reconciliation presents a roll-forward of the liabilities 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 year.

2025	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	
<b>Insurance contract liabilities as at 1 January 2025</b>	<b>(55,231)</b>	<b>(1,573)</b>	<b>(1,196)</b>	<b>(6,222)</b>	<b>(64,222)</b>
<b>Changes that relate to current services</b>					
CSM recognised for services provided	—	—	104	585	689
Change in risk adjustment for the risk expired	—	13	—	—	13
Experience adjustments relating to insurance service expenses	7	—	—	—	7
<b>Changes that relate to future services</b>					
Contracts initially recognised during the year	165	(133)	—	(32)	—
Changes in estimates that adjust the CSM	288	321	(119)	(490)	—
Adjustments related to business transfers and terminations	124	(33)	—	(91)	—
<b>Insurance service results</b>	<b>584</b>	<b>168</b>	<b>(15)</b>	<b>(28)</b>	<b>709</b>
<b>Finance expense from insurance contracts issued</b>	<b>(1,862)</b>	<b>(36)</b>	<b>(25)</b>	<b>(167)</b>	<b>(2,090)</b>
<b>Total changes in profit or loss</b>	<b>(1,278)</b>	<b>132</b>	<b>(40)</b>	<b>(195)</b>	<b>(1,381)</b>
<b>Cash flows</b>					
Premiums received	(5,544)	—	—	—	(5,544)
Claims and other expenses paid	3,911	—	—	—	3,911
Investment components and premium refunds	545	—	—	—	545
Insurance acquisition cash flows	45	—	—	—	45
<b>Total cash flows</b>	<b>(1,043)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,043)</b>
<b>Insurance contract liabilities as at 31 December 2025</b>	<b>(57,552)</b>	<b>(1,441)</b>	<b>(1,236)</b>	<b>(6,417)</b>	<b>(66,646)</b>

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.3 Insurance contracts issued – Analysis of the measurement components of contract balances (continued)

2024	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	
<b>Insurance contract liabilities as at 1 January 2024</b>	(46,324)	(1,695)	(1,199)	(5,412)	(54,630)
<b>Changes that relate to current services</b>					
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
<b>Changes that relate to future services</b>					
Contracts initially recognised during the year	846	(434)	—	(412)	—
Changes in estimates that adjust the CSM	562	385	(179)	(768)	—
<b>Insurance service results</b>	1,431	(38)	29	(663)	759
<b>Finance income/(expense) from insurance contracts issued</b>	2,044	160	(26)	(147)	2,031
<b>Total changes in profit or loss</b>	3,475	122	3	(810)	2,790
<b>Cash flows</b>					
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
<b>Total cash flows</b>	(12,382)	—	—	—	(12,382)
<b>Insurance contract liabilities as at 31 December 2024</b>	(55,231)	(1,573)	(1,196)	(6,222)	(64,222)

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.4 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 year.

2025	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
<b>Net reinsurance contract assets as at 1 January 2025</b>	<b>(2,542)</b>	<b>1,130</b>	<b>311</b>	<b>1,180</b>	<b>79</b>
<b>Changes that relate to current services</b>					
CSM recognised for services received	—	—	(19)	(99)	(118)
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(10)	—	—	—	(10)
<b>Changes that relate to future services</b>					
Contracts initially recognised during the year	(126)	161	—	(35)	—
Changes in estimates that adjust the CSM	84	(300)	41	175	—
Adjustments related to business transfers and terminations	(130)	34	—	96	—
<b>Net (expense)/income from reinsurance contracts held</b>	<b>(182)</b>	<b>(105)</b>	<b>22</b>	<b>137</b>	<b>(128)</b>
<b>Finance (expense)/income from reinsurance contracts held</b>	<b>(15)</b>	<b>(37)</b>	<b>3</b>	<b>12</b>	<b>(37)</b>
<b>Total changes in profit or loss</b>	<b>(197)</b>	<b>(142)</b>	<b>25</b>	<b>149</b>	<b>(165)</b>
<b>Cash flows</b>					
Premiums paid	3,281	—	—	—	3,281
Amounts received	(3,054)	—	—	—	(3,054)
Acquisition cash flows	50	—	—	—	50
<b>Total cash flows</b>	<b>277</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>277</b>
<b>Net reinsurance contract liabilities as at 31 December 2025</b>	<b>(2,462)</b>	<b>988</b>	<b>336</b>	<b>1,329</b>	<b>191</b>
Reinsurance contract liabilities as at 31 December 2025	(1,002)	327	336	139	(200)
Reinsurance contract assets as at 31 December 2025	(1,460)	661	—	1,190	391

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.4 Reinsurance contracts held – Analysis of the measurement components of contract balances (continued)

2024	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
<b>Net reinsurance contract liabilities as at 1 January 2024</b>	<b>(2,855)</b>	<b>1,191</b>	<b>477</b>	<b>942</b>	<b>(245)</b>
<b>Changes that relate to current services</b>					
CSM recognised for services received	—	—	19	(81)	(62)
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(1)	—	—	—	(1)
<b>Changes that relate to future services</b>					
Contracts initially recognised during the year	(367)	517	—	(150)	—
Changes in estimates that adjust the CSM	140	(416)	(191)	467	—
<b>Net (expense)/income from reinsurance contracts held</b>	<b>(228)</b>	<b>101</b>	<b>(172)</b>	<b>236</b>	<b>(63)</b>
<b>Finance (expense)/income from reinsurance contracts held</b>	<b>(37)</b>	<b>(162)</b>	<b>6</b>	<b>2</b>	<b>(191)</b>
<b>Total changes in profit or loss</b>	<b>(265)</b>	<b>(61)</b>	<b>(166)</b>	<b>238</b>	<b>(254)</b>
<b>Cash flows</b>					
Premiums paid	3,083	—	—	—	3,083
Amounts received	(2,545)	—	—	—	(2,545)
Acquisition cash flows	40	—	—	—	40
<b>Total cash flows</b>	<b>578</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>578</b>
<b>Net reinsurance contract assets as at 31 December 2024</b>	<b>(2,542)</b>	<b>1,130</b>	<b>311</b>	<b>1,180</b>	<b>79</b>
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.5 Insurance contracts issued and reinsurance held initially recognised in the year

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 the year and in 2024 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	
	2025 £m	2024 £m
Estimates of present value of future cash inflows	5,185	15,658
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	(5,020)	(14,812)
Risk adjustment for non-financial risk	(133)	(434)
CSM	(32)	(412)
<b>Losses recognised on initial recognition</b>	<b>—</b>	<b>—</b>

##### (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. Reinsurance contracts written this year and 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”). Similarly to 2024, during this period, an existing reinsurance contract was amended and derecognised in accordance with IFRS 17, and in a comparable manner to 2024, the net cost in 2025 reflects the re-recognition of this transaction.

	New reinsurance contracts			
	2025		2024	
	Net cost £m	Net gain £m	Net cost £m	Net gain £m
Estimates of present value of future cash inflows	620	6,014	3,115	13,963
Estimates of present value of future cash outflows, including estimates of acquisition cash flows	(662)	(6,098)	(3,308)	(14,137)
Risk adjustment for non-financial risk	7	154	65	452
CSM	35	(70)	128	(278)
<b>Amount included in reinsurance contract assets for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.6 Contractual Service Margin recognition expectation in the profit and loss

In determining the CSM amortisation, we consider the services delivered under the contract and define the coverage units that should be used to amortise the CSM over time, where a coverage unit is defined by considering the quantity of benefits provided. The methods used to measure the coverage units for both immediate and deferred annuities require significant judgement. Rothesay uses this judgement in assessing the quantity of benefits across insurance and investment return service by determining the relative weighting of the benefits provided to the policyholder by these services.

To determine the relative weighting of the benefits, the coverage units across the deferred and in-payment periods are combined to create a profile of expected CSM amortisation throughout the lifetime of the contract. The “blended coverage” units are calculated by appropriately weighting the expected insurance and investment return service coverage units such that by the time a deferred annuitant reaches retirement, the CSM is consistent with that of an equivalent immediate annuitant terms of the contract (see note A.1).

We define the insurance service coverage units as the expected payment due to the policyholder during the period contingent on the insured event occurring (i.e. survival until the payment date). For reinsurance contracts held, the insured event is the survival of the reinsured policyholder until the payment date and for deferred annuities, the services delivered include both the insurance service and the investment return service.

For immediate annuities, the services delivered also include both the insurance service and the investment return service (the latter is provided during any guarantee period).

The following table presents the projected release of the CSM into future period maturity buckets.

2025	0-5 years £m	5-10 years £m	More than 10 years £m	Total £m
Insurance contracts issued	2,128	1,576	3,949	7,653
Reinsurance contracts held	(403)	(353)	(909)	(1,665)
<b>Net CSM release</b>	<b>1,725</b>	<b>1,223</b>	<b>3,040</b>	<b>5,988</b>

2024	0-5 years £m	5-10 years £m	More than 10 years £m	Total £m
Insurance contracts issued	2,033	1,539	3,846	7,418
Reinsurance contracts held	(407)	(350)	(734)	(1,491)
Net CSM release	1,626	1,189	3,112	5,927

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

#### ***E.7 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. 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 Rothesay'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:

	2025		2024	
	Pensions originated	Insurance originated	Pensions originated	Insurance originated
Males	<b>107.8% S3PMA</b>	<b>104.6% S3PMA</b>	106.1% S3PMA	103.4% S3PMA
Females	<b>107.8% S3PFA</b>	<b>104.6% S3PFA</b>	106.1% S3PFA	103.4% S3PFA

The change over 2025 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 2025. 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 Rothesay-specific suite of 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.

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.7 Significant judgements and estimates in determining the value of fulfilled cash flows (continued)

##### (a) Mortality assumptions (continued)

Mortality improvements used to roll base tables forward to the current date use an advanced calibration of the CMI 2024 model with limited period smoothing and including 2020 to 2024 experience 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 2025, mortality improvement assumptions were updated to reflect recent mortality improvements, including adoption of the CMI 2024 improvement model. The CMI 2024 model introduces various changes compared to previous versions, including a fitted overlay to capture the transient nature of the pandemic experience. 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. Following a review of short and longer term drivers, the assumed initial rate of improvement has been increased and the bespoke calibration of the best estimate long-term improvement rates have been reduced. The initial adjustment parameter (“A” parameter) has been adopted from YE25 to adjust the initial rate of mortality improvements to allow for socio-economic effects as well as further adjustments to set the desired initial rate of mortality improvements. For YE24 the “A” parameter was not adopted with adjustment to the initial rate of mortality improvements to allow for socioeconomic effects being made through the Sk parameter.

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

	Future mortality improvements (excluding margins)	
	2025	2024
Males	CMI_2024*_M[1.5%; Sk=7.0; A=0.4%]	CMI_2023*_M[1.8%; Sk=7.6]
Females	CMI_2024*_F[1.5%; Sk=7.0; A=0.4%]	CMI_2023*_F[1.8%; Sk=7.6]

\* 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.3 and E.4. 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.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

##### (b) Discount rates

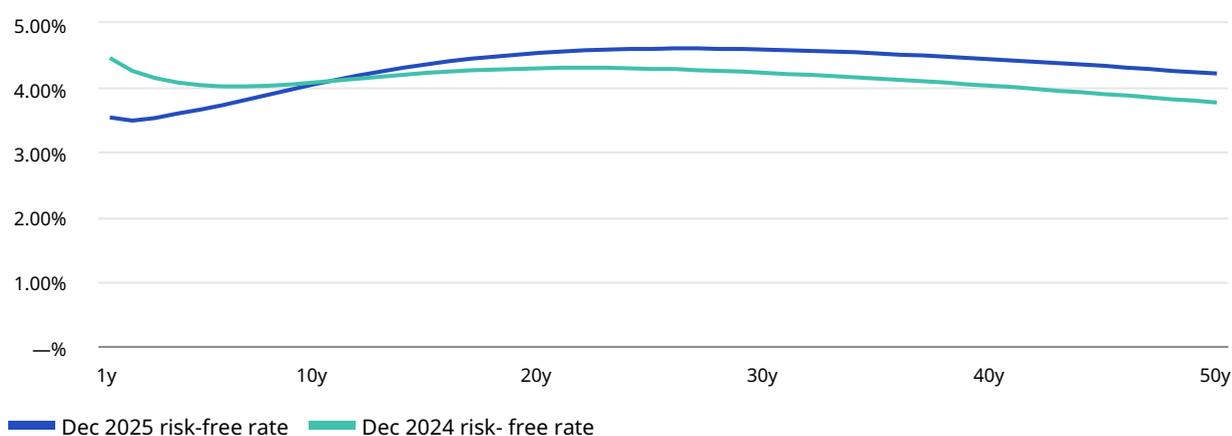
Under IFRS 17, the discount rate used must reflect the characteristics of the liabilities both in terms of timing and liquidity, and this can be determined using either a bottom-up or top-down approach.

Under a top-down approach, Rothesay's chosen approach for insurance contracts, 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, such as credit risk. The reference portfolio comprises a mix of assets that Rothesay owns or expects to buy backing insurance liabilities, 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 Rothesay as detailed in note D.

For 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. 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 best estimate liabilities (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 year. 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.



	2025 bps	2024 bps
Risk-free rate	419	409
Spread above risk-free rate	136	137
<b>Aggregate discount rate</b>	<b>555</b>	<b>546</b>

##### (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. During the year, we have performed the annual review of the LPI model using updated market assumptions and data.

## Notes to the financial statements **continued**

### **Note E – Insurance contracts and reinsurance (continued)**

#### ***E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)***

##### ***(d) Expense assumptions***

Rothesay 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 2025 following the regular review of allowances compared to costs incurred by Rothesay during 2025 and projected 2026 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 £72 per policy per annum (2024: £68 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 (2024: 0.25% p.a.).

##### ***(e) Risk adjustment (RA)***

The RA reflects the compensation that Rothesay requires for bearing the non-financial uncertainty in the liabilities. The RA is an explicit measurement of the non-financial risks based on Rothesay'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 margins are applied 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 which are applied to the best estimate assumptions and set based on quotes obtained for longevity reinsurance pricing, which represents the market price of longevity risk, which Rothesay considers an appropriate compensation for this risk. These allowances were updated for YE25 to reduce the margins held reflecting changes in observed pricing over recent years.
- Spouse ratio/financial dependant risk margins which are applied to the best estimate assumption used, which Rothesay considers an appropriate compensation for this risk. These allowances were updated for YE25.
- 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. Rothesay 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.

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.3 and E.4. 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.

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.7 Significant judgements and estimates in determining the value of fulfilment cash flows (continued)

##### (e) Risk adjustment (RA) (continued)

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

Net of reinsurance	2025	2024
Confidence level – 1 year basis	87%	90%
Confidence level – ultimate basis	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.

##### (f) Timing of cash flows

The table below shows the estimates of the present value of future cash flows of the insurance contract liabilities and net reinsurance contract liabilities that are expected to arise during each year. As noted in the segmental analysis and level of aggregation description for note E, reinsurance contracts are managed as a single portfolio and as such net reinsurance liabilities are shown below, which includes reinsurance contract assets.

	2025							Total
	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	6 to 10 years	More than 10 years	
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contract liabilities	(4,382)	(4,080)	(3,542)	(4,003)	(3,472)	(14,234)	(23,839)	(57,552)
Net reinsurance contract liabilities	(162)	(148)	(135)	(146)	(133)	(591)	(1,147)	(2,462)

	2024							Total
	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	6 to 10 years	More than 10 years	
	£m	£m	£m	£m	£m	£m	£m	£m
Insurance contract liabilities	(3,939)	(3,724)	(3,557)	(3,376)	(3,214)	(13,395)	(24,026)	(55,231)
Net reinsurance contract liabilities	(141)	(135)	(132)	(130)	(129)	(604)	(1,271)	(2,542)

There are no amounts payable on demand as at 31 December 2025 (2024: £nil).

For deferred annuities, the services Rothesay delivers include both insurance service and investment return service. Rothesay exercises judgement in assessing the quantity of benefits by determining the relative weighting of the benefits provided to the policyholder by each of these services (see note E.6 for further details).

##### (g) Credit risk analysis

Long-term business is ceded to reinsurers under collateralised contracts to transfer part of the insurance risk associated with the underlying insurance contracts. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of the reinsurance company.

At 31 December 2025, the maximum exposure to credit risk arising from reinsurance contract assets prior to allowance for collateral is £266m (2024: £178m). The credit quality of reinsurance contract assets include £233m of AA and £33m of A (2024: £141m of AA and £37m of A). The ratings are generally based on the median of the ratings assigned by Standard & Poor's, Moody's and Fitch.

## Notes to the financial statements continued

### Note E – Insurance contracts and reinsurance (continued)

#### E.8 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.

2025	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	902	104	(448)	(42)	(336)	(32)
Annuitant mortality	-5% qx	(949)	(107)	462	40	346	30
Interest rate	+100bps	—	—	(942)	(885)	(707)	(663)
Interest rate	-100bps	—	—	1,179	1,135	884	851
Inflation	+100bps	—	—	620	611	465	458
Inflation	-100bps	—	—	(503)	(492)	(377)	(369)
Credit spread widening	+100bps	—	—	(1,210)	(1,117)	(907)	(838)
Change in property prices	+10%	—	—	86	85	64	64
Change in property prices	-10%	—	—	(116)	(115)	(87)	(86)
Expenses	+10%	(105)	(105)	34	34	25	25

2024	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

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 year-end 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 provide 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 year ended 31 December 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.

Capital in excess of that required to meet the technical provisions is known as Own Funds. As at 31 December 2025, Own Funds for Rothesay were £9,176m (unaudited) (2024: £9,098m) made up as follows:

	2025 £m	2024 £m
<b>Total IFRS equity</b>	<b>4,588</b>	4,215
Liability valuation differences and other regulatory adjustments	<b>2,598</b>	2,679
<b>Total Tier 1</b>	<b>7,186</b>	6,894
Tier 2 debt valuation	<b>1,499</b>	1,733
Tier 3 debt valuation	<b>491</b>	471
<b>Own Funds available to meet SCR</b>	<b>9,176</b>	9,098
<b>Own Funds eligible to meet SCR</b>	<b>9,020</b>	8,525

## Notes to the financial statements **continued**

### Note F – Risk and capital management (continued)

#### F.1 Capital management (continued)

Rothesay holds both debt and equity to optimise its capital structure and improve shareholder return. Given Rothesay'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. Rothesay 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.

#### Solvency sensitivities

The table below provides a range of sensitivities as at 31 December 2025 and comparatives as at 31 December 2024. To better reflect the long-term impacts, sensitivities have been calculated against available Own Funds rather than eligible Own Funds. The sensitivities show that Rothesay can withstand a wide range of stresses.

Unaudited	Change in assumptions	Impact on RL coverage ratio	Impact on RL coverage ratio
		% 2025	% 2024
Base reported SCR coverage		246%	261%
Annuitant mortality	+5% qx	9%	11%
Annuitant mortality	-5% qx	(10%)	(13%)
Interest rate	+100bps	22%	16%
Interest rate	-100bps	(23%)	(24%)
Inflation	+100bps	(9%)	(13%)
Inflation	-100bps	6%	6%
Credit spread widening	+100bps	8%	9%
Property value	-10%	(7%)	(8%)
Expenses	+10%	(4%)	(6%)

## Notes to the financial statements **continued**

### **Note F – Risk and capital management (continued)**

#### ***F.2 Risk management and analysis***

Rothesay is exposed to credit, market and liquidity risk through its financial assets and financial liabilities. Rothesay is exposed to insurance risk through its insurance liabilities and to operational risk as a result of its activities. These risks are described below and are managed in accordance with risk management policies and procedures established by Rothesay.

Climate change risk is considered within the relevant risk type, for example credit risk includes the potential impact of climate change on the creditworthiness of counterparties.

Please see pages 46 to 57 of the Strategic Report for further detail on risk management arrangements and the governance framework within Rothesay. Please refer to Rothesay's latest Climate Report for further detail on our commitments and progress towards Net Zero.

#### **F.2.1 Credit risk**

Credit risk represents the potential for loss, or solvency deterioration, due to the default or deterioration in credit quality of a counterparty or an investment we hold. In some instances this risk may arise as a result of sustainability factors including climate change, for example the risk of stranded assets, potential litigation exposure or the impact of sustainability considerations, on a counterparty's assets and/or liabilities. Credit risk also arises from cash placed with banks or money market funds, collateralised financing transactions (i.e. resale and repurchase agreements) and receivables from third parties.

Management is responsible and accountable for managing credit risks within prescribed limits. Effective management of credit risk requires disciplined underwriting, accurate and timely information, strong collateral management, a high level of communication and knowledge of customers, countries, industries and products. We continue to actively monitor and manage potential downgrade risk across the investment portfolio, particularly as continued sustained inflation and uncertain central bank monetary responses may drive macro and individual counterparty weakness.

The independent Risk function, led by the CRO, has responsibility for ensuring an appropriate framework is in place for assessing and monitoring credit risk. All credit exposures are actively monitored by the Risk function, including the use of regular sector and position reviews and a number of early warning indicators, resulting in regular reporting to the Investment team and key governance bodies such as the Board Risk Committee.

#### ***Risk mitigants***

Rothesay manages our investments in-house which allows us to proactively manage the composition of our investment portfolio. We are able to diversify exposures across and within sectors, controlling position sizes through limits, and regular monitoring and oversight of investments. For more liquid investments, we are able to actively reduce exposure where we have credit or other concerns.

When making new investments, Rothesay considers the potential exposure to climate change risk and other sustainability factors. Where such risks are likely to be financially material over the life of the transaction then this will be considered during the internal credit rating assessment. Such considerations can also lead to investment in shorter duration assets and avoidance of risk exposure, for example when Rothesay funds the origination of residential mortgages, our lending criteria includes a specification of the type of properties that are acceptable including factors such as construction, location and environmental perils such as flood risk.

To mitigate the credit exposures on derivatives and collateralised agreement transactions, Rothesay obtains collateral from counterparties on an upfront or contingent basis. Rothesay also enters into netting agreements with counterparties that permit it to offset receivables and payables with such counterparties for transaction settlements and upon a counterparty default.

When Rothesay does not have sufficient visibility into a counterparty's financial strength, or when it believes a counterparty requires support from its parent company, Rothesay may obtain third-party guarantees of the counterparty's obligations. Rothesay also mitigates its investment and counterparty credit risk using credit derivatives.

## Notes to the financial statements **continued**

### **Note F – Risk and capital management (continued)**

#### ***F.2 Risk management and analysis (continued)***

##### **F.2.1 Credit risk (continued)**

###### ***Credit exposures***

Rothesay is exposed to credit risk from its receivables from third parties. Receivables from counterparties are generally comprised of collateralised receivables related to derivatives or collateralised agreements transactions and have minimal credit risk due to the value of the collateral received. In addition, Rothesay invests in assets that are typically highly rated, or assets where there is underlying structural security in the event of a default. These assets include supranationals, sovereign bonds, sub-sovereign bonds, covered bonds, higher education bonds, infrastructure assets, unsecured corporate bonds and secured residential lending.

Further information is provided below:

###### **Cash and cash equivalents**

Cash and cash equivalents include both interest bearing and non-interest bearing deposits. To mitigate the risk of credit loss, Rothesay diversifies its exposure and places its deposits with multiple banks.

###### **Collateralised agreements**

Collateralised agreements are reported at fair value or contractual value before consideration of collateral received on the balance sheet. Rothesay bears credit risk related to sale and repurchase agreements and securities borrowing only to the extent that cash advanced to the counterparty exceeds the value of the collateral received or charges over assets. Therefore, Rothesay's credit exposure on the transactions is significantly lower than the amounts recorded on the balance sheet. Rothesay also has credit exposure on repurchase agreements and securities loaned, which are liabilities on its consolidated statement of financial position, to the extent that the collateral pledged for these transactions exceeds the amount of cash received.

###### **Offsetting of financial assets and financial liabilities**

The following table shows the impact of the netting arrangements result in the derivative assets and liabilities presented net in the balance sheet, including balances which do not qualify for netting under IAS 32:

## Notes to the financial statements continued

### Note F – Risk and capital management (continued)

#### F.2 Risk management and analysis (continued)

##### F.2.1 Credit risk (continued)

	2025						
	Effects of offsetting			Related amounts not offset			
	Gross amounts £m	Amounts offset £m	Net amounts presented in the statement of financial position £m	Netting under master netting agreements £m	Cash collateral £m	Security collateral and charges £m	Net credit exposures £m
Derivative assets	39,858	(451)	39,407	(36,211)	(1,858)	(1,331)	7
Collateralised agreements and financing	172	—	172	—	—	(172)	—
<b>Total</b>	<b>40,030</b>	<b>(451)</b>	<b>39,579</b>	<b>(36,211)</b>	<b>(1,858)</b>	<b>(1,503)</b>	<b>7</b>
Derivative liabilities	(39,920)	451	(39,469)	36,211	1,739	1,519	—
Collateralised financing agreements	(11,945)	—	(11,945)	—	—	11,945	—
<b>Total</b>	<b>(51,865)</b>	<b>451</b>	<b>(51,414)</b>	<b>36,211</b>	<b>1,739</b>	<b>13,464</b>	<b>—</b>

	2024						
	Effects of offsetting			Related amounts not offset			
	Gross amounts £m	Amounts offset £m	Net amounts presented in the statement of financial position £m	Netting under master netting agreements £m	Cash collateral £m	Security collateral and charges £m	Net credit exposures £m
Derivative assets	40,752	(811)	39,941	(36,419)	(2,072)	(1,439)	11
Collateralised agreements and financing	61	—	61	—	—	(61)	—
<b>Total</b>	<b>40,813</b>	<b>(811)</b>	<b>40,002</b>	<b>(36,419)</b>	<b>(2,072)</b>	<b>(1,500)</b>	<b>11</b>
Derivative liabilities	(40,906)	811	(40,095)	36,419	1,695	1,981	—
Collateralised financing agreements	(5,877)	—	(5,877)	—	—	5,871	(6)
<b>Total</b>	<b>(46,783)</b>	<b>811</b>	<b>(45,972)</b>	<b>36,419</b>	<b>1,695</b>	<b>7,852</b>	<b>(6)</b>

Credit default swaps have been purchased to protect Rothesay from the default of some of its counterparties. The table above does not reflect the protection provided. Rothesay calls margins, receivable in cash and gilt instruments, against this exposure and other derivative positions. Bilateral derivative transactions have benefited from additional collateral security in the form of Initial Margin since 1 September 2021.

In a distressed situation the value of collateral may vary depending on credit quality and interest rates. The effectiveness of collateral as a credit risk mitigant will depend on the operational expertise of the collateral manager and the ability to seize, value and sell the collateral in a distressed scenario.

Rothesay has the right of offset for certain financial assets and liabilities. Netting under master netting agreements of £36,211m (2024: £36,419m) reflects the offsetting of derivative assets with liabilities for which Rothesay has a right to set off in the event of default. Cash and security collateral have been offset to the extent there are credit exposures on the balance sheet.

## Notes to the financial statements **continued**

### Note F – Risk and capital management (continued)

#### F.2 Risk management and analysis (continued)

##### F.2.1 Credit risk (continued)

##### Credit ratings

The table below shows Rothesay's credit exposure from financial investments (excluding derivatives), receivables and cash based on external and internal ratings, consistent with management's view of credit risk. The external rating is generally based on the median of the ratings assigned by Standard & Poor's, Moody's and Fitch. For the purpose of Solvency II, unrated assets are internally rated by Rothesay's independent Credit Risk function under a framework which has been externally validated.

	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	CC £m	CCC £m	Unrated £m	Total £m
<b>2025</b>	<b>9,723</b>	<b>27,702</b>	<b>25,281</b>	<b>13,585</b>	<b>—</b>	<b>48</b>	<b>—</b>	<b>30</b>	<b>12,636</b>	<b>89,005</b>
2024	10,964	28,263	21,449	11,482	320	8	23	—	9,057	81,566

We have excluded derivatives and other assets in the table in order to increase the clarity of the disclosure, as this aligns to the way in which we measure the credit risk given that the derivatives are fully collateralised. The difference between the total assets shown in the table above and the assets under management (**APM**) is:

- Derivative assets of £39,407m (2024: £39,941m); and
- Other assets of £1,316m (2024: £1,164m); less
- Payables and financial liabilities of £56,183m (2024: £52,012m).

AAA rated assets include government bonds, supranational bonds, sub-sovereigns, covered bonds, US not-for-profit private universities, rate reduction bonds and certificates of deposit. AA rated assets include gilts and corporate bonds. Other net credit exposures rated A and BBB include investments in regulated infrastructure assets and commercial real estate loans, as well as unsecured corporate bonds.

Unrated assets include UK, US and European residential mortgages that are not individually rated.

Other than a small number of residential mortgages, as of the current and prior year end there were no financial assets past due.

## Notes to the financial statements **continued**

### **Note F – Risk and capital management (continued)**

#### **F.2 Risk management and analysis (continued)**

##### **F.2.2 Market risk**

Market risk is the risk of changes in the value of Rothesay's net financial position due to changes in market prices. Financial investments are accounted for at fair value and, therefore, fluctuate on a daily basis. Certain liabilities are also exposed to market risk. Categories of market risk include the following:

- Interest rate risk arises from discounting cash flow mismatches across all future dates. Profits and losses are generated through changes in the level, slope and curvature of interest rate curves. The risk is hedged closely by matching assets and liabilities and by using interest rate swaps. Consideration is given to Rothesay's IFRS, IEV and solvency risk positions when determining the appropriate hedging strategy.
- Inflation rate risk results from mismatches in the index linkage of liabilities and assets. Profits and losses are generated through changes to the level, slope and curvature of inflation curves. The risk is hedged by closely matching assets and liabilities and by using inflation swaps.
- Currency rate risk results from mismatches in the denomination of liabilities and assets. Profits and losses are generated due to changes in the level of foreign exchange rates. The risk is hedged using spot foreign exchange and cross-currency swaps.
- Property risk results from investments that are secured on commercial or residential properties. In some instances, this risk may arise from the potential impact of climate change on properties (including the need to improve the carbon efficiency of buildings). Profits and losses may be generated by material movements in spot or forward property prices. This risk is mitigated through strict underwriting criteria, aggregate risk monitoring, consideration of sustainability risks and low loan-to-value limits. Where the property risk becomes more material than prudent allowance is made for this within the credit risk adjustment.

Rothesay manages market risk by diversifying exposures, controlling position sizes through limits and regular stress and scenario testing and establishing economic hedges in related securities, derivatives and insurance liabilities.

Sensitivities to market risk are shown in note E.8.

##### **F.2.3 Liquidity risk**

Liquidity risk arises where timing differences and/or uncertainties occur between cash inflows and cash outflows. The objective of liquidity management is to ensure that Rothesay is capable of honouring all cash flow commitments on both an ongoing basis and in highly stressed scenarios, without incurring significant cost or business disruption.

Rothesay's liquidity policy is designed to ensure the availability of sufficient funds to meet cash flow requirements on a timely basis via:

- Maintenance of substantial excess liquidity. Rothesay seeks to enter into long-term, illiquid investments that match its liabilities in order to maximise the value of the illiquidity premium. To mitigate residual liquidity risk, Rothesay maintains substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including collateral outflows and financing obligations.
- Entering into repurchase agreements and derivative and reinsurance agreements that allow Rothesay to post corporate bonds as collateral rather than just cash and gilts.
- Conservative asset/liability management. Rothesay seeks to maintain funding sources that are sufficiently long-term in order to withstand a prolonged or severe liquidity-stressed environment. Only the most liquid assets held on Rothesay's balance sheet are assumed to be available to meet potential stressed liquidity requirements.
- Maintenance of a comprehensive liquidity contingency plan including having contingent liquidity facilities executed which can be drawn if required to raise cash.

## Notes to the financial statements continued

### Note F – Risk and capital management (continued)

#### F.2 Risk management and analysis (continued)

##### F.2.3 Liquidity risk (continued)

The liquidity management framework is designed to ensure that a prudent level of liquidity is maintained on a spot basis, but also under stressed market conditions, at which time liquidity may leave Rothesay through collateral outflows and ongoing business obligations such as expenses and undrawn investments. A comprehensive analysis of all sources of liquidity risk to which the Group is exposed is maintained. Based upon this analysis, an extensive suite of stresses is considered as part of the liquidity management framework, including onerous market shocks, against which limits are applied by the Board.

Management is responsible and accountable for managing liquidity risks within prescribed limits that are set by the Board and are overseen by the Board Risk Committee. The second line Risk function ensures that an appropriate framework is in place for assessing, monitoring and managing liquidity risk. Liquidity is managed for Rothesay as a whole, in addition to at a Solvency II fund level. Risks are monitored and controlled through strong oversight, and independent control and support functions across the business.

The following table details Rothesay's financial liabilities and assets by maturity. Cash flows arising from financial investments and liabilities have been disclosed using undiscounted expected contractual cash flows. The table excludes insurance liabilities which are included in note E.7. The table also excludes lifetime mortgage cash flows which are included in note D.1, finance lease receivables in note D.4 and lease liabilities cash flows which are included in note I.6.

	2025			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
<b>Financial assets</b>				
Financial investments	14,527	30,248	178,626	223,401
Accrued interest	956	—	—	956
Receivables	3,445	—	—	3,445
Cash and cash equivalents	277	—	—	277
	<b>19,205</b>	<b>30,248</b>	<b>178,626</b>	<b>228,079</b>
<b>Financial liabilities</b>				
Financial liabilities	(2,552)	(13,979)	(76,750)	(93,281)
Payables	(4,767)	—	(2)	(4,769)
Borrowings	(499)	(596)	(1,604)	(2,699)
Accruals	(251)	—	—	(251)
	<b>(8,069)</b>	<b>(14,575)</b>	<b>(78,356)</b>	<b>(101,000)</b>
<b>Net</b>	<b>11,136</b>	<b>15,673</b>	<b>100,270</b>	<b>127,079</b>

## Notes to the financial statements **continued**

### Note F – Risk and capital management (continued)

#### F.2 Risk management and analysis (continued)

##### F.2.3 Liquidity risk (continued)

	2024			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
<b>Financial assets</b>				
Financial investments	17,430	33,007	152,623	203,060
Accrued interest	848	—	—	848
Receivables	3,746	—	—	3,746
Cash and cash equivalents	241	—	—	241
	22,265	33,007	152,623	207,895
<b>Financial liabilities</b>				
Financial liabilities	(5,751)	(15,551)	(50,326)	(71,628)
Payables	(5,398)	—	—	(5,398)
Borrowings	(250)	(1,113)	(1,253)	(2,616)
Accruals	(186)	(19)	—	(205)
	(11,585)	(16,683)	(51,579)	(79,847)
<b>Net</b>	10,680	16,324	101,044	128,048

##### F.2.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes project risk and cyber risk. Rothesay manages operational risk through the development and maintenance of an effective risk management framework which ensures that a comprehensive internal control environment is in place. This is supported by regular risk and control self-assessments coordinated, challenged and reported by the second line, which allow risk levels to be measured and control enhancements to be developed in line with Rothesay's risk appetite.

Rothesay also uses scenario analysis and testing to explore key areas of operational risk, ensuring that the implications of adverse operational risk events crystallising are well understood and that, where appropriate, additional controls or contingency plans are introduced to further mitigate risk and strengthen operational resilience.

Rothesay has important outsourcing arrangements in place, which are subject to extensive due diligence at the point of entering into them, but also to ongoing review and assurance, with oversight provided by an Executive level committee. Oversight of these arrangements considers the information security risk that Rothesay is exposed to, vendor contingency plans, the performance of the third party with respect to service level agreements, and other relevant information (e.g. their ongoing creditworthiness, and where relevant, their readiness to accommodate Rothesay's growth). Strategic projects are monitored by Rothesay's Change Management function and relevant committees and are required to operate according to our project management framework.

Rothesay seeks to mitigate cyber risk through robust processes and controls including targeted controls assurance, threat modelling, penetration testing, contingency plans, and employee training, and maintains ISO 27001 accreditation. Operational risk also includes the risk of conduct failure, a risk that is managed by the business and overseen by the Compliance function, Audit Committee and Customer Conduct Committee.

## Notes to the financial statements **continued**

### **Note F – Risk and capital management (continued)**

#### ***F.2 Risk management and analysis (continued)***

##### **F.2.5 Insurance risk**

Insurance risk is the risk of changes in the value of Rothesay's net position due to changes in the insurance contract liabilities. Insurance risk may occur either through changes in actual demographic experience or revised expectations of future experience. The main categories of insurance risk include the following:

- Demographic risk arises from current mortality or spouse/dependant experience being lighter than that assumed. The risk is hedged by external reinsurance.
- Longevity improvement risk represents the risk of future mortality rates improving at a faster rate than assumed. The risk is hedged by external reinsurance.
- Expense risk results from future expenses required to maintain the business being higher than expected. This risk is managed through budgeting and robust expense management.
- Data risk arises from the risk that the cost of correcting residual data errors exceeds the provisions held against this risk. This risk is managed through detailed due diligence, exclusion of known data issues and prudence in quantifying appropriate provisions.

As at 31 December 2025, 91% of longevity risk was reinsured (2024: 90%) **(APM)**. Risks are monitored and controlled by the Actuarial function and overseen by the Chief Actuary and the Risk function.

##### **Concentration of insurance risk**

Rothesay's geographical concentration of insurance risks is written in the United Kingdom and within its long-term insurance annuities business segment. Rothesay's insurance and reinsurance contract liabilities are denominated in GBP.

## Notes to the financial statements continued

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

#### G.1 Deferred tax assets

Deferred income tax is provided using the liability method on temporary differences at the financial statement date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each financial reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date.

Deferred income tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

Deferred tax assets comprise:

	2025 £m	2024 £m
Opening deferred tax assets as at 1 January	586	658
Unwind of IFRS 17 transitional losses	(70)	(70)
Value of tax attributes transferred on Part VII transfer	9	—
Net utilisation of tax losses	(5)	—
Other movements	3	(2)
<b>Closing deferred tax assets as at 31 December</b>	<b>523</b>	<b>586</b>

The movements in the deferred tax assets were as follows:

	2025 £m	2024 £m
Balance at 1 January relating to IFRS 17 transition	565	635
Balance at 1 January relating to other temporary differences	21	23
<b>Deferred tax assets as at 1 January</b>	<b>586</b>	<b>658</b>
Unwind of IFRS 17 transitional losses	(70)	(70)
Net utilisation of tax losses	(5)	—
Other movements	1	(1)
<b>Current year income statement credit</b>	<b>(74)</b>	<b>(71)</b>
<b>Current year recognition of tax attributes transferred on Part VII transfer</b>	<b>9</b>	<b>—</b>
<b>Current year movement – Equity/OCI</b>	<b>2</b>	<b>(1)</b>
Balance at 31 December relating to IFRS 17 transition	495	565
Balance at 31 December relating to value of tax attributes transferred on Part VII transfer	9	—
Balance at 31 December relating to other temporary differences	19	21
<b>Total deferred tax assets as at 31 December</b>	<b>523</b>	<b>586</b>

## Notes to the financial statements **continued**

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

#### **G.1 Deferred tax assets (continued)**

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 the 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 Rothesay. The value of the tax attributes transferred on Part VII transfer to Rothesay is £9m.

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 year, the Group expects to be able to rely on the transitional safe harbour rules for the year ended 31 December 2024 and 31 December 2025. As such, no top-up tax has been accrued in 2025 (2024: nil).

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 – Interests in subsidiaries

#### H.1 Investment in unconsolidated structured entities

*Rothesay has interests in investments which are classified under IFRS as unconsolidated structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominating factor in deciding who controls the entity, such as when voting rights might relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement. Structured entities include those entities that have restricted activities or a narrow and well-defined objective. These structured entities have not been consolidated as Rothesay does not have the power to affect their returns.*

Rothesay has interests in unconsolidated structured entities as described below:

- investment in collective investment schemes which allows Rothesay to receive profit or income from the underlying assets held in the schemes. These are predominately large, established money market funds of which the total asset value of the funds was £519bn (2024: £468bn);
- loans granted to and notes issued by special purpose vehicles (SPVs) secured by the assets held by the SPV such as commercial or residential real estate;
- debt securities issued by SPVs secured by financial receivables; and
- loans granted to SPVs secured by financial receivables.

The value of Rothesay's interests is included within financial investments (see note D.1).

As at 31 December 2025, our total interest in such entities, reflected on Rothesay's consolidated statement of financial position and classified as financial investments held at fair value through profit or loss, was £11,636m (2024: £12,545m). The recorded fair value represents Rothesay's maximum loss exposure to these unconsolidated structured entities. The £1bn decrease in the balance was predominantly driven by a reduction in investments in collective investment schemes.

The interest income recognised in relation to these investments was £536m (2024: £678m).

A summary of Rothesay's interest in unconsolidated structured entities is provided below and has been recognised on the consolidated statement of financial position (see note D.1):

	2025 £m	2024 £m
Collective investment schemes	4,601	6,092
Government, sub-sovereign and agency obligations	—	9
Corporate bonds and other corporate debt	2,414	2,410
Loans secured on property	4,621	4,034
<b>Total</b>	<b>11,636</b>	<b>12,545</b>

## Notes to the financial statements **continued**

### Note H – Interests in subsidiaries (continued)

#### H.2 Investments in subsidiaries

The financial statements include the financial statements of Rothesay Limited and the subsidiaries listed in the following table. Subsidiaries are held at cost less impairment. Subsidiaries, including structured entities, that are consolidated where the Group owns less than 50% of the ordinary share capital are consolidated based on an assessment of control arising from special rights attached to the class of shares owned, loan notes held, other contractual arrangements and factors such as the purpose of the investee, the nature of its relevant activities, voting rights (including potential voting rights) and substantive and protective rights:

Group undertakings	Country of incorporation	Primary business operation	Share class	2025	2024	2025	2024
				£m	£m	% equity interest	% equity interest
Rothesay Pensions Management Limited	UK	Service company	Ordinary	5	3	100%	100%
Rothesay Life Plc	UK	Life insurance	Ordinary	2,638	2,638	100%	100%
LT Mortgage Financing Limited	UK	Service company	Ordinary	6	6	100%	100%
Rothesay Property Partnership 1 LLP	UK	Service company	Ordinary	—	—	100%	100%
Rothesay MA No.1 Limited	UK	Service company	Ordinary	—	5	100%	100%
Riverton Home Finance Limited (formerly Rothesay Mortgages Limited)	UK	Service company	Ordinary	5	—	100%	100%
Rothesay MA No.3 Limited	UK	Service company	Ordinary	2	2	100%	100%
Rothesay MA No.4 Limited	UK	Service company	Ordinary	—	—	100%	100%
Rothesay Asset Management UK Limited	UK	Service company	Ordinary	10	10	100%	100%
Rothesay Property Company 1 Limited	UK	Service company	Ordinary	91	—	100%	—%
FCT Morisot	France	Service company	Unit	—	—	—%	—%
FCT Chagall	France	Service company	Unit	—	—	—%	—%
Lambay Capital Designated Activity Company	ROI	Service company	Ordinary	—	—	—%	—%
Rothesay Asset Management Australia Pty Ltd	Aus	Service company	Ordinary	5	5	100%	100%
Rothesay Asset Management North America LLC	US	Service company	Ordinary	5	5	100%	100%

The above subsidiary undertakings, with the exception of Rothesay Asset Management North America LLC, Rothesay Asset Management Australia Pty Ltd, FCT Morisot, FCT Chagall and Lambay Capital Designated Activity Company, are registered in the United Kingdom. The registered office and principal place of business for all UK subsidiary undertakings is The Post Building, 100 Museum Street, London WC1A 1PB.

## Notes to the financial statements **continued**

### **Note H – Interests in subsidiaries (continued)**

#### ***H.2 Investments in subsidiaries (continued)***

Rothesay Asset Management North America LLC is registered in Delaware, United States of America. The registered office is Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County, USA. Rothesay Asset Management Australia Pty Ltd was incorporated during July 2021 and is registered in New South Wales, Australia. The registered office is Level 41, 161 Castlereagh Street, Sydney, NSW 2000, Australia.

FCT Morisot was incorporated in France on 5 August 2024. The registered office is 92 Avenue De Wagram, Paris, 75017, France. Lambay Capital Designated Activity Company was incorporated in Ireland on 13 November 2024. The registered office is Fleming Court, Dublin, D04N 4X9. FCT Chagall was incorporated in France on 3 September 2025. The registered office is 92 Avenue De Wagram, Paris, 75017, France.

Rothesay Property Company 1 Limited (formerly Trinity D Limited) was acquired by the Group in August 2025. Following the acquisition the name was changed and the accounting reference date updated to 31 December. The principal activity of the Company is the holding of investment property to let.

Rothesay Property Partnership 1 LLP was incorporated during March 2021 and has not commenced trading.

Riverton Home Finance Limited (formerly known as Rothesay Mortgages Limited) underwent a name change in October 2025.

Rothesay MA No.4 Limited (RMA4) was incorporated during November 2019. RMA4 remains dormant.

During October 2019, Rothesay Foundation was incorporated and registered as a charitable foundation in 2020; this entity is not incorporated into the consolidated financial statements as the charity is controlled by its trustees rather than Rothesay Limited or the Group.

## Notes to the financial statements **continued**

### Note I – Other notes

#### I.1 Property, plant and equipment

Equipment is stated at cost less accumulated depreciation/amortisation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the following classes of assets:

- Computer equipment: 3 years
- Furniture and fittings: 5-10 years
- Software: 10 years

Development expenditure on internally developed software is recognised as an asset only if Rothesay can demonstrate the technical feasibility to complete the development of the software, its intention and the availability of resources to complete the development and to use the software, and its ability to use the software to generate probable future economic benefits and to measure the expenditure reliably. Subsequent expenditure on internally developed software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred. Amortisation of the intangible asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the intangible asset is tested for impairment annually.

Group	Software £m	Computer equipment £m	Furniture and fittings £m	Total £m
<b>Cost</b>				
As at 1 January 2025	40	2	16	58
Additions	17	—	1	18
<b>As at 31 December 2025</b>	<b>57</b>	<b>2</b>	<b>17</b>	<b>76</b>
<b>Accumulated depreciation</b>				
As at 1 January 2025	—	(1)	(9)	(10)
Charge for the year	—	—	(2)	(2)
<b>As at 31 December 2025</b>	<b>—</b>	<b>(1)</b>	<b>(11)</b>	<b>(12)</b>
<b>Net book value as at 31 December 2025</b>	<b>57</b>	<b>1</b>	<b>6</b>	<b>64</b>
<b>Cost</b>				
As at 1 January 2024	24	1	10	35
Additions	16	1	6	23
As at 31 December 2024	40	2	16	58
<b>Accumulated depreciation</b>				
As at 1 January 2024	—	(1)	(7)	(8)
Charge for the year	—	—	(2)	(2)
As at 31 December 2024	—	(1)	(9)	(10)
<b>Net book value as at 31 December 2024</b>	<b>40</b>	<b>1</b>	<b>7</b>	<b>48</b>

At 31 December 2025 and 31 December 2024, Rothesay conducted an impairment review of the software asset not yet available for use and found no impairment necessary. The software asset capitalised relates to assets which remain under development.

## Notes to the financial statements **continued**

### Note I – Other notes (continued)

#### I.2 Company profit and loss

The loss for the financial year of the Company was £13m (2024: net loss of £11m). On 7 October 2025, the Company received £493m dividends from RLP (2024: £361m), which was recognised as income in the profit or loss in the year. As permitted by Section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements.

#### I.3 Share-based payments

*Rothesay's remuneration policy in relation to the deferred equity award plan gives employees the choice of receiving cash or equity for vestings. For these awards, the fair value of the grant will be reassessed at each reporting year and any change is charged to profit and loss.*

*Share-based employee awards that require future services are amortised over the relevant service period. Expected forfeitures are included in determining share-based employee compensation expenses.*

During the year ended 31 December 2015, Rothesay created a stock incentive plan, known as the deferred equity award plan which provides for grants of restricted stock units (RSUs).

Rothesay issues RSUs to the employees under the deferred equity award plan, primarily in connection with year-end compensation. These RSUs vest and deliver as outlined in the applicable RSU agreements. Vesting is subject to the recipient not having left employment or having left employment as a result of death, permanent illness, redundancy or retirement (subject to Remuneration Committee approval). Delivery of the RSUs is in the form of shares or an equivalent amount of cash (subject to the approval of the Remuneration Committee). All RSUs have a future service requirement. Note that we have provided an estimate for the number of RSUs granted during the year because, although the awards have been approved in principle by the Remuneration Committee, the actual number will not be finalised until after the financial statements have been approved.

The activity related to the deferred equity award plan RSUs is set out below:

	2025	2024
	No. of RSUs	No. of RSUs
Outstanding at the beginning of the year	12,065,550	9,789,167
Forfeited during the year	(114,120)	(118,324)
Vested during the year	(6,466,158)	(5,660,921)
Granted during the year	7,533,727	8,055,628
<b>Outstanding at the end of the year</b>	<b>13,018,999</b>	12,065,550

On 3 March 2020, the Company established a new HMRC-approved employee share plan known as the Employee Share Incentive Plan (ESIP). Under the ESIP, Rothesay offers shares to all eligible UK employees as part of year-end compensation. The rules governing withdrawal of the shares from the ESIP Trust and subsequent tax treatment are set by HMRC. They are disclosed as employee scheme shares until they are withdrawn. The ability to withdraw shares is generally subject to the recipient not having left employment before three years from grant date.

## Notes to the financial statements **continued**

### Note I – Other notes (continued)

#### 1.3 Share-based payments (continued)

The activity related to the ESIP RSUs is set out below:

	2025 No. of RSUs	2024 No. of RSUs
Outstanding at the beginning of the year	1,420,008	1,021,859
Forfeited during the year	(67,378)	(88,104)
Transfer during the year	(57,580)	—
Granted during the year	522,808	486,253
<b>Outstanding at the end of the year</b>	<b>1,817,858</b>	<b>1,420,008</b>

The methodology for calculating the fair value of the RSUs is intended to use a valuation basis consistent with the price paid by MassMutual and GIC for Blackstone's shareholding at the end of 2020. The weighted average fair value of the RSUs at 31 December 2025 was £4.62 (31 December 2024: £4.45).

#### Share appreciation plan

Rothesay also holds a long-term share appreciation plan (the SARs plan) which provides for grants of cash-settled share appreciation rights (SARs). The SARs provide the right to receive the upside on a fixed proportion of an agreed value of Rothesay shares over a defined time horizon, paid out in cash, subject to achievement of returns above an agreed hurdle. The SARs were awarded for the first time in 2021 and vest and deliver as outlined in the applicable agreement. Vesting is subject to the recipient not having left employment or having left employment as a result of death, permanent illness, redundancy or retirement (subject to Remuneration Committee approval). All SARs have a future service requirement. Share appreciation rights have been granted each year since 2021.

The valuation of the SARs is based on a Black-Scholes option pricing model and uses the same methodology for valuing shares as is used for share-based payments but with adjustments for payment of dividends in the vesting period.

The weighted average fair value and assumptions used to determine the fair value of the SARs issued in 2024 was as follows:

- Weighted average fair value at grant date: £0.89
- Expected volatility: 30%
- Outstanding vesting period: three years from issue
- Risk-free interest rate: 4.16%

The weighted average fair value and assumptions used to determine the fair value of the SARs issued in 2025 is as follows:

- Weighted average fair value at grant date: £0.90
- Expected volatility: 30%
- Outstanding vesting period: three years from issue
- Risk-free interest rate: 3.53%

## Notes to the financial statements *continued*

### Note I – Other notes (continued)

#### I.3 Share-based payments (continued)

The number of SARs awarded is as follows:

	2025 No. of SARs	2024 No. of SARs
Outstanding at the beginning of the year	105,931,028	104,470,821
Forfeited during the year	—	—
Vested during the year	(24,156,627)	(26,629,680)
Granted during the year	26,889,827	28,089,887
<b>Outstanding at the end of the year</b>	<b>108,664,228</b>	<b>105,931,028</b>

#### Expenses in relation to share-based payment schemes

Expenses of £83m (2024: £50m) have been charged to the profit and loss of Rothesay during the year in relation to the various share-based payment schemes.

## Notes to the financial statements **continued**

### Note I – Other notes (continued)

#### I.4 Related parties disclosures

##### Ultimate holding companies

Based on the percentage of nominal share capital owned, the shareholdings of Rothesay's institutional investors are as follows:

- GIC Private Limited: 50.2%
- MassMutual Financial Group: 47.6%

Both shareholders retain equal governance rights, including an equal number of Board Director positions and both remain committed to providing primary capital should the Company require it for significant growth opportunities. The remaining percentage is owned by the Directors, management, employees, the Trust and the ESIP Trust (see note C.2).

##### Related party transactions

Rothesay entered into various transactions with fellow participating interests which are subject to common control from the same source.

	2025 £m	2024 £m
<b>Statement of comprehensive income</b>		
Net recovery from reinsurance contracts held	2	(3)
Finance expense for reinsurance contracts held	19	5
Investment return	133	60
Finance costs	(18)	(18)
<b>Statement of financial position</b>		
Financial investments	1,772	1,250
Financial liabilities	(37)	—
Reinsurance contract liabilities	(10)	(10)
Reinsurance contract assets	56	24
Borrowings	(299)	(299)
Capital	1,722	1,722

Financial investments comprises secured loans and investments in corporate and Real Estate Investment Trust (REIT) bonds and derivatives; the counterparties and/or issuers of these investments are subject to common ownership by one of our shareholders. We have written a number of reinsurance contracts with one of our shareholders, MassMutual Financial Group. All related party transactions were disclosed to and approved by the Board.

On 15 August 2025, the Board approved an interim dividend of 31p per share, which was paid to shareholders on 7 October 2025. On 9 August 2024, the Board also approved an interim dividend of 23p per share which was paid to shareholders on 8 October 2024.

##### Transactions with key management personnel

Key management personnel comprise the Directors of the Company, Directors of subsidiary undertakings and certain members of senior management.

## Notes to the financial statements continued

### Note I – Other notes (continued)

#### I.4 Related parties disclosures (continued)

There are no material transactions between Rothesay and its key management personnel other than the transactions discussed below:

	2025 £m	2024 £m
Salaries, bonus and other employee benefits	32	32
Equity-based compensation payments	39	27
Pension costs	1	1
<b>Total transactions</b>	<b>72</b>	<b>60</b>

On 28 March 2025, members of key management personnel and their families sold 481,834 B ordinary shares to the employment benefit trust for consideration of £2.1m. During March 2025, Rothesay operated a Share Acquisition Facility for employees and Directors. 327,893 shares were acquired by key management personnel from the EBT pursuant to the Share Acquisition Facility for a consideration of £1.5m. On 28 March 2024, members of key management personnel and their families sold 93,007 B ordinary shares to the employment benefit trust for a consideration of £0.4m.

The tables below represent transactions between Rothesay Limited and its subsidiaries RPML, RLP, Rothesay Asset Management UK Limited (RAM UK) and Rothesay Asset Management North America LLC (RAM NA).

Transactions with RPML	2025 £m	2024 £m
<b>Statement of financial position</b>		
Other receivables	7	—
Other payables	7	5
Capital	5	3

Transactions with RLP	2025 £m	2024 £m
<b>Statement of comprehensive income</b>		
Finance costs	(3)	(4)
Cost transfer	(8)	(5)
<b>Statement of financial position</b>		
Other payables	121	105
Capital	2,638	2,638

Transactions with RAM UK	2025 £m	2024 £m
Capital	10	10

Transactions with Rothesay Asset Management North America LLC	2025 £m	2024 £m
<b>Statement of financial position</b>		
Other receivables	1	—
Other payables	1	—

## Notes to the financial statements **continued**

### **Note I – Other notes (continued)**

#### ***1.4 Related parties disclosures (continued)***

##### **Transactions with LT Mortgage Financing Limited**

Between 2018 and 2024, £6.6bn of lifetime mortgages were transferred from RLP to its subsidiary LT Mortgage Financing Limited (LTMF). During 2025, a further £0.6bn were transferred. Whenever lifetime mortgages were transferred, LTMF became the beneficial owner of the lifetime mortgages in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the lifetime mortgages. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the mortgages after the securitisations through the loan notes.

##### **Transactions with Rothesay MA No.1 Limited**

During December 2018, £0.8bn of ground rent loans were transferred from RLP to its subsidiary Rothesay MA No.1 Limited (RMA1). RMA1 became the beneficial owner in the ground rent loans in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the ground rent loans. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the loans after the securitisations through the loan notes.

##### **Transactions with Rothesay MA No.3 Limited**

Between 2020 and 2023, €2.0bn of Dutch mortgage loans were transferred from RLP to its subsidiary Rothesay MA No.3 Limited (RMA3). In each case, RMA3 became the beneficial owner in the Dutch mortgage loans in exchange for the issue of loan notes. These transactions took place on an arm's length basis using the fair value of the Dutch mortgages. Under IFRS 9, the loans cannot be derecognised from RLP as RLP effectively maintains all the risk and rewards and control of the mortgages after the securitisations through the loan notes.

##### **Transactions with FCT Morisot**

In 2024, FCT Morisot purchased €0.7bn home loans which was funded through issuance of loan notes to RLP. Rothesay consolidates FCT Morisot as at year end.

##### **Transactions with FCT Chagall**

In 2025, FCT Chagall purchased €3.7bn home loans which was funded through issuance of loan notes to RLP and external financing. Rothesay consolidates FCT Chagall as at year end.

##### **Transactions with Rothesay Property Company 1 Limited**

In 2025, RLP acquired 100% of the equity of Rothesay Property Company 1 Limited (RPC1) (formerly Trinity (D) Limited) for £0.1bn. RPC1 holds the ground rent of O2 Arena in London, held under operating lease with third-party lessees.

##### **Transactions with Riverton Home Finance Limited**

In 2025, RLP injected £5m capital into Riverton Home Finance Limited (RHF) (previously Rothesay Mortgages Limited). RHF is FCA regulated and will provide home finance products, specialising in Lifetime Mortgages for residential property owners in the UK.

## Notes to the financial statements **continued**

### **Note I – Other notes (continued)**

#### ***1.5 Financial commitments and contingencies***

During previous years, Rothesay executed transactions to purchase partly funded bonds, forward-settling bonds and fund units with a commitment for future funding. During 2025, Rothesay purchased additional forward-settling bonds. Rothesay has also signed up to a number of multi-year contracts, in relation to the provision of market data and technology services. Rothesay expects to pay a further £482m in relation to these commitments (2024: £134m), £121m of this being due within 12 months of the financial reporting date (2024: £73m).

	2025 £m	2024 £m
Not later than one year	121	73
Later than one year and no later than five years	260	43
Later than five years	101	18
<b>Total other commitments</b>	<b>482</b>	<b>134</b>

## Notes to the financial statements **continued**

### Note I – Other notes (continued)

#### I.6 Leases

##### (a) Amounts included in the statement of financial position

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- amounts expected to be payable by Rothesay under residual value guarantees;
- payments of penalties for terminating the lease; and
- lease payments to be made under reasonably certain extension options.

Lease payments are discounted using Rothesay's incremental borrowing rate. The incremental borrowing rate represents the cost of funding to Rothesay at the date that the lease was entered into.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of income over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- amount of any initial measurement of lease liability;
- leased payments made before the commencement date less any lease incentives received;
- initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Rothesay's right-of-use assets include the lease on the UK office executed in May 2019. The lease for the UK office, levels 5 and 6 of The Post Building, has a duration of 17 years with a break clause at 12 years which we initially assumed to be exercised. The incremental borrowing rate for the Group was 3.37%. During November 2023, Rothesay took over the lease of levels 3 and 4 of The Post Building; that lease has a duration of 12 years and we have used an incremental borrowing rate of 7.58%. As at the beginning of 2025, we reassessed that Rothesay will extend the lease of levels 5 and 6 up to April 2036, considering Rothesay occupies the additional floors 3 and 4 of The Post Building which extends until May 2035. This led to an increase in the right-of-use asset and lease liability by £11.5m. In addition, the rental cashflows have increased based on the current year rent reviews, resulting in an increase in the right-of-use asset and lease liability of £5.3m. Rothesay's right-of-use assets also include the lease on the US office executed in 2022 and the Australian office executed in 2023 and 2024.

#### Right-of-use assets

	2025 £m	2024 £m
Balance at 1 January	51	57
Depreciation charge for the year	(6)	(6)
Additions	17	—
<b>Closing balance at 31 December</b>	<b>62</b>	<b>51</b>

## Notes to the financial statements continued

### Note I – Other notes (continued)

#### I.6 Leases (continued)

##### (a) Amounts included in the statement of financial position (continued)

##### Lease liabilities

	2025 £m	2024 £m
Lease liabilities	75	64
<b>Maturity analysis based on undiscounted liabilities</b>		
<b>Current liabilities:</b>		
Less than one year	11	10
<b>Non-current liabilities:</b>		
One to five years	53	50
More than five years	39	21
<b>Total undiscounted lease liabilities</b>	<b>103</b>	<b>81</b>

##### (b) Amounts recognised in the statement of comprehensive income

	2025 £m	2024 £m
Lease right-of-use assets depreciation	6	6
Financing charge on lease liabilities (included in note B.4 Finance costs)	6	4

##### (c) Amounts recognised in the statement of cash flows

	2025 £m	2024 £m
Lease right-of-use assets depreciation	6	6
Financing charge on lease liabilities	6	4
Cash outflows for lease liabilities	10	10

#### I.7 Post balance sheet events

On 27 January 2026, the Government introduced a draft Commonhold and Leasehold Reform Bill which proposed capping residential ground rents at £250 per annum from 2028, reducing to “a peppercorn”, or zero, after 40 years. Should the proposed changes be enacted as anticipated in final legislation, the write down in the fair value of Rothesay’s relevant assets as at 31 December 2025 is estimated to be £313m with a resultant increase in the value of our liabilities, prior to management actions. Rothesay is undertaking a range of management actions to mitigate the impact of the proposed cap, including mitigation of the impact on the value of our liabilities.

## Alternative Performance Measures

As noted on page 42, throughout the financial statements Rothesay has used a variety of measures to provide stakeholders with the necessary information on the performance and financial position of Rothesay. 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
<b>New business premium</b>	The present value of premiums paid or due to be paid on new business transacted during the year, 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.5.(a).
<b>Solvency capital requirement (SCR) coverage</b>	Under Solvency II, the capital required to withstand a 1-in-200-year event.	Rothesay 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 Rothesay.	It is not possible to reconcile the SCR to the IFRS Financial Statements. However, further details are included in note F.1.
<b>Own Funds</b>	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.
<b>IFRS Economic Value</b>	The risk-adjusted value of the in-force business, allowing for the unwind of IFRS margins and cost of capital.	Provides a reflection of value which aligns with the long-term value of the Group.	Please see reconciliation provided in note 1 on page 226.
<b>MCEV</b>	The risk-adjusted value of the in-force business, allowing for the unwind of IFRS margins and cost of capital.	Rothesay considers that embedded value reporting provides investors with a useful measure of the future profit streams of Rothesay's long-term business.	Please see reconciliation provided in note 2 on page 226.
<b>Longevity reinsurance percentage</b>	The longevity percentage provides an indication of the extent to which Rothesay is protected from fluctuations in longevity through reinsurance.	Demonstrates how Rothesay 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.8).

## Alternative Performance Measures **continued**

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS		
			2025 £m	2024 £m	
<b>Assets under management</b>	Derived by adjusting total assets for reinsurance, payables, derivatives, collateralised financing and deferred tax assets.	By netting down the derivative gross up, Rothesay provides a more meaningful value for the assets managed and a useful measure of the size of business.	Total assets	130,642	123,557
			Reinsurance assets	(391)	(302)
			Payables and financial liabilities	(56,183)	(52,012)
			Deferred tax assets	(523)	(586)
			<b>Total AUM</b>	<b>73,545</b>	<b>70,657</b>
<b>New business profit</b>	New business profit less the increase in best estimate liabilities and risk adjustment. After deduction of allocated acquisition expenses, this is equal to the increase in CSM as a result of new business including new reinsurance.	This is one of the metrics used by Rothesay when underwriting new business.	The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit ( <b>APM</b> ) plus New business acquisition expense ( <b>APM</b> ) is equal to the increase in CSM as a result of new business including new reinsurance (see note E.5.(a) + E.5.(b)). For 2024 only net gain reinsurance contracts are disclosed in the new business profit with the residual in the performance of in-force as it reflects the re-recognition of an existing contract.		
<b>New business acquisition expense</b>	New business acquisition expenses are the expenses allocated to the execution of new business.	This is one of the metrics used by Rothesay when underwriting new business.	The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit ( <b>APM</b> ) plus New business acquisition expense ( <b>APM</b> ) is equal to the increase in CSM as a result of new business including new reinsurance (see note E.5.(a) + E.5.(b)).		
			New business profit (APM)	197	886
			New business acquisition expense (APM)	(95)	(196)
			CSM added new insurance contracts (E5.(a))	(32)	(412)
CSM added new reinsurance contracts (E5.(b))	(70)	(278)			

## Alternative Performance Measures **continued**

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
<b>Performance of in-force book</b>	<p>This represents the profit that can be attributed to:</p> <ul style="list-style-type: none"> <li>• differences in actual investment returns compared to those assumed;</li> <li>• the release of the risk adjustment as the business runs off and members exercise their options;</li> <li>• the release of credit default allowances;</li> <li>• the impact of actual demographic experience versus assumptions;</li> <li>• the investment return on surplus assets; and</li> <li>• offset by non-attributable expenses from note B.3.</li> </ul>	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.
<b>Non-economic assumption changes</b>	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.
<b>Adjusted operating profit before tax</b>	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.
<b>Borrowing costs</b>	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																
<b>Economic gains/ (losses)</b>	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.																
<b>Adjusted equity</b>	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.	<table border="1"> <thead> <tr> <th></th> <th>2025 £m</th> <th>2024 £m</th> </tr> </thead> <tbody> <tr> <td>IFRS equity</td> <td><b>4,588</b></td> <td>4,215</td> </tr> <tr> <td>Sterling RT1</td> <td><b>(793)</b></td> <td>(793)</td> </tr> <tr> <td>CSM net of tax</td> <td><b>4,501</b></td> <td>4,441</td> </tr> <tr> <td><b>Adjusted equity</b></td> <td><b>8,296</b></td> <td>7,863</td> </tr> </tbody> </table>			2025 £m	2024 £m	IFRS equity	<b>4,588</b>	4,215	Sterling RT1	<b>(793)</b>	(793)	CSM net of tax	<b>4,501</b>	4,441	<b>Adjusted equity</b>	<b>8,296</b>	7,863
	2025 £m	2024 £m																	
IFRS equity	<b>4,588</b>	4,215																	
Sterling RT1	<b>(793)</b>	(793)																	
CSM net of tax	<b>4,501</b>	4,441																	
<b>Adjusted equity</b>	<b>8,296</b>	7,863																	

## Alternative Performance Measures continued

### Note 1 – Reconciliation between IFRS total equity and IFRS Economic Value

	2025	2024
Reconciliation of IFRS to IFRS Economic value	£m	£m
<b>Rothesay Limited IFRS total equity</b>	<b>4,588</b>	4,215
Less Restricted Tier 1 sterling notes treated as equity under IFRS	(793)	(793)
Less accrued interest on Restricted Tier 1 sterling notes (net of tax)	(9)	(9)
Remove CSM and risk adjustment (net of tax)	4,831	4,778
Plus differences between fair values and accounting valuations	6	7
Plus own debt valuation differences to reflect market moves since issuance	102	165
<b>IFRS Economic value (IEV)</b>	<b>8,725</b>	8,363

The table above shows a reconciliation between the IFRS total equity and IFRS Economic value. IEV measures the value of Rothesay's business in a way which is consistent with IFRS principles, but set at a best estimate confidence level rather than including the explicit margins which exist on an accounting basis. It provides a useful way of measuring the value which is expected to be generated by Rothesay's in-force book.

Differences between IFRS equity and Economic Value arise because the sterling Restricted Tier 1 note issuance is included in total equity under IFRS. This is deducted to give a measure of the value of the ordinary share capital. The CSM plus other temporary accounting valuation adjustments, namely any acquisition cost liability/(asset) as well as any differences between the accounting and fair value of assets are then removed to give the Economic value.

### Note 2 – MCEV Breakdown

	2025	2024	
Market consistent embedded value (APM)	£m	£m	
Net worth of Rothesay Limited	7,287	6,831	Total IFRS equity of £4,588m (2024: £4,215m) and IFRS borrowings of £2,699m (2024: £2,616m).
Value of in-force business	4,109	4,196	Value of emergence of IFRS margins and profit stored in the risk adjustment and CSM, allowing for the cost of capital and cost of non-hedgeable risks.
Less: debt	(3,357)	(3,350)	In 2024, the value of Rothesay's debt has been deducted based on its market value rather than the amortised cost valuation used for IFRS. In 2025, the valuation of Rothesay's debt for MCEV was aligned with Solvency II. For MCEV, all of Rothesay's Restricted Tier 1 notes are counted as debt.
<b>MCEV</b>	<b>8,039</b>	7,677	

The Group MCEV can then be reached from the IFRS net worth by adjusting for the value of Rothesay's debt, adjusting for differences between the cost of capital plus non-hedgeable risk and the risk adjustment and incorporating an allowance for the time value of money into deferred tax calculations.

## Glossary of terms

<b>Adjusted equity</b>	See Alternative Performance Measures.
<b>Adjusted operating profit before tax</b>	See Alternative Performance Measures.
<b>Alternative Performance Measure</b>	Rothesay'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. Rothesay therefore includes within these accounts a number of Alternative Performance Measures which focus on value generation and capital strength to reflect the performance of Rothesay.
<b>Annuity</b>	A series of regular payments made to an individual until their death. Payments may be indexed.
<b>Assets under management</b>	See Alternative Performance Measures.
<b>Best estimate liability (BEL)</b>	The liabilities of Rothesay 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.
<b>Borrowing costs</b>	See Alternative Performance Measures.
<b>Bulk annuity</b>	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.
<b>Buy-in</b>	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.
<b>Buy-out</b>	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.
<b>Carbon footprint</b>	Total greenhouse gas emissions caused by an individual, entity or activity, expressed in CO <sub>2</sub> equivalent (CO <sub>2</sub> e).
<b>Carbon intensity</b>	A measure of emissions that allows for comparison between entities of different size. It is measured in t CO <sub>2</sub> e/million USD of revenue annually.
<b>Climate scenario</b>	A representation of future environment constructed to support investigation of the potential impacts of climate change.
<b>CO<sub>2</sub>e</b>	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 <sub>2</sub> equivalent.
<b>Collateralised agreements/ investments</b>	Loans secured on property or other collateral.
<b>Collective investment schemes</b>	A way of investing money alongside other investors.
<b>Contractual service margin (CSM)</b>	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.

## Glossary of terms **continued**

<b>Corporate bonds and other corporate debt</b>	These are debt securities issued by corporations which are not guaranteed by governments.
<b>Credit risk</b>	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.
<b>Currency rate risk</b>	The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates. Also referred to as foreign exchange risk.
<b>Currency translation</b>	Gains and losses incurred when translating the overseas subsidiaries into the sterling consolidated balance sheet.
<b>Deferred annuities</b>	Annuities or pensions due to be paid from a future date or when the policyholder reaches a specified age.
<b>Distributable profits</b>	A company's profits available for distribution are its accumulated realised profits.
<b>Economic gains/(losses)</b>	See Alternative Performance Measures.
<b>Employee benefit trust (EBT)</b>	A trust established to purchase and hold shares of the Company for delivery under employee share schemes.
<b>Equity-based compensation</b>	Share-based transactions awarded under incentive plans.
<b>Fair value</b>	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.
<b>Finance costs</b>	Represent interest payable on borrowings.
<b>Financed emissions</b>	The emissions associated with our investments, in line with the GHG Protocol Scope 3 Category 15 definition.
<b>Fixed-for-term mortgages</b>	Residential mortgages where the interest rate payable is fixed at outset for the whole term of the mortgage.
<b>Full internal model (FIM)</b>	Under Solvency II, an insurer's own model used to calculate the solvency capital requirement in relation to particular risks approved by the PRA.
<b>General Measurement Model (GMM)</b>	The General Measurement Model is the standard approach to calculate/estimate liabilities for the insurance contract under IFRS 17.
<b>Government, sub-sovereign and agency obligations</b>	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.
<b>Greenhouse Gas Protocol</b>	A global framework outlining best practice for measurement and management of greenhouse gas emissions.
<b>IFRS Economic Value (IEV)</b>	See Alternative Performance Measures.
<b>In-force</b>	An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated.
<b>Infrastructure</b>	Investments in infrastructure such as energy and transportation.
<b>Insurance acquisition cash flows</b>	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.
<b>Insurance finance income or expenses</b>	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.

## Glossary of terms **continued**

<b>Insurance revenue</b>	Under IFRS 17, the amount charged for insurance coverage when it is earned rather than when it is paid.
<b>Insurance risk</b>	The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
<b>Insurance service expenses</b>	Under IFRS 17, the costs incurred in providing insurance services during the year.
<b>Insurance service result</b>	Under IFRS 17, the insurance revenue less the insurance service expense, i.e. the insurance profit made on the provision of insurance coverage.
<b>International Financial Reporting Standards (IFRS)</b>	Accounting standards that are applied in preparing Rothesay's consolidated financial statements.
<b>Investment return</b>	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.
<b>Inwards reinsurance</b>	Reinsurance where Rothesay is acting as the reinsurer.
<b>Liability for incurred claims (LIC)</b>	The liability for incurred claims includes unpaid claims and expenses.
<b>Liability for remaining coverage (LRC)</b>	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.
<b>Lifetime mortgages</b>	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.
<b>Limited price indexation (LPI)</b>	LPI is a pricing index used to calculate increases in components of scheme pension payments in the UK.
<b>Liquidity premium</b>	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.
<b>Liquidity premium adjustment</b>	In calculating the MCEV, liabilities are discounted using the risk-free rate plus a liquidity premium adjustment, designed to capture the component of yield on a portfolio of assets that is attributable to liquidity rather than credit risk.
<b>Liquidity risk</b>	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
<b>Longevity reinsurance (%)</b>	See Alternative Performance Measures.
<b>Longevity risk</b>	The risk that a company could be exposed to a higher payout as a result of increasing life expectancy.
<b>LTMF</b>	LT Mortgage Financing Limited.
<b>Market consistent embedded value (MCEV)</b>	See Alternative Performance Measures.
<b>Market risk</b>	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.

## Glossary of terms **continued**

<b>Matching adjustment</b>	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.
<b>Matching adjustment portfolio</b>	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.
<b>Mortality tables</b>	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.
<b>Net worth</b>	Under MCEV, the value of equity plus the value of borrowings on an IFRS basis.
<b>Net zero</b>	A state in which the GHGs going into the atmosphere (anthropogenic emissions) are balanced by their removal out of the atmosphere (carbon sinks/removal).
<b>New business</b>	New insurance contracts and reinsurance inwards sold during the year. Includes business acquired through purchase of companies.
<b>New business acquisition expenses</b>	See Alternative Performance Measures.
<b>New business premium</b>	See Alternative Performance Measures.
<b>New business profit</b>	See Alternative Performance Measures.
<b>No negative equity guarantee (NNEG)</b>	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.
<b>Non-attributable costs</b>	These are operating expenses incurred in the year that cannot be directly attributable to a portfolio of insurance contracts (see note B.3).
<b>Non-economic assumption changes</b>	See Alternative Performance Measures.
<b>Onerous contracts</b>	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).
<b>Operational risk</b>	The risk arising from inadequate or failed internal processes, personnel or systems, or from external events.
<b>Own Funds</b>	See Alternative Performance Measures.
<b>Own risk and solvency assessment (ORSA)</b>	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 Rothesay's business plans.
<b>Performance of in-force book</b>	See Alternative Performance Measures.
<b>Physical climate risk</b>	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.
<b>Pillar 1</b>	Under Solvency II, represents the solvency capital requirement calculated using a standard formula or (partial) internal model.
<b>Pillar 2</b>	Under Solvency II, represents the required risk management principles and practices relating to the risk and capital estimates covered by Pillar 1.

## Glossary of terms **continued**

<b>Policyholders</b>	Rothesay generally uses the term policyholder to refer to the individual immediate and deferred annuitants whose benefits are insured by Rothesay 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).
<b>Policyholder satisfaction</b>	Feedback surveys are sent to all policyholders following interaction with them (apart from complaints and bereavements). Rothesay prides itself on the quality of the service and the satisfaction survey provides a measure of the quality of the service.
<b>Provision for adverse deviation (PAD)</b>	The provision for adverse deviation approach reflects the compensation that Rothesay requires for bearing the non-financial uncertainty in the liabilities.
<b>Prudential Regulation Authority (PRA)</b>	The PRA is the UK regulatory body responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.
<b>qx</b>	qx is actuarial notation used to represent the probability of a life aged x dying during the year.
<b>Reinsurance</b>	Protection sold to or purchased from another insurance company.
<b>Reorganisation reserve</b>	Reflects the impact of Rothesay's reorganisation in 2013 which led to an increase in reserves of £132m, reflecting the excess of consolidated net assets to the historical cost of investment in subsidiary entities.
<b>Responsible Investment</b>	The integration of sustainability considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.
<b>Risk adjustment</b>	Defined within IFRS 17 as the compensation that Rothesay requires for bearing the non-financial uncertainty in the (re)insurance contract liabilities.
<b>Risk margin</b>	Under Solvency II, the cost of transferring non-hedgeable risks.
<b>RL</b>	Rothesay Limited.
<b>RLP</b>	Rothesay Life Plc, the Group's regulated life company.
<b>RMA1</b>	Rothesay MA No.1 Limited.
<b>RMA3</b>	Rothesay MA No.3 Limited.
<b>RMA4</b>	Rothesay MA No.4 Limited.
<b>RPML</b>	Rothesay Pensions Management Limited, the Group's service company.
<b>RSUs</b>	Restricted stock units.
<b>S3PMA/S3PFA</b>	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.
<b>SBTi</b>	Science Based Targets initiative – SBTi is an organisation established to support companies to set emission reduction targets in line with the reductions required to limit global temperature rise to 1.5°C.
<b>Scope 1 emissions</b>	Measured in tCO <sub>2</sub> e annually. Direct emissions that occur from sources controlled by the entity in question. For example, emissions from a gas-fired boiler on company premises.

## Glossary of terms **continued**

<b>Scope 2 emissions</b>	Measured in tCO <sub>2</sub> e annually. Indirect emissions largely associated with the purchase of electricity by the entity in question to operate their business and buildings including purchased electricity, municipal heating and cooling. Scope 2 emissions can be calculated as Location-based: operational emissions using an average emissions intensity for the energy system on which energy consumption occurs; or Market-based: operational emissions using actual energy consumption of the entity.
<b>Scope 3 emissions</b>	Measured in tCO <sub>2</sub> e annually. Emissions that are the result of activities elsewhere in the value chain of the entity in question. These include emissions produced indirectly, through purchased goods and services, business travel, employee commuting, and investments. The Scope 3 emissions of one entity are the Scope 1 and 2 emissions of other entities.
<b>Secured investments</b>	Bespoke investments where very high levels of collateral have been negotiated and returns are generated through illiquidity premium.
<b>Share-based payment reserve</b>	The share-based payment reserve relates to equity-based compensation awards.
<b>Sk</b>	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.
<b>Solvency capital requirement (SCR) coverage</b>	See Alternative Performance Measures.
<b>Solvency II</b>	The solvency regime applicable from 1 January 2016. Under Solvency II, Rothesay is required to hold the greater of the capital required under the new Solvency II Pillar 1 framework and the capital required under Rothesay's own economic capital model Solvency II Pillar 2.
<b>SONIA</b>	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.
<b>Streamlined Energy and Carbon Reporting (SECR)</b>	Reporting on the energy use, carbon emissions and emissions intensity associated with our UK operations.
<b>Subordinated loan</b>	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.
<b>Sustainability risks</b>	An Environmental, Social or Governance (ESG) event or impact that could cause a negative impact including financial and reputational.
<b>TCFD</b>	Taskforce for Climate-related Financial Disclosures – an international initiative established by the Financial Stability Board (FSB) in 2015 to develop recommendations for disclosing climate-related financial risks and opportunities in various sectors of the economy.
<b>Technical Provisions</b>	The sum of the best estimate of liabilities allowing for reinsurance inwards and a risk margin.
<b>Temperature alignment</b>	A forward-looking metric that attempts to convey the future trajectory of greenhouse gas emissions of a given entity or portfolio in terms of its established global temperature rise.

## Glossary of terms **continued**

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<b>Third party administration (TPA) agreement</b>	Contract with pensions administrator to process claims and payroll on behalf of Rothesay.
<b>Transition plan</b>	A transition plan sets out an organisation's approach for how it will align all its activities to Net Zero.
<b>Transitional Solvency Relief</b>	Applies to Solvency II and phases in the risk margin over a 16-year period and increases capital available during the transitional period.
<b>Yield</b>	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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**Rothesay Limited**

The Post Building  
100 Museum Street  
London WC1A 1PB

[www.rothesay.com](http://www.rothesay.com)  
T: 020 7770 5300