

Rothesay
Protecting Pensions

Your future
in safe hands

Rothesay Life Plc
Annual report and accounts 2025



Our purpose

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

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

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

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 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. 8-14



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. 24-25



Innovation

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

➤ For more information
see pgs. 8-14

Rothsay at a glance

Your future
in safe hands

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

Rothsay 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.



2025 key highlights

£1,207m

IFRS profit before tax of £1,207m (2024: £121m).

£5.2bn

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

249%

Solvency capital requirement (SCR) **APM** coverage of 249% (2024: 264%), giving us significant capital for future growth opportunities.

£1,039m

Adjusted operating profit **APM** of £1,039m (2024: £1,781m).

2025 awards

Bulk Purchase Annuities Solution of the Year award from Insurance Asset Management

Over £8bn

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

ECB

Rothsay 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 Rothsay County Championship.

\$500m

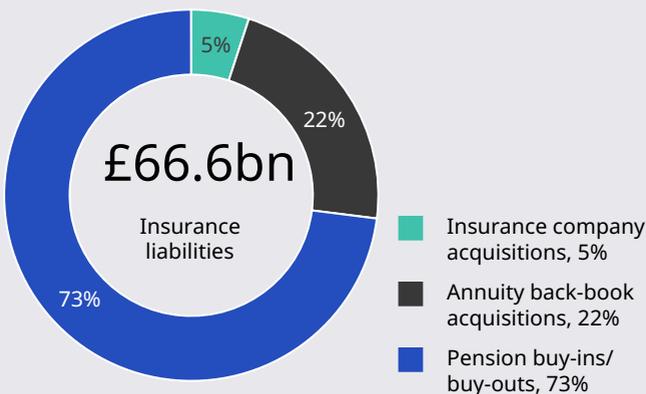
Restricted Tier 1 debt issuances.

96%

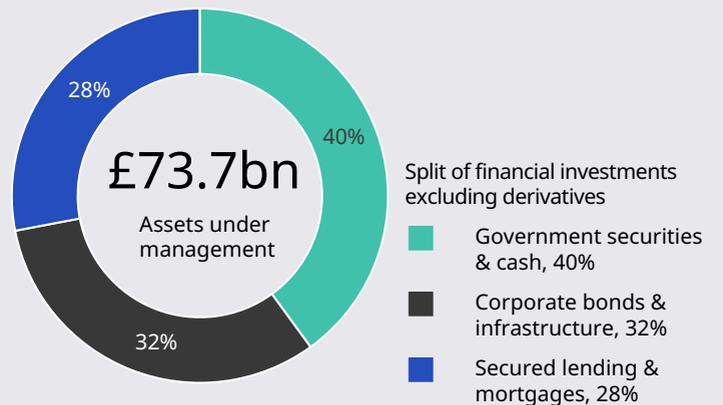
Customer satisfaction of 96% (2024: 96%)

¹ APM – Alternative Performance Measure; please see page 37 for further details

Securing pension annuities from pension schemes and other insurers



Backed by high-quality investments



Performance at a glance

New business premium APM¹

£5.2bn



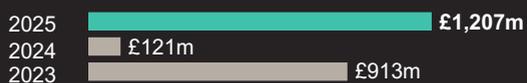
Adjusted operating profit APM

£1,039m



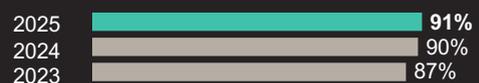
IFRS profit before tax

£1,207m



Longevity reinsured APM

91%



Group solvency capital requirement (SCR) coverage APM

249%



Customer satisfaction

96%



Number of policies

947,088



Paid to policyholders in the year

£4.4bn



Assets under management APM

£73.7bn



1. APM – Alternative Performance Measure; please see page 37 for further details.

A glossary of terms used can be found on page 162.

All performance metrics are linked to our strategic goals on pages 30 and 31.



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.

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.



New business premium **(APM)**

£5.2bn

(2024: £15.7bn)

Group SCR coverage **(APM)**

249%

(2024: 264%)

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.

Chief Executive's statement **continued**

In 2025, we received approval for the launch of Riverton, Rothesay'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.

Group performance

Adjusted operating profits (**APM**) for 2025 were £1,039m (2024: £1,781m), 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 £1,207m (2024: £121m).

The Group's assets under management (**APM**) increased due to the new business written during 2025 offset by market movements, to £73.7bn (2024: £70.8bn).

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 2 October 2025.

Solvency and capital Management

Rothesay's strong Solvency Capital Requirement (SCR) coverage (APM) of 249% (2024: 264%), 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.



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



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. 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.



Chief Executive's statement continued

Discipline Investment Innovation

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.

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.

Chief Executive's statement **continued**

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.

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

Chief Executive's statement **continued**

Discipline Investment Innovation

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.

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.

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 buy-out. 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.

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 Rothesay 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.

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 for 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 foundation 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.

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 sustainable and stable long-term returns.

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.

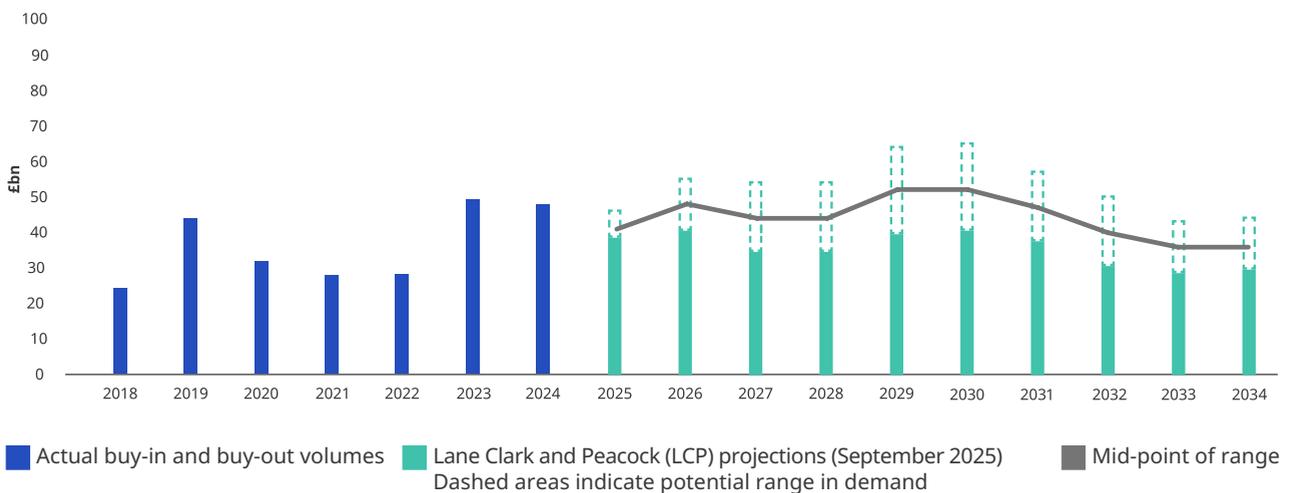
These BPA policies may take the form of a 'buy-in', where Rothesay makes annuity payments in bulk to the ceding pension scheme which then makes onward payment to its members, or a 'buy-out' where the pension scheme members become direct policyholders of Rothesay.

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.

Rothesay's £73.7bn 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. Rothesay 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.

Rothesay continued to invest its assets in a measured way over 2025.

Rothesay'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.

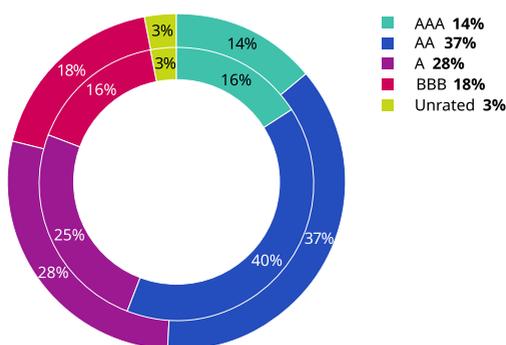
The following charts provide a breakdown of our financial investment portfolio excluding derivatives at 31 December 2025 and 31 December 2024 by asset class.

Corporate bonds and infrastructure bonds

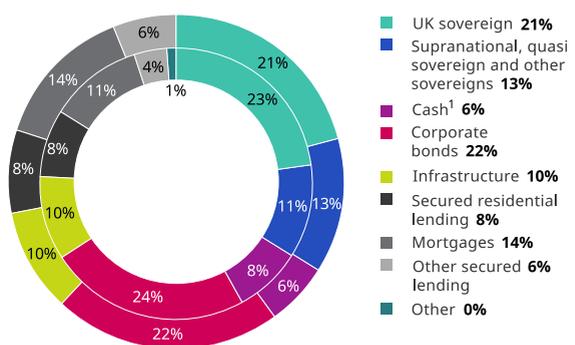
Our corporate bond and infrastructure holdings continue to be weighted towards liquid and highly rated bonds. We remain focused on investing in high-quality names and diversifying across sectors, currencies and jurisdictions. Our exposures to different industry sectors within the corporate bond and infrastructure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

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).

Investment by rating (%)



Our investments (%)



Outer circle: 2025
Inner circle: 2024

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**

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.

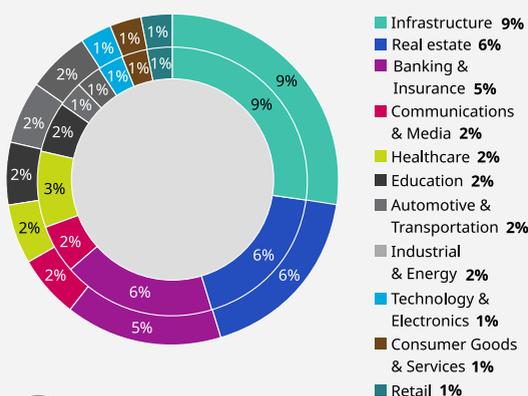
Fundamental to achieving our long-term goal is our ability to model how issuers or sectors may decarbonise out to 2050. To assist this, we have published our first transition plan which details the key drivers and dependencies which may impact our ability to achieve our targets.

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.

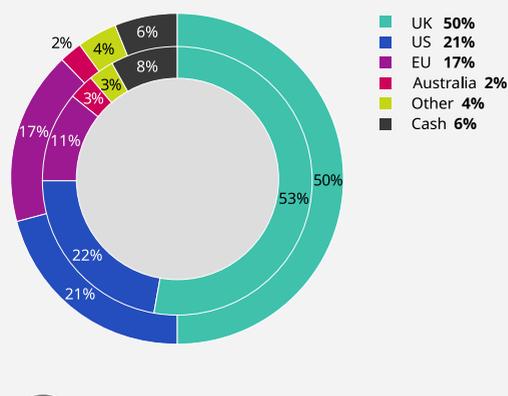
For more information, please see our latest Climate Report, which is aligned with the Task Force on Climate-related Financial Disclosures.

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

Investment sectors (%)



International diversification (%)



Outer circle: 2025
Inner circle: 2024

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		2024	
A2	A+	A2	A+
Moody's Investors Service	Fitch Ratings	Moody's Investors Service	Fitch Ratings

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 £73.7bn (2024: £70.8bn) 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

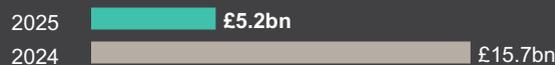
IFRS profit before tax

Measures profitability by capturing all recurring and non-recurring items



New business premiums (APM)

Signals the Group's growth



2025 progress:

- Adjusted operating profits of £1,039m (2024: £1,781m) (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 £1,207m (2024: £121m).
- In 2025, we executed 17 transactions, which generated £5.2bn of new business (2024: £15.7bn) (APM).
- Expanded the Rothsay team by 32 talented individuals across the Group.

Opportunities in 2026 and beyond:

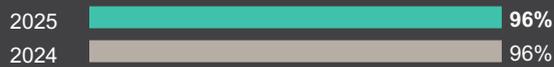
- Continue to assist pension schemes to de-risk through new pension risk transfer transactions. Given the strength of the pipeline, we anticipate significant new business opportunities in 2026 and beyond.
- Ongoing deployment of assets received from new business transactions into Rothsay's long-term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

Our strategy and KPIs **continued**

Service excellence

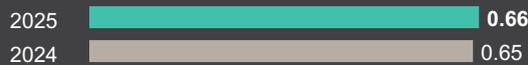
Service quality

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.

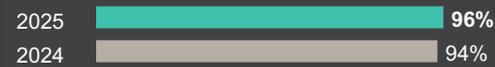
Opportunities in 2026 and beyond

- 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

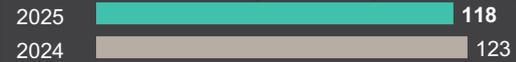
Employee engagement response rate

Measures the number of employees who responded to the annual employee survey¹



Carbon intensity

Measures carbon intensity of Rothesay's investment portfolio



2025 and 2024: tonnes CO₂e/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.

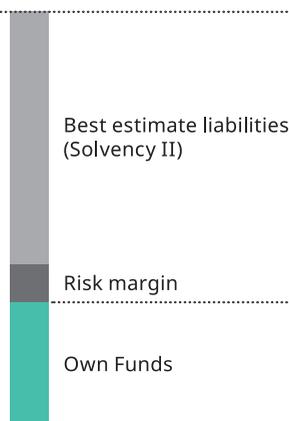
These investments are sensitive to market movements such as changes in interest rates and inflation, and changes in their valuations are designed to largely mirror the moves in the liabilities that they are backing. This is known as Asset-Liability Matching (ALM).

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.

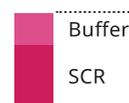
Own Funds are the total eligible assets of the Group less the Solvency II best estimate liabilities and risk margin (which is a buffer for risks which are deemed to be non-hedgeable, such as longevity risk). Own Funds include eligible subordinated debt.

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 IFRS 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.

Rothesay 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

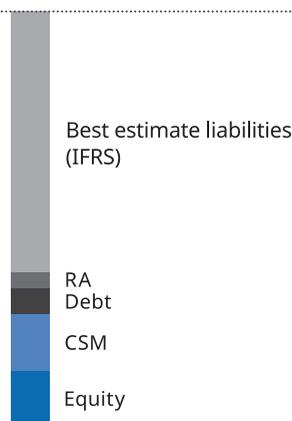
Own Funds **(APM)** that are not needed to cover the SCR **(APM)** or the buffer are considered surplus above the SCR buffer.

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: £1,781m). 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 £1,207m (2024: £121m).

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 158.

Profits generated on the in-force book (**APM**) were £975m (2024: £1,104m). 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.

Financial performance (Alternative analysis of profit generation) (APM)	2025 £m	2024 £m
New business profit	197	886
Performance of the in-force book	975	1,104
Non-economic assumption changes and model refinement	(38)	(13)
Acquisition expenses	(95)	(196)
Adjusted operating profit before tax	1,039	1,781
Increase in CSM	(61)	(735)
Borrowing costs	(168)	(164)
Economic gains/(losses)	397	(761)
IFRS profit before tax	1,207	121



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	1,561	144	The net financial result is primarily driven by interest earned on assets above liabilities plus the impact of changes in economic conditions.
Operating expenses	(213)	(81)	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	(722)	(638)	Finance costs represent interest payable on borrowings and on collateral. For further details see note B.4.
Profit before tax	1,207	121	

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	124,449	117,428
Reinsurance contract assets	391	302
Deferred tax asset	502	569
Other assets	5,371	5,316
Total assets	130,713	123,615
Share capital and share premium	684	684
Tier 1 notes	793	793
Reserves	3,211	2,839
Total equity	4,688	4,316
Insurance contract liabilities	66,646	64,222
Reinsurance contract liabilities	200	223
Payables and financial investment liabilities	56,162	51,976
Borrowings	2,699	2,616
Other liabilities	318	262
Total liabilities	126,025	119,299
Total equity and liabilities	130,713	123,615

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 £70.8bn as at 31 December 2024 to £73.7bn 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 159.

Insurance liabilities

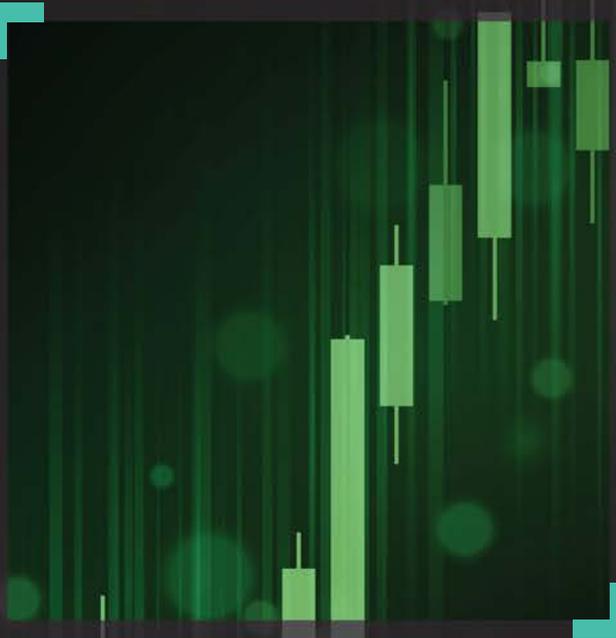
Insurance contract liabilities, which consist of the best estimate liabilities, the risk adjustment and the CSM, increased from £64.2bn as at 31 December 2024 to £66.6bn as at 31 December 2025. Like the move in assets under management, this increase was also primarily driven by the additional liabilities 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.



Whilst 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.

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 (APM), 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 (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 158 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.

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, RLP had a SCR coverage ratio **(APM)** of 249% (2024: 264%), meaning that we still have material excess capital available to support further new business.

Solvency position of RLP	2025 £m	2024 £m
Tier 1 capital unrestricted	5,915	6,013
Tier 1 capital restricted	1,367	984
Tier 2 capital	1,499	1,733
Tier 3 capital	491	471
Own Funds available to meet SCR	9,272	9,201
Ineligible capital	(156)	(573)
Own Funds (APM) eligible to meet SCR	9,116	8,628
SCR	(3,668)	(3,262)
Surplus above SCR	5,448	5,366
SCR coverage (APM)	249%	264%
SCR coverage without transitional solvency relief	244%	258%

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 £5,366m to £5,448m 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
Opening position	5,366	5,457
New business (on a fully invested basis)	(288)	(910)
Performance of the in-force book	459	689
Non-economic assumption changes	(40)	14
Acquisition expenses	(95)	(196)
Operating surplus generation	36	(403)
Economic conditions	(19)	634
Borrowing costs	(161)	(154)
Other non-operating variances	164	(73)
Non-operating surplus generation	(16)	407
Total surplus generation	20	4
Eligible new capital raised less dividends paid	62	(95)
Closing surplus	5,448	5,366

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 Rothestay.

Risk management framework

Rothestay 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. Rothestay 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 Rothestay'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

Board Risk Committee	Customer Conduct Committee
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.	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.
Executive Risk Committee **	Executive Customer Committee *
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.	Responsible for ensuring business culture, strategy and operational processes are effectively controlled and deliver appropriate customer outcomes.

Risk Management Committees

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

* 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:

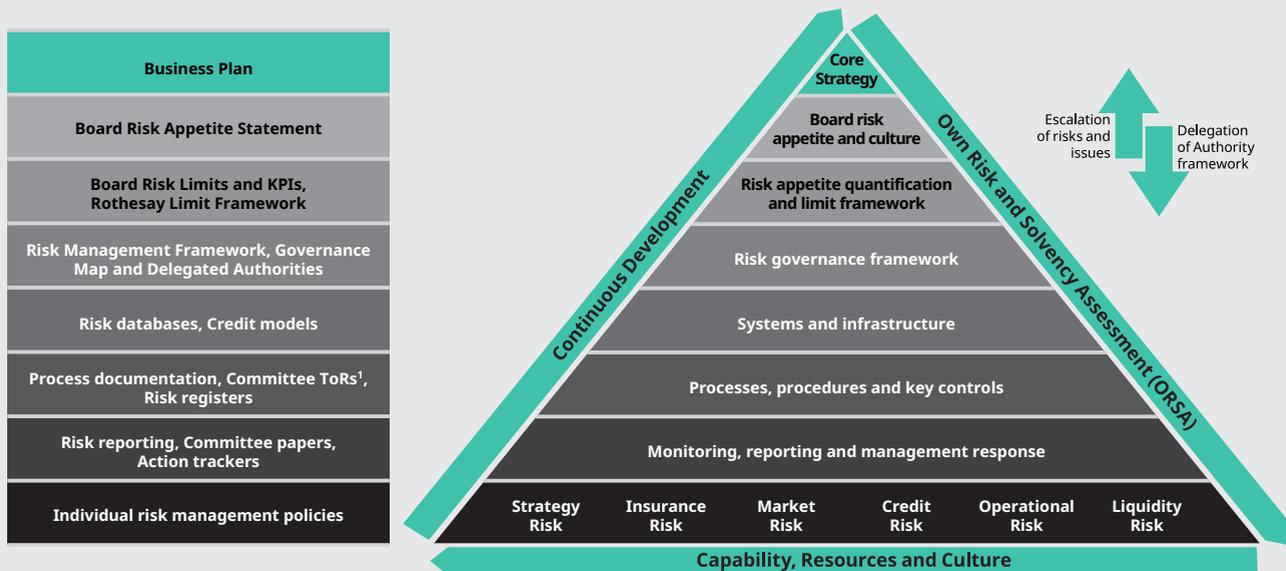
- Risk appetites and risk limits;
- How risks should be measured and reported on;
- Processes for controlling or managing risks; and
- Individual accountability for risk topics.

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
Strategy risk	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.
Insurance risk	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.
Market risk	The risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
Credit risk	The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors.
Liquidity risk	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
Operational risk	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
Desired	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).
Tolerated	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.
Undesired	<p>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.</p> <p>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.</p> <p>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.</p>	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>Credit risk 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	<p>→</p> <p>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>
<p>Counterparty default risk 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	<p>→</p> <p>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>
<p>Insurance risk 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%) (APM).</p>	1,4	<p>→</p> <p>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.</p>

Risk management **continued**

Risk	Mitigation	Strategic priority	Risk direction
<p>Market risk 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	<p>→</p> <p>The potential for material market volatility remains elevated and a key area of focus.</p>
<p>Property risk 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	<p>→</p> <p>Downward pressure remains on residential and commercial property prices.</p>
<p>Liquidity risk 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	<p>→</p> <p>Rothesay's liquidity position remains very robust and an area of ongoing focus.</p>
<p>Climate risk Rothesay's assets are exposed to the potential impact of climate change. Such risks include:</p> <ul style="list-style-type: none"> physical risks such as increasing frequency and severity of flooding; and transition risks which can arise from the process of adjustment towards a low-carbon economy. 	<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	<p>→</p> <p>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.</p>

Risk management continued

Risk	Mitigation	Strategic priority	Risk direction
<p>Operational risk 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 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>Strategic, political and regulatory risk 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.

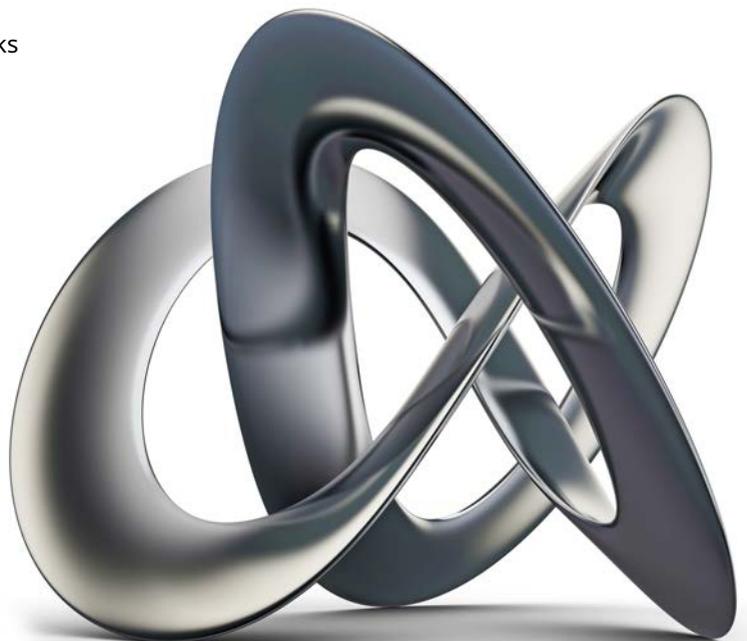
As mentioned previously, uncertainty and volatility remain defining features of the geopolitical environment, with shifts in US Policy acting as a key driver. Rising trade protectionism, greater state intervention in markets, intensifying global competition, deregulation and ongoing global conflicts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

Report of the Directors

The Directors present their annual report and audited consolidated financial statements for Rothesay Life Plc (the Company, Rothesay or RLP), registered number 06127279, for the year ended 31 December 2025.

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

1. General information

RLP is a registered public 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 RLP and its subsidiaries (the Group or Rothesay) for the year are set out in the consolidated statement of comprehensive income on page 69. All likely future developments and material assessments of the Group's performance are discussed in the Strategic Report.

3. Registered office

RLP is a registered public limited company incorporated and domiciled in the United Kingdom. The registered office and principal place of business is The Post Building, 100 Museum Street, London WC1A 1PB.

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. 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 RLP during the year and at the date of approval of the financial statements.

5. Dividend

The Board approved the payment of an interim dividend on 15 August 2025. The size of the payment was £493m (2024: £361m), which was paid on 2 October 2025. The Directors have recommended no final ordinary dividend in respect of the year ended 31 December 2025 (2024: £nil).

6. 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.

7. Auditors

The Company has passed elective resolutions in accordance with the Companies Act 1985 to dispense with the holding of Annual General Meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the Company pursuant to Section 487(2) of the Companies Act 2006.

Report of the Directors **continued**

8. 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. 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 financial statements published on the ultimate Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

9. Internal control and risk management systems

The Company 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.

10. Stakeholder statement and the Wates Corporate Governance Principles

The Company operates under the governance framework of the Rothesay Limited Group and an explanation of how the Rothesay Limited Group Board has considered the matters set out in s.172 is detailed within the Non Financial and Sustainability section of the Rothesay Limited Group annual report (which does not form part of this report but which can be obtained from the Company Secretary, The Post Building, 100 Museum Street, London WC1A 1PB). The RLP Board of Directors has also considered relevant matters where appropriate.

The Board has decided to follow the Wates Corporate Governance Principles for Large Private Companies. Information can be found on our approach to compliance in the Governance Report of the Rothesay Limited Group annual report.

Report of the Directors **continued**

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 Non Financial and Sustainability section of the Rothesay Limited Group annual report (which does not form part of this report but which can be obtained from the Company Secretary, The Post Building, 100 Museum Street, London WC1A 1PB).

12. Changes in Directors

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.

13. 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.

14. Date of authorisation of issue

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

Rothesay Life Plc

Board of Directors

Chair

Bruce Carnegie-Brown

Executive Directors

Tom Pearce

Graham Butcher

Shareholder Non-Executive Directors

Tim Corbett

Geoff Craddock

Arjun Gupta

Robin Jarratt

Independent Non-Executive Directors

Lisa Arnold

Angela Darlington

Katherine Garner

Ed Giera

Heather Jackson

Terry Miller

Sophie O’Connor

On behalf of the board



Tom Pearce
Chief Executive Officer
13 February 2026

Independent auditors' report to the members of Rothesay Life Plc

Report on the audit of the financial statements

Opinion

In our opinion, Rothesay Life Plc'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)"), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under ISAs (UK) and ISAs 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, 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 Life Plc **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 and Parent)
- Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group and Parent)
- Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group and Parent)

Materiality

- Overall Group materiality: £85,000,000 (2024: £85,000,000) based on 1.01% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt.
- Overall Company materiality: £80,500,000 (2024: £80,500,000) based on 0.96% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt.
- Performance materiality: £63,750,000 (2024: £63,750,000) (Group) and £60,375,000 (2024: £60,375,000) (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 Rothsay Life Plc **continued**

Key audit matter	How our audit addressed the key audit matter
Valuation of certain financial investments classified as Level 3 under IFRS 13 (Groupand Parent)	
<p>Refer to Audit Committee report and notes D.1 Financial Investments and D.7 Payables and financial liabilities.</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> <p>We have focused on the following financial investments based on magnitude and inherent risk:</p> <ol style="list-style-type: none"> 1. Lifetime Mortgages (LTM); 2. Commercial real estate loans; 3. UK and European residential mortgages and loans; 4. Assets secured on cashflows from residential freehold properties; and 5. Other illiquid debt instruments. <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>	<p>The procedures to assess the appropriateness of the valuation of certain financial investments classified as Level 3 included the following:</p> <ul style="list-style-type: none"> • 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; <p>We performed the following audit procedures in respect of Lifetime mortgages:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of controls related to the accuracy and completeness of data used in the modelling of LTMs; • For a sample of mortgages, agreed data used in the modelling of LTMs to policyholder documentation; • Tested inputs into the valuation model to external sources, where possible, and contractual data; • 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; • 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 • Performed a revaluation of a sample of lifetime mortgages using an independent model to: • Assess the accuracy of the modelled calculation; and • Validate that the assessed methodology and assumptions have been appropriately applied. <p>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:</p>

Independent auditors' report to the members of Rothesay Life Plc **continued**

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of certain financial investments classified as Level 3 under IFRS 13 (Group) continued</p>	<ul style="list-style-type: none"> • 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. <p>Based on the procedures performed and evidence obtained, we consider the valuation of certain Level 3 financial investments to be appropriate.</p>

Independent auditors' report to the members of Rothsay Life Plc **continued**

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of insurance contract liabilities – Longevity Methodology and Assumptions (Group and Parent)</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"> • 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; • 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; • 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; • Assessed the appropriateness of expert judgements used in the IFRS 17 Risk Adjustment calibration for longevity risk by applying our industry knowledge and experience; • Compared the longevity methodology and assumptions selected by the Group against those used by their peers using our annual survey of the market; and • Assessed the disclosure of the longevity methodology and assumptions and the associated financial impact on the liabilities arising from changes in these over 2025. <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 Rothsay Life Plc **continued**

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Credit Default Risk Methodology and Assumptions (Group and Parent)	
<p>Refer to Audit Committee report and note E – Insurance contracts and reinsurance.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

Independent auditors' report to the members of Rothesay Life Plc **continued**

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 pension scheme Bulk Purchase Annuity market.

The Group consists of the parent Company, Rothesay Life Plc, and a number of subsidiary companies, of the most significant component is the Company, which conducts all of the insurance business of the Group.

We have determined Rothesay Life Plc Company to be subject to a full scope audit. In addition, we perform a limited scope audit covering specific financial statement line items for a further five 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 94% coverage of consolidated total assets, 93% coverage of consolidated total liabilities and 100% 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 Rothesay Life Plc 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.

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:

Independent auditors' report to the members of Rothesay Life Plc **continued**

	Financial statements - Group	Financial statements - Company
Overall materiality	£85,000,000 (2024: £85,000,000)	£80,500,000 (2024: £80,500,000)
How we determined it	1.01% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt.	0.96% of Total Equity plus Contractual Service Margin (net of tax) less the value of sterling-denominated RT1 debt
Rationale for benchmark applied	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.	We determine a materiality value for the Company using the same rationale as for the benchmark applied to the Group financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The materiality allocated for each component was £80,500,000.

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 £60,375,000 (2024: £60,375,000) for the Company financial statements.

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 £4,000,000 (Company audit) (2024: £4,025,000) 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.

Independent auditors' report to the members of Rothesay Life Plc **continued**

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 Rothsay Life Plc **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) and ISAs 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;

Independent auditors' report to the members of Rothesay Life Plc **continued**

- 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;
- 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. This description forms part of our auditors' report.

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.

Independent auditors' report to the members of Rothesay Life Plc **continued**

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.

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.

Appointment

We were first appointed by the Company for the financial year ended 30 November 2007. Our uninterrupted engagement covers 19 financial years.

Thomas Ferguson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 February 2026

Section two

Financial Statements

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➤ The financial statements set out the consolidated results for Rothesay Life Plc 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)
Insurance service result		581	696
Total investment return/(loss)	B.2	3,688	(1,696)
Finance (expense)/income for insurance contracts issued	B.2	(2,090)	2,031
Finance expense for reinsurance contracts held	B.2	(37)	(191)
Net insurance finance result		(2,127)	1,840
Net insurance and investment result		2,142	840
Operating expenses	B.3	(213)	(81)
Finance costs	B.4	(722)	(638)
Profit before tax		1,207	121
Income tax expense	B.8	(304)	(27)
Profit for the year		903	94

	Note	2025 £m	2024 £m
Profit for the financial year		903	94
Cash flow hedges:			
Fair value (losses)/gains during the year	C.3	(6)	4
Total comprehensive income for the year		897	98

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
Assets			
Property, plant and equipment	I.1	63	47
Lease – right-of-use assets	I.6	59	48
Financial investments	D.1	124,449	117,428
Investment properties	D.6	146	—
Deferred tax assets	G.1	502	569
Reinsurance contract assets	E.4	391	302
Accrued interest and prepayments	D.3	1,191	1,062
Receivables	D.4	3,668	3,946
Cash and cash equivalents	D.5	244	210
Assets held for sale		—	3
Total assets		130,713	123,615
Equity and liabilities			
Equity			
Share capital	C.1	529	529
Share premium	C.3	155	155
Tier 1 notes	C.2	793	793
Hedging reserve	C.3	(1)	5
Profit and loss reserve	C.3	3,212	2,834
Total equity		4,688	4,316
Liabilities			
Insurance contract liabilities	E.1	66,646	64,222
Reinsurance contract liabilities	E.4	200	223
Payables and financial investment liabilities	D.7	56,162	51,976
Lease liabilities	I.6	72	60
Borrowings	D.8	2,699	2,616
Accruals	D.9	246	202
Total liabilities		126,025	119,299
Total equity and liabilities		130,713	123,615

Notes A-I form an integral part of these financial statements. The financial statements on pages 69 to 157 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 06127279

Consolidated statement of changes in equity

For the year ended 31 December 2025

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Hedging reserve £m	Profit and loss reserve £m	Total equity £m
As at 1 January 2025		529	155	793	5	2,834	4,316
Adjustment to retained earnings	C.3	—	—	—	—	3	3
Dividends paid	C.3, C.4	—	—	—	—	(493)	(493)
Effective portion of change in fair value of cash flow hedges	C.3	—	—	—	(6)	—	(6)
Tier 1 note coupon	C.2, C.3	—	—	—	—	(47)	(47)
Tier 1 coupon tax relief	C.2, C.3	—	—	—	—	12	12
Profit for the financial year	C.3	—	—	—	—	903	903
As at 31 December 2025		529	155	793	(1)	3,212	4,688

For the year ended 31 December 2024

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

Consolidated cash flow statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Profit for the year		903	94
Adjustments for non-cash movements in profit for the year			
Adjustment to retained earnings	C.3	3	—
Exchange rate movement on USD borrowings		(43)	6
Property, plant and equipment depreciation	I.1	2	2
Lease – right-of-use assets depreciation	I.6	6	5
Amortisation of debt costs	B.4	4	8
Financing charge on lease liabilities	B.4	6	3
Interest income	B.2	(3,488)	(3,089)
Interest expense	B.4	682	627
Income tax expense/(credit)	B.8	226	(39)
Hedging reserve	C.3	(6)	4
Net (increase)/decrease in operational assets			
Financial investments	D.1	(7,021)	(18,460)
Investment properties	D.6	(146)	—
Assets held for sale		3	124
Deferred tax assets	G.1	67	68
Reinsurance contract assets	E.4	(89)	(86)
Receivables	D.4	213	(1,758)
Prepayments	D.3	(21)	(23)
Net increase/(decrease) in operational liabilities			
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	(616)	196
Accrued expenses	D.9	(7)	7
Cash flows used in operating activities		(2,121)	(2,305)
Interest paid		(629)	(589)
Interest received		3,380	2,918
Taxes paid		(150)	(136)
Net cash flows generated from/(used in) operating activities		480	(112)
Cash flows (used in)/generated from financing activities			
Proceeds from issuance of ordinary share capital (including share premium)	C.1	—	174
Interest payments on Tier 1 notes	C.3	(47)	(47)
Cash outflows for lease liabilities	I.6	(10)	(9)
Dividends paid	C.4	(493)	(361)
Repayment of borrowings	D.8	(250)	(400)
Proceeds from issuance of debt (net of issuance costs)	D.8	372	754
Net cash flows (used in)/generated from financing activities		(428)	111
Net cash outflows used in investing activities			
Acquisitions of property, plant and equipment	I.1	(18)	(22)
Net cash outflows used in investing activities		(18)	(22)
Net increase/(decrease) in cash and cash equivalents		34	(23)
Cash and cash equivalents at 1 January	D.5	210	233
Cash and cash equivalents at 31 December		244	210

Company statement of financial position

As at 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Investment in subsidiaries	H.2	99	13
Property, plant and equipment	I.1	63	47
Lease – right-of-use asset	I.6	59	48
Financial investments	D.1	121,097	116,569
Investment property	D.6	50	—
Deferred tax assets	G.1	503	569
Reinsurance contract assets	E.4	391	302
Accrued interest and prepayments	D.3	1,186	1,060
Receivables	D.4	4,045	4,257
Cash and cash equivalents	D.5	152	191
Assets held for sale		—	3
Total assets		127,645	123,059
Equity and liabilities			
Equity			
Share capital	C.1	529	529
Share premium	C.3	155	155
Tier 1 notes	C.2	793	793
Hedging reserve	C.3	(1)	5
Profit and loss reserve	C.3	3,208	2,834
Total equity		4,684	4,316
Liabilities			
Insurance contract liabilities	E.1	66,646	64,222
Reinsurance contract liabilities	E.4	200	223
Payables and financial liabilities	D.7	53,120	51,420
Lease liabilities	I.6	72	60
Borrowings	D.8	2,699	2,616
Accruals	D.9	224	202
Total liabilities		122,961	118,743
Total equity and liabilities		127,645	123,059

Notes A-I form an integral part of these financial statements.

The profit for the financial year of the Company was £899m (2024: £94m). 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 69 to 157 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 06127279

Company statement of changes in equity

For the year ended 31 December 2025

	Notes	Share capital £m	Share premium £m	Tier 1 notes £m	Hedging reserve £m	Profit and loss reserve £m	Total equity £m
1 January 2025		529	155	793	5	2,834	4,316
Adjustment to retained earnings	C.3	—	—	—	—	3	3
Dividends paid	C.4	—	—	—	—	(493)	(493)
Effective portion of change in fair value of cash flow hedges	C.3	—	—	—	(6)	—	(6)
Tier 1 note coupon	C.2, C.3	—	—	—	—	(47)	(47)
Tier 1 coupon tax relief	C.2, C.3	—	—	—	—	12	12
Profit for the financial year		—	—	—	—	899	899
As at 31 December 2025		529	155	793	(1)	3,208	4,684

For the year ended 31 December 2024

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

Company cash flow statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Profit for the financial year		899	94
Adjustments for non-cash movements in profit for the year			
Adjustment to retained earnings		3	—
FX on USD borrowings		(43)	6
Property, plant and equipment depreciation	I.1	2	2
Lease – right-of-use assets depreciation	I.6	6	5
Amortisation of debt costs	B.4	4	8
Financing charge on lease liabilities	B.4	6	3
Interest income		(3,463)	(3,086)
Interest expense	B.4	682	627
Income tax expense	B.8	226	(39)
Hedging reserve	C.3	(6)	4
Net (increase)/decrease in operational assets			
Financial investments	D.1	(4,527)	(17,784)
Investment property	D.6	(50)	—
Assets held for sale		3	124
Deferred tax assets	G.1	66	68
Reinsurance contract assets	E.4	(89)	(86)
Receivables	D.4	146	(1,845)
Prepayments	D.3	(20)	(21)
Net increase/(decrease) in operational liabilities			
Insurance contract liabilities	E.1	2,424	9,592
Reinsurance contract liabilities	E.4	(23)	(238)
Financial investment liabilities	D.7	2,315	10,096
Other payables	D.7	(616)	192
Accruals	D.9	(16)	7
Net cash flows used in operating activities		(2,071)	(2,271)
Interest paid		(642)	(589)
Interest received		3,357	2,915
Tax paid		(150)	(136)
Cash flows generated from/(used in) operating activities		494	(81)
Cash flows from (used in)/generated from financing activities			
Proceeds from issuance of ordinary share capital (including share premium)	C.1	—	174
Interest payment on Tier 1 note	C.3	(47)	(47)
Dividends paid	C.4	(493)	(361)
Cash outflow for lease liabilities	I.6	(10)	(9)
Repayment of borrowings	D.8	(250)	(400)
Proceeds from issuance of debt (net of issuance costs)	D.8	372	754
Net cash flows (used in)/generated from financing activities		(428)	111
Net cash outflows from investing activities			
Investment in subsidiaries	H.2	(92)	—
Proceeds from recovery of investment in subsidiary	H.2	5	—
Acquisition of property, plant and equipment	I.1	(18)	(22)
Net cash outflows from investing activities		(105)	(22)
Net (decrease)/increase in cash and cash equivalents		(39)	8
Cash and cash equivalents at 1 January	D.5	191	183
Cash and cash equivalents at 31 December		152	191

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 70.

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
Insurance revenue		
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
Total insurance revenue	4,675	4,234
Insurance service expense		
Incurred claims and other incurred insurance service expenses	(3,911)	(3,426)
Amortisation of insurance acquisition cash flows	(55)	(49)
Total insurance service expense	(3,966)	(3,475)
Insurance service result before reinsurance contracts held	709	759
Net expense from reinsurance contracts held		
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
Total allocation of reinsurance premiums paid	(3,176)	(2,603)
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)
Amounts recoverable from reinsurers	3,048	2,540
Total net expense from reinsurance contracts held	(128)	(63)
Total insurance service result	581	696

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)	3,488	3,089
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)
Total investment return/(loss)	3,688	(1,696)
Finance (expense)/income from insurance contracts issued		
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
Total finance (expense)/income from insurance contracts issued	(2,090)	2,031
Finance expense from reinsurance contracts held		
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
Total finance expense from reinsurance contracts held	(37)	(191)
Total net insurance finance (expense)/income	(2,127)	1,840
Represented by:		
Amounts recognised in profit or loss	1,561	144
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	213	81
Expenses	397	356

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	208	77
Operating Expenses	213	81

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
Total interest payable on collateral and collateralised agreements	554	474
Interest payable on borrowings from related parties	18	18
Interest payable on third-party borrowings	144	143
Financing charge on lease liabilities	6	3
Total borrowing costs	168	164
Net finance costs	722	638

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

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

B.5 Employee information

All persons involved in the Company's operations are employed by wider group undertakings, Rothesay Pensions Management Limited (RPML), Rothesay Asset Management Australia Pty Limited and Rothesay Asset Management NA. The charges made by RPML, Rothesay Asset Management Australia Pty Limited and Rothesay Asset Management NA for the services provided (personnel and other) to the Company are included in the management fees charged by group undertakings. Details of the employees of the Rothesay Limited Group are as follows:

	2025 No.	2024 No.
Average number of staff employed during the year	555	500
Employees by department at year end		
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
	571	539

Rothesay employee costs for the Rothesay Limited Group 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
Total employee benefits expense	257	212

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	10	9
Company pension contributions to money purchase schemes	—	—
Total Directors' remuneration	10	9
Highest paid Director		
Total amount of emoluments	6	4
Company pension contributions to money purchase schemes	—	—
Total highest paid Director	6	4

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

B.5 Employee information (continued)

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 £6m compensation in relation to a long-term incentive plan, which rewards performance over a three-year period (2024: £5m).

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).

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	2,458	2,237
Remuneration receivable by the Company's auditors for the audit of the financial statements of the Company's subsidiaries	279	134
Total audit	2,737	2,371
Required by regulation	344	274
Audit-related assurance services	284	316
Other assurance services	145	110
Non-audit services	—	—
Total fees	3,510	3,071

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.

Notes to the financial statements **continued**

Note B – Income statement notes (continued)

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	226	—
Loss carryback to prior year	—	(34)
Adjustment in respect of prior year	(1)	(6)
Total current income tax	225	(40)
Deferred tax:		
Adjustment in respect of prior year	2	—
Deferred tax on revaluation movement to income statement	1	—
Origination and reversal of temporary differences	76	67
Total deferred tax	79	67
Total tax in the consolidated statement of comprehensive income	304	27

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	1,207	121
Tax calculated at UK standard rate of corporation tax of 25.00%	302	30
Adjustment in respect of prior year	—	(6)
Impact of tax losses carried back at lower tax rate	—	3
Effect of tax sharing arrangement	2	—
Total tax expense reported in the consolidated statement of comprehensive income	304	27

The Government of the United Kingdom, where the holding company of the Group is incorporated, enacted the Pillar Two income taxes legislation, with effect from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. Based on the results for the 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, share capital comprised:

	2025		2024	
	No.	£m	No.	£m
Authorised share capital (ordinary shares of £1 each)	529,573,825	529	529,573,825	529

All of the shares in issuance are A ordinary shares.

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

C.2 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
Loan notes issued through public debt markets					
£350m	12 September 2018	12 September 2028	6.875%	347	347
£450m	13 October 2021	13 October 2031	5%	446	446
				793	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:

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

Then either:

- 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
- in the case of the £450m of RT1 notes (issued on 13 October 2021) the notes convert into a new class B of non-voting ordinary shares of RLP.

Notes to the financial statements continued

Note C – Equity (continued)

C.3 Share premium account and reserve

Group	Share premium £m	Hedging reserve £m	Profit and loss reserve £m
Balances as at 1 January 2025	155	5	2,834
Dividends paid	—	—	(493)
Effective portion of change in fair value of cash flow hedges	—	(6)	—
Adjustment to retained earnings	—	—	3
Tier 1 note coupon	—	—	(47)
Tier 1 coupon tax relief	—	—	12
Profit for the financial year	—	—	903
Balances as at 31 December 2025	155	(1)	3,212

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

Company	Share premium £m	Hedging reserve £m	Profit and loss reserve £m
Balances as at 1 January 2025	155	5	2,834
Dividends paid	—	—	(493)
Effective portion of change in fair value of cash flow hedges	—	(6)	—
Adjustment to retained earnings	—	—	3
Tier 1 note coupon	—	—	(47)
Tier 1 coupon tax relief	—	—	12
Profit for the financial year	—	—	899
Balances as at 31 December 2025	155	(1)	3,208

Notes to the financial statements **continued**

Note C – Equity (continued)

C.3 Share premium account and reserve (continued)

Hedging reserve

Foreign currency exposure arises on the \$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.4 Dividends on ordinary shares

The Board approved the payment of an interim dividend on 15 August 2025. The size of the payment was £493m (or 93p per share) (2024: £361m (or 69p per share)), which was paid on 2 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.3 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:

Group	2025 £m	2024 £m
Financial investments designated at FVTPL	78,271	71,084
Financial investments mandatorily measured at FVTPL	46,178	46,344
Total financial investments at FVTPL	124,449	117,428
Accrued interest at amortised cost	956	848
Receivables at amortised cost	3,668	3,946
Cash and cash equivalents at amortised cost	244	210
Total other financial assets at amortised cost	4,868	5,004
Total financial assets	129,317	122,432
Financial liabilities designated at FVTPL	11,945	6,519
Financial liabilities mandatorily measured at FVTPL	39,469	40,095
Total financial liabilities at FVTPL	51,414	46,614
Payables at amortised cost	4,748	5,362
Borrowings at amortised cost	2,699	2,616
Accrued interest at amortised cost	205	152
Total other financial liabilities at amortised cost	7,652	8,130
Total financial liabilities	59,066	54,744

Company	2025 £m	2024 £m
Financial investments designated at FVTPL	74,978	70,225
Financial investments mandatorily measured at FVTPL	46,119	46,344
Total financial investments at FVTPL	121,097	116,569
Accrued interest at amortised cost	952	846
Receivables at amortised cost	4,045	4,257
Cash and cash equivalents at amortised cost	152	191
Total other financial assets at amortised cost	5,149	5,294
Total financial assets	126,246	121,863
Financial liabilities designated at FVTPL	8,903	5,877
Financial liabilities mandatorily measured at FVTPL	39,469	40,181
Total financial liabilities at FVTPL	48,372	46,058
Payables at amortised cost	4,748	5,362
Borrowings at amortised cost	2,699	2,616
Accrued interest at amortised cost	191	152
Total other financial liabilities at amortised cost	7,638	8,130
Total financial liabilities	56,010	54,188

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

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.

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):

Group	Level 1	Level 2	Level 3	Total
31 December 2025	£m	£m	£m	£m
Collective investment schemes	4,556	—	44	4,600
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
Financial investments designated at FVTPL	22,293	44,412	11,566	78,271
Derivative assets	—	37,904	1,503	39,407
Lifetime mortgages	—	—	6,771	6,771
Financial investments mandatorily measured at FVTPL	—	37,904	8,274	46,178
Total financial investments measured at FVTPL	22,293	82,316	19,840	124,449
Investment properties	—	—	146	146
Total assets measured at fair value	22,293	82,316	19,986	124,595

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

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

Company 31 December 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Collective investment schemes	4,177	—	44	4,221
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	7,166	7,266
Certificates of deposit	—	145	—	145
Financial investments designated at FVTPL	21,914	44,412	8,652	74,978
Derivative assets	—	37,845	1,503	39,348
Lifetime mortgages	—	—	6,771	6,771
Financial investments mandatorily measured at FVTPL	—	37,845	8,274	46,119
Total financial investments at FVTPL	21,914	82,257	16,926	121,097
Investment property	—	—	50	50
Total assets measured at fair value	21,914	82,257	16,976	121,147

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Company	Level 1	Level 2	Level 3	Total
31 December 2024	£m	£m	£m	£m
Collective investment schemes	5,694	—	93	5,787
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	5,713	5,811
Certificates of deposit	—	137	—	137
Financial investments designated at FVTPL	21,972	41,194	7,059	70,225
Derivative assets (see note D.2)	—	38,374	1,567	39,941
Lifetime mortgages	—	—	6,403	6,403
Financial investments mandatorily measured at FVTPL	—	38,374	7,970	46,344
Total financial investments at FVTPL	21,972	79,568	15,029	116,569
Assets held for sale	—	—	3	3
Total assets measured at fair value	21,972	79,568	15,032	116,572

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

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 (Group) and (£119m) Company during 2025 (2024: decreased by £778m for Group, decreased £864m for the Company).

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% Group and 14% Company (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.

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):

Group	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
As at 1 January 2025	1,253	6,267	1,567	93	—	3	9,183	(107)	(1,618)	(1,725)
Total gains/(losses) in the statement of comprehensive income:										
Realised gains	—	—	—	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)
As at 31 December 2025	1,442	10,080	1,503	44	146	—	13,215	(105)	(1,617)	(1,722)
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)

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

Company	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 property £m	Assets held for sale £m	Total £m	Collateralised agreements and financing £m	Derivative liabilities £m	Total £m
As at 1 January 2025	1,253	5,713	1,567	93	—	3	8,629	(107)	(1,618)	(1,725)
Total gains/(losses) in the statement of comprehensive income:										
Realised gains	—	—	—	4	—	1	5	—	—	—
Unrealised gains/(losses)	23	(81)	(76)	—	—	—	(134)	2	34	36
Net purchases/(sales)	166	1,534	12	(53)	50	(4)	1,705	—	(33)	(33)
As at 31 December 2025	1,442	7,166	1,503	44	50	—	10,205	(105)	(1,617)	(1,722)
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	(477)	(16)	(77)	—	(124)	(246)	—	9	9
As at 31 December 2024	1,253	5,713	1,567	93	—	3	8,629	(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.

Group and Company	2025 £m	2024 £m
Carrying amount at 1 January	6,403	6,212
Increase in respect of new business	569	481
Redemptions/repayments	(422)	(351)
Accrued interest for the financial year	376	351
Change in economic assumptions	(150)	(283)
Change in demographic assumptions	(5)	(7)
Closing balance at end of the year	6,771	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
Total	6,771	6,403

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 and Company	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)
Total collateralised agreements	9,369	(8,903)	6,300	(5,877)

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 £4,438 (2024: £5,121 m). 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)

Group	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
Financial assets						
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,442	(28)	(3)	(2)
			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)
Financial liabilities						
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)

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

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.1 Financial investments (continued)

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

Company			2025			
Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	Current FV £m	(Decrease)/ Increase in	(Decrease)/ Increase in	(Decrease)/ Increase in
				FV £m	PBT £m	equity £m
Financial assets						
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	7,166	(237)	—	—
		-25bps/-50bps	7,166	263	—	—
Loans secured on property	Property prices	+10%	7,166	18	20	15
		-10%	7,166	(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 property	Property prices	+10%	50	5	5	4
		-10%	50	(5)	(5)	(4)
Financial liabilities						
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)

Company	Impact on financial assets & liabilities, PBT and equity	Main assumptions	Changes in assumptions	Current FV £m	2024		
					(Decrease)/ Increase in FV £m	(Decrease)/ Increase in PBT £m	(Decrease)/ Increase in equity £m
Financial assets							
Corporate bonds and other corporate debt	Liquidity premium	+25bps/+50bps	1,253	(21)	(3)	(2)	
		-25bps/-50bps	1,253	21	2	2	
Collective investment schemes	Fund price	+10%	93	9	9	7	
		-10%	93	(9)	(9)	(7)	
Loans secured on property	Liquidity premium	+25bps/+50bps	5,713	(198)	—	—	
		-25bps/-50bps	5,713	220	—	—	
Loans secured on property	Property prices	+10%	5,713	22	26	19	
		-10%	5,713	(23)	(30)	(22)	
Lifetime mortgages	Liquidity premium	+25bps	6,403	(168)	—	—	
		-25bps	6,403	176	—	—	
Lifetime mortgages	House prices	+10%	6,403	71	53	40	
		-10%	6,403	(96)	(74)	(55)	
Derivative assets	LPI bid-mid spread	+15bps	1,567	6	6	4	
		-15bps	1,567	(6)	(6)	(4)	
Assets held for sale	Property prices	+10%	3	—	—	—	
		-10%	3	—	—	—	
Financial liabilities							
Derivative liabilities	LPI bid-mid spread	+15bps	1,618	73	73	54	
		-15bps	1,618	(73)	(73)	(54)	
Collateralised financing agreements	Liquidity premium	+25bps	107	5	5	3	
		-25bps	107	(5)	(5)	(3)	

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.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 (Group) and £240m (Company) as at 31 December 2024 to net liability of £62m (Group) and £121m (Company) 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
Derivatives held for risk management				
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)
Total	39,407	(39,469)	39,941	(40,095)

Company	2025		2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Derivatives held for risk management				
Interest rate swap	32,041	(32,639)	31,541	(32,170)
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	16	(23)	67	(66)
Total	39,348	(39,469)	39,941	(40,181)

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).

Notes to the financial statements continued

Note D – Financial assets and liabilities (continued)

D.3 Accrued interest and prepayments

Group	2025 £m	2024 £m
Accrued interest	956	848
Rent receivable	1	—
Prepaid expenses	234	214
Total accrued interest and prepayments	1,191	1,062

Company	2025 £m	2024 £m
Accrued interest	952	846
Prepaid expenses	234	214
Total accrued interest and prepayments	1,186	1,060

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
Amounts due from Group undertakings	127	111
Tax receivable	18	82
Finance lease receivable	94	90
Other receivables	38	49
Total receivables	3,668	3,946

Company	2025 £m	2024 £m
Deposits pledged as collateral to third parties	3,391	3,614
Amounts due from Group undertakings	130	113
Tax receivable	18	82
Finance lease receivable	94	90
Other receivables	412	358
Total receivables	4,045	4,257

Other receivables includes trade date adjustments.

Receivables of £3,574m (2024: £3,856m) are due within one year for the Group and £3,951m (2024: £4,167m) for the Company. At 31 December 2025 and 31 December 2024, Rothesay conducted an impairment review of the receivables and found no impairment necessary.

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

D.4 Receivables (continued)

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 and Company	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)
Net investment in finance lease	94	90

Rothesay recognised a total of £5.6m finance income on the finance lease receivable in 2025 (2024: £0.6m).

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	244	210
Total cash and cash equivalents	244	210

Company	2025 £m	2024 £m
Cash at bank and in hand	152	191
Total cash and cash equivalents	152	191

Notes to the financial statements **continued**

Note D – Financial assets and liabilities (continued)

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.

Group	2025 £m	2024 £m
Balance as at 1 January	—	—
Additions	146	—
Change in fair value during the period	—	—
Balance as at 31 December	146	—

Company	2025 £m	2024 £m
Balance as at 1 January	—	—
Additions	50	—
Change in fair value during the period	—	—
Balance as at 31 December	50	—

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.

Group	2025 £m	2024 £m
Derivative liabilities	39,469	40,095
Collateralised agreements and financing	11,945	6,519
Total financial investment liabilities	51,414	46,614
Deposits received as collateral from third parties	4,438	5,121
Amounts due to Group undertakings	255	192
Other payables	55	49
Total payables	4,748	5,362
Total payables and financial investment liabilities	56,162	51,976

Company	2025 £m	2024 £m
Derivative liabilities	39,469	40,181
Collateralised financing agreements	8,903	5,877
Total financial liabilities	48,372	46,058
Deposits received as collateral from third parties	4,438	5,121
Amounts due to Group undertakings	255	192
Other payables	55	49
Total payables	4,748	5,362
Total payables and financial liabilities	53,120	51,420

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 the Group £7,298m and Company £7,298m (2024: £11,113m Group and £11,113m Company) 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.

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:

Group and Company	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
Total borrowed	2,699	2,616

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

Group and Company	Notional amount	Issue date	Redemption date	Callable at par at the option of the Group from	Coupon	Carrying amount	
						2025 £m	2024 £m
Subordinated loans from related parties							
£300m	19 September 2017	19 September 2028	19 September 2023 and quarterly thereafter	6.05%	299	299	
Subordinated loans							
£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 £162m (2024: £161m) 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:

Group and Company	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
Total borrowings	2,616	122	(39)	2,699

Group and Company	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
Total borrowings	2,248	354	14	2,616

D.9 Accruals

Group	2025 £m	2024 £m
Accrued interest	205	152
Accrued expenses	41	50
Total accruals	246	202

Company	2025 £m	2024 £m
Accrued interest	191	152
Accrued expenses	33	50
Total accruals	224	202

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 notes in this section show insurance and reinsurance liability balances as negative numbers. All tables in note E relate to both Group and Company.

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
Insurance contract liabilities as at 1 January	(64,222)	—	(64,222)	(54,630)	—	(54,630)
Insurance revenue						
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
Total insurance revenue	4,675	—	4,675	4,234	—	4,234
Insurance service expense						
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)
Total insurance service expense	(55)	(3,911)	(3,966)	(49)	(3,426)	(3,475)
Investment components and premium refunds	545	(545)	—	470	(470)	—
Insurance service results	5,165	(4,456)	709	4,655	(3,896)	759
Finance (expense)/income from insurance contracts issued	(2,090)	—	(2,090)	2,031	—	2,031
Total change in profit or loss	3,075	(4,456)	(1,381)	6,686	(3,896)	2,790
Cash flows						
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
Total cash flows	(5,499)	4,456	(1,043)	(16,278)	3,896	(12,382)
Insurance contract liabilities as at 31 December	(66,646)	—	(66,646)	(64,222)	—	(64,222)

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
Net reinsurance contract liabilities as at 1 January	79	—	79	(245)	—	(245)
Allocation of reinsurance premiums paid						
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
Total allocation of reinsurance premiums paid	(3,176)	—	(3,176)	(2,603)	—	(2,603)
Amounts recoverable from reinsurers						
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)
Total amounts recoverable from reinsurers	(6)	3,054	3,048	(5)	2,545	2,540
Net (expense)/income from reinsurance contracts held	(3,182)	3,054	(128)	(2,608)	2,545	(63)
Finance expense from reinsurance contracts held	(37)	—	(37)	(191)	—	(191)
Total change in profit or loss	(3,219)	3,054	(165)	(2,799)	2,545	(254)
Cash flows						
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
Total cash flows	3,331	(3,054)	277	3,123	(2,545)	578
Net reinsurance contract liabilities as at 31 December	191	—	191	79	—	79
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	
Insurance contract liabilities as at 1 January 2025	(55,231)	(1,573)	(1,196)	(6,222)	(64,222)
Changes that relate to current services					
CSM recognised for services provided	—	—	104	585	689
Change in risk adjustment for the risk expired	—	13	—	—	13
Experience adjustments relating to insurance service expenses	7	—	—	—	7
Changes that relate to future services					
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)	—
Insurance service results	584	168	(15)	(28)	709
Finance expense from insurance contracts issued	(1,862)	(36)	(25)	(167)	(2,090)
Total changes in profit or loss	(1,278)	132	(40)	(195)	(1,381)
Cash flows					
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
Total cash flows	(1,043)	—	—	—	(1,043)
Insurance contract liabilities as at 31 December 2025	(57,552)	(1,441)	(1,236)	(6,417)	(66,646)

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

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.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
Net reinsurance contract assets as at 1 January 2025	(2,542)	1,130	311	1,180	79
Changes that relate to current services					
CSM recognised for services received	—	—	(19)	(99)	(118)
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(10)	—	—	—	(10)
Changes that relate to future services					
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	—
Net (expense)/income from reinsurance contracts held	(182)	(105)	22	137	(128)
Finance (expense)/income from reinsurance contracts held	(15)	(37)	3	12	(37)
Total changes in profit or loss	(197)	(142)	25	149	(165)
Cash flows					
Premiums paid	3,281	—	—	—	3,281
Amounts received	(3,054)	—	—	—	(3,054)
Acquisition cash flows	50	—	—	—	50
Total cash flows	277	—	—	—	277
Net reinsurance contract liabilities as at 31 December 2025	(2,462)	988	336	1,329	191
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
Net reinsurance contract liabilities as at 1 January 2024	(2,855)	1,191	477	942	(245)
Changes that relate to current services					
CSM recognised for services received	—	—	19	(81)	(62)
Experience adjustments relating to incurred claims and other directly attributable expenses recovery	(1)	—	—	—	(1)
Changes that relate to future services					
Contracts initially recognised during the year	(367)	517	—	(150)	—
Changes in estimates that adjust the CSM	140	(416)	(191)	467	—
Net (expense)/income from reinsurance contracts held	(228)	101	(172)	236	(63)
Finance (expense)/income from reinsurance contracts held	(37)	(162)	6	2	(191)
Total changes in profit or loss	(265)	(61)	(166)	238	(254)
Cash flows					
Premiums paid	3,083	—	—	—	3,083
Amounts received	(2,545)	—	—	—	(2,545)
Acquisition cash flows	40	—	—	—	40
Total cash flows	578	—	—	—	578
Net reinsurance contract assets as at 31 December 2024	(2,542)	1,130	311	1,180	79
Reinsurance contract liabilities as at 31 December 2024	(1,296)	458	311	304	(223)
Reinsurance contract assets as at 31 December 2024	(1,246)	672	—	876	302

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued)

E.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)
Losses recognised on initial recognition	—	—

(b) New reinsurance contracts

All of our longevity reinsurance agreements are unfunded, i.e. we retain the assets and pay a series of reinsurance premiums based on expected longevity and receive a series of reinsurance claim amounts based on actual experience. 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)
Amount included in reinsurance contract assets for the year	—	—	—	—

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)
Net CSM release	1,725	1,223	3,040	5,988

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	107.8% S3PMA	104.6% S3PMA	106.1% S3PMA	103.4% S3PMA
Females	107.8% S3PFA	104.6% S3PFA	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 fulfilment 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

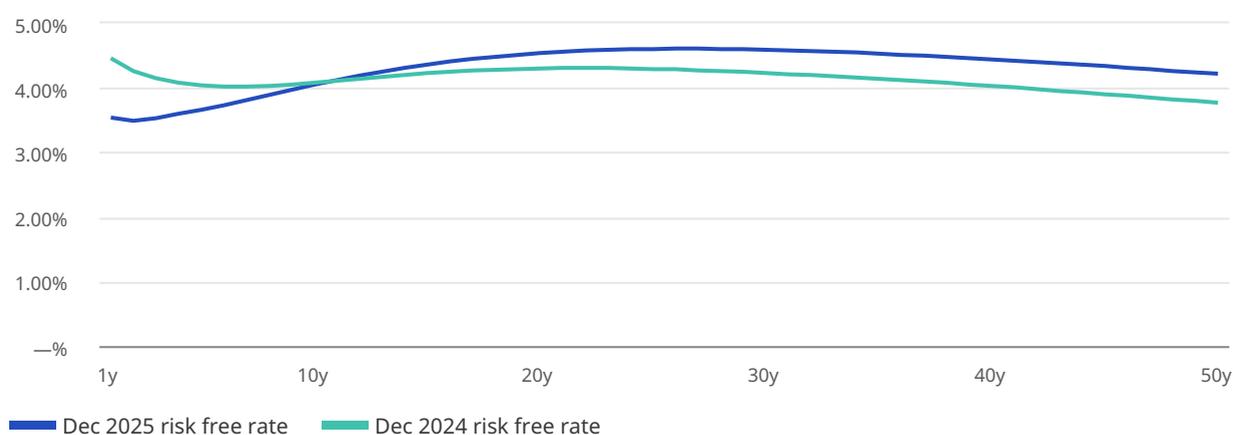
Under IFRS 17, the discount rate used must reflect the characteristics of the liabilities both in terms of timing and liquidity, and this can be determined using either a bottom-up or top-down approach.

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
Aggregate discount rate	555	546

(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.

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)

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.

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).

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)

(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.

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.

Notes to the financial statements continued

Note E – Insurance contracts and reinsurance (continued) E.8 Sensitivity analysis (continued)

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.

Notes to the financial statements continued

Note F – Risk and capital management (continued)

F.1 Capital management (continued)

Capital in excess of that required to meet the technical provisions is known as Own Funds. As at 31 December 2025, Own Funds for Rothesay were £9,272m (unaudited) (2024: £9,201m) made up as follows:

	2025 £m	2024 £m
Total IFRS equity	4,688	4,316
Liability valuation differences and other regulatory adjustments	2,594	2,681
Total Tier 1	7,282	6,997
Tier 2 debt valuation	1,499	1,733
Tier 3 debt valuation	491	471
Own Funds available to meet SCR	9,272	9,201
Own Funds eligible to meet SCR	9,116	8,628

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 RLP coverage ratio %	Impact on RLP coverage ratio %
		2025	2024
Base reported SCR coverage		249%	264%
Annuitant mortality	+5% qx	9%	12%
Annuitant mortality	-5% qx	(10%)	(13%)
Interest rate	+100bps	23%	16%
Interest rate	-100bps	(24%)	(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 40 to 51 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)

Group	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)	—
Total	40,030	(451)	39,579	(36,211)	(1,858)	(1,503)	7
Derivative liabilities	(39,920)	451	(39,469)	36,211	1,739	1,519	—
Collateralised financing agreements	(11,945)	—	(11,945)	—	—	11,945	—
Total	(51,865)	451	(51,414)	36,211	1,739	13,464	—

Group and Company	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)	—
Total	40,813	(811)	40,002	(36,419)	(2,072)	(1,500)	11
Derivative liabilities	(40,906)	811	(40,095)	36,419	1,695	1,981	—
Collateralised financing agreements	(5,877)	—	(5,877)	—	—	5,871	(6)
Total	(46,783)	811	(45,972)	36,419	1,695	7,852	(6)

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)

Company	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	39,799	(451)	39,348	(36,152)	(1,858)	(1,331)	7
Collateralised agreements and financing	172	—	172	—	—	(172)	—
Total	39,971	(451)	39,520	(36,152)	(1,858)	(1,503)	7
Derivative liabilities	(39,920)	451	(39,469)	36,152	1,798	1,519	—
Collateralised financing agreements	(8,903)	—	(8,903)	—	—	8,903	—
Total	(48,823)	451	(48,372)	36,152	1,798	10,422	—

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 the Group £36,211m and Company £36,152 (2024: £36,419m Group and Company) 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.

Group	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	CC £m	CCC £m	Unrated £m	Total £m
2025	9,722	27,683	25,268	13,585	—	48	—	30	12,764	89,100
2024	10,963	28,263	21,417	11,482	320	8	22	—	9,168	81,643

Company	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	CC £m	CCC £m	Unrated £m	Total £m
2025	9,342	27,679	25,180	13,585	—	48	—	30	10,132	85,996
2024	10,658	28,260	21,402	11,482	320	8	22	—	8,924	81,076

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 (Group) and £39,348 (Company) (2024: £39,941m Group and Company); and
- Other assets of Group £1,313m, Company £1,407m (2024: Group £1,160m, Company £1,171m); less
- Payables and financial liabilities of Group £56,162m, Company £53,120m (2024: Group £51,976m and Company £51,420m).

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.

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

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.

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.

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)

Group	2025			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
Financial assets				
Financial investments	14,526	30,248	178,626	223,400
Accrued interest	956	—	—	956
Receivables	3,574	—	—	3,574
Cash and cash equivalents	244	—	—	244
	19,300	30,248	178,626	228,174
Financial liabilities				
Financial liabilities	(2,552)	(13,979)	(75,981)	(92,512)
Payables	(4,746)	—	(2)	(4,748)
Borrowings	(499)	(596)	(1,604)	(2,699)
Accruals	(205)	—	—	(205)
	(8,002)	(14,575)	(77,587)	(100,164)
Net	11,298	15,673	101,039	128,010

Group	2024			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
Financial assets				
Financial investments	17,430	33,007	152,623	203,060
Accrued interest	848	—	—	848
Receivables	3,856	—	—	3,856
Cash and cash equivalents	210	—	—	210
	22,344	33,007	152,623	207,974
Financial liabilities				
Financial liabilities	(5,751)	(15,551)	(50,192)	(71,494)
Payables	(5,362)	—	—	(5,362)
Borrowings	(250)	(1,113)	(1,253)	(2,616)
Accruals	(183)	(19)	—	(202)
	(11,546)	(16,683)	(51,445)	(79,674)
Net	10,798	16,324	101,178	128,300

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)

Company	2025			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
Financial assets				
Financial investments	14,146	30,248	175,653	220,047
Accrued interest	952	—	—	952
Receivables	3,951	—	—	3,951
Cash and cash equivalents	152	—	—	152
	19,201	30,248	175,653	225,102
Financial liabilities				
Financial liabilities	(2,552)	(13,979)	(72,938)	(89,469)
Payables	(4,746)	—	(2)	(4,748)
Borrowings	(499)	(596)	(1,604)	(2,699)
Accruals	(191)	—	—	(191)
	(7,988)	(14,575)	(74,544)	(97,107)
Net	11,213	15,673	101,109	127,995

Company	2024			Total £m
	Less than 1 year £m	1 to 5 years £m	Over 5 years £m	
Financial assets				
Financial investments	17,125	33,007	152,070	202,202
Accrued interest	846	—	—	846
Receivables	4,167	—	—	4,167
Cash and cash equivalents	191	—	—	191
	22,329	33,007	152,070	207,406
Financial liabilities				
Financial liabilities	(5,751)	(15,551)	(49,634)	(70,936)
Payables	(5,362)	—	—	(5,362)
Borrowings	(250)	(1,113)	(1,253)	(2,616)
Accruals	(183)	(19)	—	(202)
	(11,546)	(16,683)	(50,887)	(79,116)
Net	10,783	16,324	101,183	128,290

Notes to the financial statements **continued**

Note F – Risk and capital management (continued)

F.2 Risk management and analysis (continued)

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.

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:

Group	2025 £m	2024 £m
Opening deferred tax assets as at 1 January	569	637
Unwind of IFRS 17 transitional losses	(70)	(70)
Value of tax attributes transferred on Part VII transfer	9	—
Other movements	(2)	2
Net utilisation of tax losses	(4)	—
Closing deferred tax assets as at 31 December	502	569

Company	2025 £m	2024 £m
Opening deferred tax assets as at 1 January	569	637
Unwind of IFRS 17 transitional losses	(70)	(70)
Value of tax attributes transferred on Part VII transfer	9	—
Other movements	(1)	2
Net utilisation of tax losses	(4)	—
Closing deferred tax assets as at 31 December	503	569

Notes to the financial statements continued

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

G.1 Deferred tax assets (continued)

The movements in the deferred tax assets were as follows:

Group	2025 £m	2024 £m
Balance at 1 January relating to IFRS 17 transition	564	634
Balance at 1 January relating to other temporary differences	5	3
Deferred tax assets as at 1 January	569	637
Net utilisation of tax losses	(4)	—
Other movements in temporary differences	(5)	3
Unwind of IFRS 17 transitional losses	(70)	(70)
Current year income statement credit	(79)	(67)
Current year movement - Equity/OCI	3	(1)
Current year recognition of tax attributes transferred on Part VII transfer	9	—
Balance at 31 December relating to IFRS 17 transition	494	564
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	(1)	5
Total deferred tax assets as at 31 December	502	569

Notes to the financial statements continued

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

G.1 Deferred tax assets (continued)

Company	2025 £m	2024 £m
Balance at 1 January relating to IFRS 17 transition	564	634
Balance at 1 January relating to other temporary differences	5	3
Deferred tax assets as at 1 January	569	637
Net utilisation of tax losses	(4)	—
Other movements in temporary differences	(3)	3
Unwind of IFRS 17 transitional losses	(70)	(70)
Current year income statement credit	(77)	(67)
Current year recognition of tax attributes transferred on Part VII transfer	9	—
Current year movement - Equity/OCI	2	(1)
Balance at 31 December relating to IFRS 17 transition	494	564
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	—	5
Total deferred tax assets as at 31 December	503	569

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 Group £11,635m and Company £11,256m (2024: Group £12,545m and Company £12,240m). 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):

Group	2025 £m	2024 £m
Collective investment schemes	4,600	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
Total	11,635	12,545

Company	2025 £m	2024 £m
Collective investment schemes	4,221	5,787
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
Total	11,256	12,240

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 Life Plc 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:

Company undertakings	Country of incorporation	Primary business operation	Share class	2025	2024	2025	2024
				£m	£m	% equity interest	% equity interest
FCT Morisot	France	Service company	Unit	—	—	—%	—%
FCT Chagall	France	Service company	Unit	—	—	—%	—%
Lambay Capital Designated Activity Company	ROI	Service company	Ordinary	—	—	—%	—%
Rothesay property Partnership 1 LLP	UK	Service company	Ordinary	—	—	100%	100%
Rothesay Property Company 1 Limited	UK	Service company	Ordinary	91	—	100%	—%
LT Mortgage Financing Limited	UK	Service company	Ordinary	6	6	100%	100%
Rothesay MA No.1 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%

The above subsidiary undertakings, with the exception of FCT Morisot, FCT Chagall and Lambay Capital Designated Activity 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.

Rothesay Property Partnership 1 LLP was incorporated during March 2021 and has not commenced trading.

Rothesay Property Company 1 Limited (formerly Trinity D Limited) was acquired by the Company 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 MA No.4 Limited (RMA4) was incorporated during November 2019. RMA4 remains dormant.

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 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.

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 and Company	Software £m	Computer equipment £m	Furniture and fittings £m	Total £m
Cost				
As at 1 January 2025	39	1	16	56
Additions	17	—	1	18
As at 31 December 2025	56	1	17	74
Accumulated depreciation				
As at 1 January 2025	—	(1)	(8)	(9)
Charge for the year	—	—	(2)	(2)
As at 31 December 2025	—	(1)	(10)	(11)
Net book value as at 31 December 2025	56	—	7	63
Cost				
As at 1 January 2024	23	1	10	34
Additions	16	—	6	22
As at 31 December 2024	39	1	16	56
Accumulated depreciation				
As at 1 January 2024	—	(1)	(6)	(7)
Charge for the year	—	—	(2)	(2)
As at 31 December 2024	—	(1)	(8)	(9)
Net book value as at 31 December 2024	39	—	8	47

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.

I.2 Company profit and loss

The profit for the financial year of the Company was £899m (2024: £94m). 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.

Notes to the financial statements **continued**

Note I – Other notes (continued)

1.3 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
Outstanding at the end of the year	13,018,999	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	2024
	No. of RSUs	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
Outstanding at the end of the year	1,817,858	1,420,008

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)

Expenses in relation to share-based payment schemes

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
Outstanding at the end of the year	108,664,228	105,931,028

Expenses in relation to share-based payment schemes

Expenses of £81m (2024: £50m) have been charged to the profit and loss of Rothesay during the year in relation to the various share-based payment schemes.

I.4 Related parties disclosures

Ultimate holding company

At the financial statement date, the immediate and ultimate parent company was Rothesay Limited, which is incorporated in the United Kingdom. Group financial statements are prepared for Rothesay Limited, copies of which can be obtained from the Company Secretary, The Post Building, 100 Museum Street, London WC1A 1PB.

Related party transactions

	2025 £m	2024 £m
Statement of comprehensive income		
Net recovery from reinsurance contracts held	2	(3)
Finance expense for reinsurance contracts held	19	5
Investment return	133	60
Finance costs	(18)	(18)
Statement of financial position		
Financial investments	1,772	1,250
Financial liabilities	(37)	—
Reinsurance contract liabilities	(10)	(10)
Reinsurance contract assets	56	24
Borrowings	(299)	(299)
Capital	2,638	2,638

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 93p per share, which was paid to shareholders on 2 October 2025. On 9 August 2024, the Board also approved an interim dividend of 69p per share which was paid to RL on 2 October 2024.

Notes to the financial statements **continued**

Note I – Other notes (continued)

I.4 Related parties disclosures (continued)

Transactions with key management personnel

Key management personnel comprise the Directors of the Company, Directors of subsidiary undertakings and certain members of senior management.

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
Total transactions	72	60

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 RLP, its parent Rothesay Limited, its subsidiaries LTMF, RMA1 and RMA3, and other Group companies RPML, Rothesay Asset Management Australia Pty Ltd and Rothesay Asset Management North America LLC.

Transactions with RL	2025 £m	2024 £m
Statement of comprehensive income		
Interest income	3	4
Cost transfer	8	5
Statement of financial position		
Other receivables	121	105
Capital	2,638	2,638

Transactions with LT Mortgage Financing Limited	2025 £m	2024 £m
Statement of financial position		
Other receivables	2	1
Capital	6	6

Transactions with Rothesay MA No.1 Limited	2025 £m	2024 £m
Statement of financial position		
Capital	—	5

Notes to the financial statements *continued*

Note I – Other notes (continued) I.4 Related parties disclosures (continued)

Transactions with Rothesay MA No.3 Limited	2025 £m	2024 £m
Statement of financial position		
Capital	2	2
<hr/>		
Transactions with RPML	2025 £m	2024 £m
Statement of comprehensive income		
Cost transfer	(244)	(200)
Statement of financial position		
Other payables	246	187
<hr/>		
Transactions with Rothesay Asset Management North America LLC	2025 £m	2024 £m
Statement of comprehensive income		
Service fee	(14)	(14)
Statement of financial position		
Other receivables	—	6
Other payables	9	2
<hr/>		
Transactions with Rothesay Asset Management Australia Pty Ltd	2025 £m	2024 £m
Statement of comprehensive income		
Service fee	(5)	(4)
<hr/>		
Transactions with FCT Morisot	2025 £m	2024 £m
Statement of comprehensive income		
Investment return	(14)	—
Statement of financial position		
Financial investments	561	—
<hr/>		
Transactions with FCT Chagall	2025 £m	2024 £m
Statement of comprehensive income		
Investment return	10	—
Statement of financial position		
Financial investments	167	—

Notes to the financial statements **continued**

Note I – Other notes (continued)

I.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.

I.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
Total other commitments	482	134

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.

Right-of-use assets

Group and Company	2025	2024
	£m	£m
Balance at 1 January	48	53
Depreciation charge for the year	(6)	(5)
Additions	17	—
Closing balance at 31 December	59	48

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

Group and Company	2025 £m	2024 £m
Lease liabilities	72	60
Maturity analysis based on undiscounted liabilities		
Current liabilities		
Less than one year	11	9
Non-current liabilities		
One to five years	51	47
More than five years	38	20
Total undiscounted lease liabilities	100	76

(b) Amounts recognised in the statement of comprehensive income

Group and Company	2025 £m	2024 £m
Lease right-of-use assets depreciation	6	5
Financing charge on lease liabilities (included in note B.4 Finance costs)	6	3

(c) Amounts recognised in the statement of cash flows

Group and Company	2025 £m	2024 £m
Lease right-of-use assets depreciation	6	5
Financing charge on lease liabilities	6	3
Cash outflows for lease liabilities	10	9

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 37, 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
New business premium	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).
Solvency capital requirement (SCR) coverage	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.
Own Funds	Available capital under the Solvency II regime. Represents the capital in excess of technical provisions.	Provides a measure of regulatory capital.	A reconciliation of Own Funds is provided in note F.1.
Longevity reinsurance percentage	The longevity percentage provides an indication of the extent to which 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																		
Assets under management	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.	<table border="1"> <thead> <tr> <th></th> <th>2025 £m</th> <th>2024 £m</th> </tr> </thead> <tbody> <tr> <td>Total assets</td> <td style="text-align: right;">130,713</td> <td style="text-align: right;">123,615</td> </tr> <tr> <td>Reinsurance assets</td> <td style="text-align: right;">(391)</td> <td style="text-align: right;">(302)</td> </tr> <tr> <td>Payables and financial liabilities</td> <td style="text-align: right;">(56,162)</td> <td style="text-align: right;">(51,976)</td> </tr> <tr> <td>Deferred tax assets</td> <td style="text-align: right;">(502)</td> <td style="text-align: right;">(569)</td> </tr> <tr> <td>Total AUM</td> <td style="text-align: right;">73,658</td> <td style="text-align: right;">70,768</td> </tr> </tbody> </table>		2025 £m	2024 £m	Total assets	130,713	123,615	Reinsurance assets	(391)	(302)	Payables and financial liabilities	(56,162)	(51,976)	Deferred tax assets	(502)	(569)	Total AUM	73,658	70,768
				2025 £m	2024 £m																
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			Payables and financial liabilities	(56,162)	(51,976)																
Deferred tax assets	(502)	(569)																			
Total AUM	73,658	70,768																			
New business profit	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.	<p>The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit (APM) plus New business acquisition expense (APM) 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.</p> <table border="1"> <thead> <tr> <th></th> <th>2025 £m</th> <th>2024 £m</th> </tr> </thead> <tbody> <tr> <td>New business profit (APM)</td> <td style="text-align: right;">197</td> <td style="text-align: right;">886</td> </tr> <tr> <td>New business acquisition expense (APM)</td> <td style="text-align: right;">(95)</td> <td style="text-align: right;">(196)</td> </tr> <tr> <td>CSM added new insurance contracts (E5.(a))</td> <td style="text-align: right;">(32)</td> <td style="text-align: right;">(412)</td> </tr> <tr> <td>CSM added new reinsurance contracts (E5.(b))</td> <td style="text-align: right;">(70)</td> <td style="text-align: right;">(278)</td> </tr> </tbody> </table>		2025 £m	2024 £m	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)			
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CSM added new reinsurance contracts (E5.(b))	(70)	(278)																			
New business acquisition expense	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.	<p>The new business profits and new business acquisition expenses individually cannot be reconciled directly to the IFRS Financial Statements. However, New business profit (APM) plus New business acquisition expense (APM) is equal to the increase in CSM as a result of new business including new reinsurance (see note E.5.(a) + E.5.(b)).</p>																		

Alternative Performance Measures **continued**

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS
Performance of in-force book	<p>This represents the profit that can be attributed to:</p> <ul style="list-style-type: none"> • differences in actual investment returns compared to those assumed; • the release of the risk adjustment as the business runs off and members exercise their options; • the release of credit default allowances; • the impact of actual demographic experience versus assumptions; • the investment return on surplus assets; and • offset by non-attributable expenses from note B.3. 	<p>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.</p>	<p>Unable to reconcile directly to IFRS notes.</p>
Non-economic assumption changes	<p>The effect of non-economic assumption changes on BEL and RA net of reinsurance.</p>	<p>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.</p>	<p>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.</p>
Adjusted operating profit before tax	<p>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.</p>	<p>Included to provide a measure of operating profits which reflects how the Group is measured internally.</p>	<p>Unable to reconcile directly to IFRS notes.</p>
Borrowing costs	<p>Interest payable on borrowings.</p>	<p>Included to provide a measure of borrowing costs.</p>	<p>A subset of the finance costs shown directly in note B.4.</p>

Alternative Performance Measures **continued**

Measure	Definition	Rationale for inclusion	Reconciliation to IFRS																
Economic gains/ (losses)	Change in asset valuation due to changes in economic conditions less the effect of economic assumption changes on net insurance liabilities. Changes in economic conditions include movements in interest rates, inflation, exchange rates, credit spreads, credit default allowances, actual defaults and property prices. The release of credit default allowances over time is included in the performance of the in-force book. This item also includes the reinsurance fees from note B.3.	Our alternative allocation of profit seeks to provide an explanation of the way in which profits have been generated by considering the movement in assets alongside the movement in liabilities.	Unable to reconcile to IFRS notes. This is due to the requirement that IFRS disclosures have basis differences with the financing notes.																
Adjusted equity	Total equity plus CSM net of tax less the value of sterling-denominated RT1 debt.	Provides a reflection of value which aligns with the long-term value of the Group.	<table border="1"> <thead> <tr> <th></th> <th>2025 £m</th> <th>2024 £m</th> </tr> </thead> <tbody> <tr> <td>IFRS equity</td> <td>4,688</td> <td>4,316</td> </tr> <tr> <td>Sterling RT1</td> <td>(793)</td> <td>(793)</td> </tr> <tr> <td>CSM net of tax</td> <td>4,501</td> <td>4,441</td> </tr> <tr> <td>Adjusted equity</td> <td>8,396</td> <td>7,964</td> </tr> </tbody> </table>			2025 £m	2024 £m	IFRS equity	4,688	4,316	Sterling RT1	(793)	(793)	CSM net of tax	4,501	4,441	Adjusted equity	8,396	7,964
	2025 £m	2024 £m																	
IFRS equity	4,688	4,316																	
Sterling RT1	(793)	(793)																	
CSM net of tax	4,501	4,441																	
Adjusted equity	8,396	7,964																	

Glossary of terms

Adjusted equity	See Alternative Performance Measures.
Adjusted operating profit before tax	See Alternative Performance Measures.
Alternative Performance Measure	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.
Annuity	A series of regular payments made to an individual until their death. Payments may be indexed.
Assets under management	See Alternative Performance Measures.
Best estimate liability (BEL)	The liabilities of 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.
Borrowing costs	See Alternative Performance Measures.
Bulk annuity	A bulk annuity, sometimes referred to as a bulk purchase annuity, is a contract between a defined benefit pension scheme and an insurance company, whereby an insurance company insures some or all of the annuities being paid by the pension scheme.
Buy-in	Held as an asset of the pension scheme, a bulk annuity buy-in is a contract that covers all or some of the benefits for a subset of scheme members. The scheme retains responsibility for paying pensions to members but the contract protects the scheme against all risks relating to the insured benefits, for example longevity risk and inflation risk.
Buy-out	The bulk annuity buy-out is a contract that covers all of the benefits for all or a subset of scheme members. The insurer issues individual policies to members under which pensions are paid. Once all benefits are covered, the pension scheme can be wound up.
Carbon intensity	A measure of emissions that allows for comparison between entities of different size. It is measured in t CO ₂ e/million USD of revenue annually.
CO₂e	Carbon dioxide equivalent – greenhouse gases (GHGs) all have varying warming potentials and therefore in order to report one metric, other GHGs are converted to CO ₂ equivalent.
Collateralised agreements/ investments	Loans secured on property or other collateral.
Collective investment schemes	A way of investing money alongside other investors.
Contractual service margin (CSM)	Defined within the IFRS 17 standard as unearned profit on a group of contracts that relate to future service to be provided. The CSM is included within Insurance contract liabilities.
Corporate bonds and other corporate debt	These are debt securities issued by corporations which are not guaranteed by governments.

Glossary of terms **continued**

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

Glossary of terms **continued**

Insurance service result	Under IFRS 17, the insurance revenue less the insurance service expense, i.e. the insurance profit made on the provision of insurance coverage.
International Financial Reporting Standards (IFRS)	Accounting standards that are applied in preparing Rothesay's consolidated financial statements.
Investment return	Comprises all interest income on financial investments at fair value through profit and loss, realised investment gains and losses and movements in unrealised gains and losses, as well as expenses directly related to investments executed during the year.
Inwards reinsurance	Reinsurance where Rothesay is acting as the reinsurer.
Liability for incurred claims (LIC)	The liability for incurred claims includes unpaid claims and expenses.
Liability for remaining coverage (LRC)	Liability for remaining coverage represents the carrying amount of a group of insurance contracts at each reporting date. The LRC comprises the future BEL and RA cash flows that relate to services to be delivered in future periods and any remaining CSM.
Lifetime mortgages	Mortgages extended to older individuals (aged 55 and over) against their residential property at low loan-to-value percentage. Unlike a typical residential mortgage, no interest is paid monthly by the individual. Instead, the interest is simply added to the principal loan amount with the loan only repayable on death or entry into long-term care of the last remaining homeowner.
Limited price indexation (LPI)	LPI is a pricing index used to calculate increases in components of scheme pension payments in the UK.
Liquidity premium	An addition to the risk-free rate used when projecting investment returns and discounting cash flows on certain types of contracts where the liabilities are illiquid and have cash flows that are predictable.
Liquidity risk	The risk of being unable to realise investments and other assets in order to settle financial obligations when they fall due.
Longevity reinsurance (%)	See Alternative Performance Measures.
Longevity risk	The risk that a company could be exposed to a higher payout as a result of increasing life expectancy.
LTMF	LT Mortgage Financing Limited.
Market risk	The risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.
Matching adjustment	The matching adjustment, a concept in Solvency II, is broadly equivalent to the illiquidity premium that can be earned on the illiquid assets held to back illiquid liabilities.
Matching adjustment portfolio	A notionally ring-fenced fund set up for Solvency II purposes. Liabilities written into the matching adjustment portfolio are discounted at a risk-free rate plus a matching adjustment derived from the assets in the fund.
Mortality tables	A table which shows, for each age, what the probability is that a person of that age and gender will die before their next birthday.

Glossary of terms **continued**

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

Glossary of terms **continued**

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

Glossary of terms **continued**

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

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