



National Deposit Friendly Society Limited

Solvency and Financial Condition Report

For the financial year ended 31 December 2025

Summary	1
A. Business and Performance.....	3
A.1 Business.....	3
A.2 Underwriting Performance	4
A.3 Investment Performance	5
A.4 Performance of other activities	7
A.5 Any other Information	7
B. System of Governance	8
B.1 General information on the system of governance	8
B.2 Fit and proper requirements.....	14
B.3 Risk management system, including the own risk and solvency assessment.....	15
B.4 Internal control system	16
B.5 Internal Audit function	17
B.6 Actuarial Function	18
B.7 Outsourcing.....	18
B.8 Any other information.....	19
C. Risk Profile	20
C.1 Underwriting Risk.....	21
C.2 Market Risk.....	24
C.3 Credit Risk.....	26
C.4 Liquidity Risk.....	27
C.5 Operational Risk	27
C.6 Other material risks.....	28
C.7 Any other information.....	28
D Valuation for Solvency Purposes	29
D.1 Assets	32
D.2 Technical Provisions	36
D.3 Other Liabilities	41
D.4 Alternative methods for valuation.....	43
D.5 Any other information.....	43
E Capital Management.....	44
E.1 Own Funds.....	44
E.2 Solvency Capital Requirement and Minimum Capital Requirement	47
E.3 Differences between the standard formula and any internal model used.....	48
E.4 Non-compliance with Minimum Capital Requirement and Solvency Capital Requirement	48
E.5 Any other information.....	48
APPENDIX.....	49
Quantitative Reporting Templates	49
Statement of Directors' Responsibilities.....	59

Summary

Under the UK solvency regime, insurers such as National Deposit Friendly Society Limited (“National Friendly” or “the Society”) are required to publish their annual Solvency and Financial Condition Report (“SFCR”). This is made available through the Society’s website and provides information under prescribed headings on its business and performance, the risks faced by the Society, the system of internal controls and governance framework, the financial position and how capital is managed.

2025 overview

National Friendly delivered a strong performance in 2025, underpinned by clear financial discipline and a continued focus on long-term resilience.

A major milestone was the securing of €15 million in Tier 2 capital financing. This represents a significant endorsement of the Society’s business model and has materially strengthened the balance sheet, helping increase the solvency ratio to 170%. This improved capital position gives National Friendly greater capacity to invest prudently in its operations, support members effectively, and pursue future opportunities from a position of strength.

The Society’s disciplined approach since 2021 has continued to deliver results. Growth was achieved within a framework of control and purpose, with performance translating into stronger underlying metrics and an enhanced ability to meet member needs.

This momentum is clearly reflected in our key performance indicators:

- Annual Premium Equivalent (“APE”) increased by 40% year on year.
- Membership increased by 21%, from 58,062 to 70,516 members.
- Gross claims paid (£34m) increased by 28%, mirroring the underlying growth of our income protection product portfolio.

At the heart of our strategy is our core purpose: to provide peace of mind to our members in times of need. For many, this means the reassurance of knowing their cover is in place should it be required. For others, it is reflected in the support they receive at the point of claim.

The Society’s product development remains grounded in robust market research and a disciplined focus on value, inclusivity, accessibility and simplicity. Recognition through five industry awards in 2025 further reflects the quality of its offering and execution.

Overall, 2025 was a year of meaningful progress for National Friendly, marked above all by stronger capital, improved solvency, continued investment in member service, and a disciplined approach that positions the Society well for the future.

Financial position

The table below summarises the Society’s capital position under the solvency regime at the end of 2025. The Society applies the Standard Formula for the calculation of its Solvency Capital Requirement (“SCR”).

Please note, the numbers in the below tables are rounded to the nearest £000 and match the figures within the relevant QRT templates which are input to the penny. As such, there may be small rounding differences between the individual line items and the totals.

Solvency Balance Sheet (£000)	2025	2024
Reinsurance recoverables ¹	(10,073)	(8,587)
Other assets	77,539	65,520
Total assets	67,466	56,933
Best Estimate Liabilities ¹	334	(11,347)
Other Liabilities ²	(31,964)	(15,593)
Risk Margin	(4,663)	(3,589)
Total liabilities	(36,293)	(30,530)
Excess of assets over liabilities (assets less liabilities)	31,173	26,403
Subordinated liabilities in Basic Own Funds ²	13,096	-
Total available funds to meet the Solvency Capital Requirement	44,269	26,403
Restriction applied to the value of the subordinated liabilities ³	(90)	-
Total eligible funds to meet the Solvency Capital Requirement	44,179	26,403
Solvency Capital Requirement	26,012	18,919
Excess Own Funds	18,167	7,484
SCR Coverage Ratio	170%	140%

The Society's capital position is assessed in accordance with the PRA Rulebook, and the Society manages its business on this basis. This is a risk-based approach to the assessment of capital requirements whereby Technical Provisions are calculated as the sum of the best estimate of liabilities plus a risk margin.

Own Funds are the regulatory measure of the Society's total assets less liabilities, on a solvency basis, plus any subordinated debt on the balance sheet that is permitted to count as Own Funds (the "Tier 2 capital financing"). Own Funds represent the long-term value attributable to its members and allows the Board to establish the impact of management activity over the long term.

The Society's Own Funds have increased significantly, by £18.4m during the year, mainly driven by the Tier 2 capital financing, which equated to £13.0m (after the above restriction). The remainder of the growth in Own Funds was due to the continued writing of profitable new business.

¹ Reinsurance recoverables are required to be reported as an asset on the balance sheet QRT, and Best Estimate Liabilities are required to be reported as a liability on the balance sheet QRT.

² This includes the new €15 million Tier 2 capital financing, which is valued at fair value and is included as a liability on the balance sheet but is also included as a benefit in the Own Funds QRT. The proceeds were invested and are included in the other assets above.

³ The subordinated debt cannot be higher than 50% of the Solvency Capital Requirement according to 4A.1 (3) of the 'Own Funds' part of the PRA Rulebook.

The SCR coverage ratio is a measure of how many times the surplus capital covers the SCR. The SCR is the capital that an insurer is required to hold to withstand a set of events covering market, underwriting, counterparty and operational risks such that the resulting level of capital would only be breached during a 1-in-200 year event. The SCR is calculated using the prescribed Standard Formula set out in the PRA regulations. The regulatory requirement is for the SCR coverage ratio to exceed 100%, on top of which the Society has a Solvency Risk Appetite which is set on a Red-Amber-Green scale in order to provide additional security to members.

Over 2025 the Society's SCR coverage ratio increased, from 140% to 170%. This movement was the net impact of a range of underlying factors, the most material of which are set out in section E.1.

A. Business and Performance

A.1 Business

National Deposit Friendly Society Limited ("the Society") is a mutual friendly society founded in 1868 and incorporated under the Friendly Societies Act 1992.

The Society's registered office and operating address is:

11-12 Queen Square

Bristol

BS1 4NT

The Society's Friendly Society number is 369F.

The Society is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA (Firm Reference Number: 110008). The regulators contact details are shown below:

Prudential Regulation Authority

20 Moorgate

London

EC2R 6DA

Financial Conduct Authority

12 Endeavour Square

London

E20 1JN

The Society's external auditor is:

Ernst & Young LLP

1 More London

Riverside

London SE1 2AF

The Society forms part of a Group which consists of National Deposit Friendly Society Limited and two wholly owned subsidiaries; National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited.

This Solvency and Financial Condition Report ("SFCR") covers National Deposit Friendly Society Limited on a solo basis.

National Deposit Friendly Society Limited is regulated as a solo insurance entity and is the only insurer within the Group.

The Society writes and administers contracts of insurance as follows:

- Non-profit life contracts; the Society's guaranteed life assurance product,
- Non-profit annuity contracts; comprising immediate care plans which fund the provision of long-term care for the balance of the member's life,
- Non-profit healthcare contracts; the Society's private medical insurance product,
- Non-profit income protection contracts; comprising full and accident only income protection plans,
- Unit-linked contracts, and
- With-profits life and pension contracts, including bonds; these are the Society's with-profits business.

All business is written in the United Kingdom.

A.2 Underwriting Performance

The Society is authorised to write long term insurance business. Premiums received in 2025 comprise regular premiums on existing policies and premiums on new contracts of insurance written in the year.

Reinsurance is used for certain products to limit the overall risk exposure and reduce the volatility of claims, particularly in respect of new healthcare policies. The Society reinsures most of its Private Medical Insurance products with Gen Re and reinsures the Immediate and Deferred Care Plans with Hannover Re. For Guaranteed Life Assurance, Friendly Shield and Income Protection contracts the Society has a mass lapse reinsurance treaty in place, with Axis Re. In addition, for MyPMI Level 2 policies, an excess of loss reinsurance treaty is in place.

The Society prepares its financial statements in accordance with UK Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ("FRS 102"). As such, the underwriting performance detailed in this section is in compliance with FRS 102, whilst having regard for the IR.05.03.02 'Life income and expenditure' QRT in the appendix.

The table below shows the Society's premiums, claims and expenses split by the prescribed lines of business for the period ended 31 December 2025. Also see section A.4 'Performance of other activities' below for the complete picture of the Society's income statement.

£000	2025				2024	
	Health	With-Profit	Unit-Linked	Other Life ⁴	Total	Total (revised)
Gross Premiums	8,177	88	18	48,420	56,703	45,742
Reinsurers' share of premiums	(2,239)	-	-	(14,085)	(16,323)	(11,007)
Gross Claims	(9,254)	(2,416)	(33)	(22,629)	(34,333)	(26,825)
Reinsurers' share of claims	2,852	-	-	13,674	16,526	11,325
Expenses	(8,929)	(429)	(6)	(18,874)	(28,239)	(21,781)

⁴ IR.05.03.02 'Life income and expenditure' as disclosed in appendix 1, requires greater granularly than the prescribed lines of business as it requires 'Life annuities' split out from 'Other life insurance'.

Please note, the numbers in the above are rounded to the nearest £000 and match the figures within the relevant QRT templates which are input to the penny. As such, there may be small rounding differences between the individual line items and the totals.

The year-on-year increase in all figures above is mainly due to the expansion of the Society's business.

A.3 Investment Performance

The Society holds two categories of asset; unit linked, and non-unit linked. The assets held to match the unit-linked liabilities are managed in a separate investment fund which is ear-marked to cover the unit linked liabilities. All non-unit linked assets of the Society are included within the single long-term business fund, which incorporates a segregated portfolio of assets backing with-profits policies.

The Society has an Investment & Liquidity Policy which sets out the principles and guidelines for the operation of the Society's investments and liquidity including the framework within which the Society's assets will be invested. This complies with the requirements under the Prudent Person Principle as set out in the PRA Rulebook, the Society's risk appetite and the Principles and Practices of Financial Management ("PPFM") relating to with-profits policies. The PPFM outlines broad ranges for asset backing for various liabilities which have been considered in this policy.

The investment strategy of the long-term business fund is to match liability outgo on non-profit contracts, minimising capital requirements and providing adequate liquidity to meet the Society's day to day needs; for the assets backing with-profits policies the strategy includes yield generation to provide returns to with-profits policy holders.

As of 31 December 2025, the Society's investment portfolio comprised the following assets:

Assets	2025		2024	
	Amount (£m)	% of portfolio	Amount (£m)	% of portfolio
Property (other than for own use)	2.3	3.4%	2.8	4.8%
Holdings in related undertakings	0.2	0.2%	0.2	0.3%
Government bonds	22.2	32.7%	22.4	38.3%
Corporate bonds	8.0	11.8%	9.2	15.6%
Collective investment undertakings	29.8	44.0%	19.1	32.6%
Derivatives	0.2	0.3%	-	-%
Deposits other than cash equivalents	0.0	0.0%	1.1	1.9%
Loans and mortgages to individuals	0.0	0.1%	0.1	0.1%
Cash and cash equivalents	3.8	5.5%	2.3	3.9%
Assets held for unit-linked contracts	1.4	2.0%	1.4	2.4%
Total	67.8	100.0%	58.5	100.0%

Note that values above are taken from QRTs and include accrued interest therefore do not exactly match the financial statements for the bonds. Furthermore the above includes the Solvency valuation of holdings in related undertakings but excludes £3.0m of land and buildings held for own use which is in the financial statements as that does not form part of the Society's Investment portfolio.

The 2024 presentation has been revised, and the main difference compared to the prior year above is that the proceeds of the Tier 2 capital injection were invested in collective investment undertakings denominated in Euros and the recognition of derivatives following the implementation of a derivative strategy to improve liability matching.

The Society's investment assets are mainly held in government bonds, corporate bonds and collective investment undertakings. In 2025, the total investment asset value increased from £58.5m to £67.8m, driven mainly by the investment in collective investment undertakings following the Tier 2 capital financing.

Investment performance:	2025	2024
	£000	£000
Income from land and buildings	8	406
Income from other fair value through profit and loss investments*	1,686	923
Interest on cash and deposits held with credit institutions	169	164
Income from mortgages	2	1
Income from investments	1,865	1,494
Net gain on realisation of land and buildings	0	626
Net gain realisation of Assets held to cover linked liabilities	194	0
Net gain on realisation of listed investments at fair value through profit and loss	0	198
Net gains/(losses) on realisation of investments	194	824
Total investment income	2,059	2,318
Net unrealised gains/(losses) on investments		
- Land and buildings*	56	(165)
- Total return swap derivative contracts	571	0
- Listed investments at fair value through profit and loss	3,923	(3,141)
- Interest rate swap derivative contracts	(351)	0
- Assets held to cover linked liabilities at fair value through profit and loss	(10)	(35)
- Investments in subsidiaries	(76)	(54)
Total net unrealised gains/(losses) on investments	4,113	(3,395)
Realised losses **		
Realised losses on other investments at fair value through profit or loss	3,219	0
Foreign exchange losses	5	0
Total realised losses	3,224	0

* The prior year figures were revised but did not change materially.

** Since investment expenses are required to be included within the 'Expenses incurred' lines in IR.05.03.02 'Life income and expenditure' (as disclosure in the appendix), they are excluded from the above.

A.4 Performance of other activities

£000	2025	2024
	Total	Total
Performance of other activities:		
Other technical income/(charges), net of reinsurance	(232)	99
Change in the provision for claims	(378)	511
Interest payable	(1,166)	(491)
Change in other technical provisions	10,106	6,940
Total performance of other activities	8,329	7,059
Gross Premiums	56,703	45,742
Reinsurers' share of premiums	(16,323)	(11,007)
Gross Claims	(34,333)	(26,825)
Reinsurers' share of claims	16,526	11,325
Expenses (acquisition & administration)	(28,239)	(21,781)
Total underwriting performance per section A.2	(5,665)	(2,546)
Income from investments	1,865	1,494
Net gains/(losses) on realisation of investments	(3,030)	824
Total net unrealised gains/(losses) on investments	4,113	(3,395)
Total investment performance per section A.3	2,949	(1,077)
Total performance of other activities, underwriting performance and investment performance	5,613	3,436
Transfer to the fund for future appropriations per the income statements in the financial statements	5,613	3,436

Please note, the numbers in the above are rounded to the nearest £000 and match the figures within the relevant QRT templates which are input to the penny. As such, there may be small rounding differences between the individual line items and the totals.

Also note that there are the below items that are reported in the consolidated statement of comprehensive income in the financial statements:

Actuarial loss on pension scheme £(307)k (2024: £(209)k) and Revaluation of occupied land and buildings £43k (2024: £75k) which are transferred from the fund for future appropriations.

A.5 Any other Information

The Society has no other material information regarding its business and performance to report.

B. System of Governance

B.1 General information on the system of governance

Board of Directors

The Society's Board of Directors has responsibility for the oversight of the Society's business and sets its strategy and risk appetite. The Board has established a number of Board delegated Committees to oversee certain key functions under its overarching authority, reporting their activities and making recommendations to the Board. Each committee is chaired by a Non-Executive Director. All Non-Executive Directors are considered to have appropriate skills and expertise to undertake their role within the Board and Committees.

The Board is the main decision-making body for the Society. It determines the strategic direction and has responsibility for the overall management of the Society's business affairs. The Board sets the Society's values and standards and has overall responsibility for ensuring that obligations to members and other stakeholders are met.

The Board monitors and oversees the Society's operations with the purpose of maintaining competent management, sound planning, robust and prudent risk and capital management, an effective internal control environment, a culture of risk awareness and ethical behaviour and compliance with statutory and regulatory obligations.

The Board consists of such number of individuals as the Board may determine from time to time but no more than 50% shall be Executive Directors. As at 31 December 2025, the Board comprised four Non-Executive Directors and three Executive Directors:

- Mark Searles (Chairman & Non-Executive Director)
- Simon Thomas (Senior Independent Director & Non-Executive Director)
- Rebecca Hall (Non-Executive Director)
- Mike Joyce (Non-Executive Director, from 1 May 2025)
- Graham Singleton (Executive Director)
- Julian Ellacott (Executive Director)
- Oliver Jones (Executive Director)

Membership of all Board Committees is reviewed at least annually.

Audit Committee

The role of the Audit Committee is to consider and assist the Board in fulfilling its oversight responsibilities with regards to the integrity and effectiveness of the systems of internal control, financial processes, financial statements and performance of the internal audit function. The Audit Committee and Risk and Compliance Committee work together effectively to cover all relevant issues and ensure that any pertinent areas of overlap are appropriately addressed.

Members of the Audit Committee are appointed by the Board. The Chair of the Board is not a member of the Audit Committee, in compliance with the AFM Governance Code.

The Committee consists of three Non-Executive Directors.

The primary responsibilities of the Audit Committee are to:

- Review the Society's financial statements and critical accounting policies, judgements and estimates including the assumptions to be used in respect of morbidity, mortality, persistency and expenses.
- Oversee the annual external audit of the financial statements, considering the planning, scope and findings of the external auditor.
- Provide advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and comprehensible and provide the information necessary for members to understand the Society's position and prospects, including performance, business model and strategy.
- Review the adequacy and effectiveness of the Society's internal financial controls and internal control and risk management systems in conjunction with reviewing reports produced by the Society's internal and external auditors.
- Review and monitor the independence of the external auditors, in particular the appropriateness of the provision of non-audit services.
- Consider the appointment, performance and remuneration of the external and internal auditors.

Risk and Compliance Committee

The Risk and Compliance Committee assists the Board in its leadership and oversight of risk. This includes the understanding and, where appropriate, optimisation of current and future risk strategy, overall risk appetite and tolerance, risk management including risk policies, process and controls and the promotion of a risk awareness culture throughout the Society. It is also responsible for the oversight of regulatory compliance including conduct risk and the policies and procedures within the Society.

The Committee consists of three Non-Executive and all Executive Directors.

The primary responsibilities of the Risk and Compliance Committee are to:

- Review, monitor and challenge the Society's risk management framework, including the capability to identify, mitigate and manage emerging and new risks in conjunction with the Audit Committee.
- Oversee the Society's ongoing compliance with statutory and regulatory requirements and ability to identify emerging regulatory trends.
- Review and oversight of strategic risks when there is significant change to the Society's strategic business plan.
- Oversee and provide input and challenge to the production of the Society's Own Risk Solvency Assessment and related stress tests and make recommendations.
- Make recommendations concerning the Society's overall risk appetite, tolerances and strategy.
- Review any material breaches of risk appetite and risk tolerance together with the adequacy and implementation of proposed actions, ensuring that all matters are reported appropriately to the Board.
- Monitor and review the Society's management of the risks of climate change.

- Review, update and test operational resilience, including the Society's business continuity plans on at least an annual basis.
- Review the Society's procedures for the prevention and detection of bribery and corruption; oversee anti-money laundering and financial crime systems and controls.
- Ensure that Consumer Duty is implemented, embedded and overseen within the Society.

Investment Committee

The Investment Committee monitors compliance with the terms of the PPFM and Investment & Liquidity Policy in relation to the management of the Society's investments and with consideration of the needs of both with-profit and non-profit policyholders.

The Committee consists of three Non-Executive and two Executive Directors.

The primary responsibilities of the Investment Committee are to:

- Set the Investment & Liquidity Policy, subject to Board approval, in compliance with the terms of the PPFM in respect of with-profit policyholders and in line with the requirements of other non-profit policyholders.
- Periodically review the Investment & Liquidity Policy, in particular in respect of capital requirements, overall market conditions and environmental, social and governance considerations.
- Oversee the application of the Investment & Liquidity Policy.
- Develop and keep under review the appropriateness of key risk indicators and tolerances and information provided by third parties such as financial institutions, asset managers and rating agencies.
- Appoint and monitor the performance of the Society's external investment and property managers, and custodian.

With-Profits Advisory Arrangement

The role of the With-Profits Advisory Arrangement ("WPAA") is to objectively monitor and provide independent judgment on the extent to which procedures, systems and controls are adequate and effective to enable the Society to comply with the requirements of the FCA Handbook regarding the management and governance of with-profits business.

The WPAA consists of three Non-Executive Directors. The With-Profits Actuary attends meetings as appropriate.

No member of the WPAA holds an Executive position within the Society, nor has acted as a professional advisor to the Society within the year preceding a proposed first appointment to the WPAA.

The primary responsibilities of the WPAA are:

- In advising and reporting to the Board, the WPAA monitors and considers all relevant issues, including but not limited to:

- The rights, interests or expectations of different classes and generations of with-profits policyholders.
 - The manner in which the Society exercises discretion in the conduct of the with-profits business.
 - The manner in which the Society addresses competing or conflicting rights, interests or expectations of its policyholders (or groups of policyholders).
 - Proposals from the With-Profits Actuary for bonus rates, surrender values or market value adjustments in respect of with-profits policies.
 - Proposals for changes to the PPFM.
 - Compliance with the PPFM.
- To consider making an annual report to with-profits policyholders, recording any significant activity it has undertaken and highlighting any issues that it has raised with the Board.

Nomination Committee

The Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The Committee consists of two Non-Executive Directors, plus the Chief Executive Officer.

The primary responsibilities of the Nomination Committee are to:

- Review the structure, size and composition of the Board including the balance of skills, experience and diversity and make recommendations to the Board with regard to any changes.
- Review the succession plans and leadership needs of the Society, both Executive and Non-Executive, giving consideration to current and future business needs and requirements, and the continued ability of the Society to compete effectively in the marketplace.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill vacant Board positions as and when they arise.

Remuneration Committee

The underlying purpose of the Remuneration Committee is to oversee the Society's remuneration policy.

The Committee consists of three Non-Executive Directors. The Chief Executive attends meetings as appropriate.

The primary responsibilities of the Remuneration Committee are to:

- Establish, implement and maintain the remuneration policy and practices in line with the Society's risk management strategy, risk profile and objectives.
- Observe industry standards for corporate governance regarding Executive Director, Non-Executive Director, and Senior Management Function's remuneration, including disclosure requirements and avoidance of conflict between business objectives and compliance with legal and regulatory requirements.

Executive Committee

The Executive Committee forms part of the Society's corporate governance structure. The Board is the main decision-making body and the Executive Committee is charged (via delegation from the Chief Executive) with the operational running of the Society's business.

The Committee consists of the Executive Directors and other senior managers in place to support the Chief Executive Officer.

The primary responsibilities of the Executive Committee are to:

- Determine the Society's strategic positioning, mission, aims and priorities, as part of the Society's strategic and operational business plans for consideration by the Board.
- Implement agreed strategy including strategic projects, and report to the Board on their return on investment and performance against delivery time and budget.
- Manage the business on an ongoing basis, reviewing performance against budget and business Key Performance Indicators ("KPIs") as agreed with the Board. Ensure appropriate and accurate management information is provided to management and the Board.
- Design and implement a framework of processes and controls, as agreed with the Board, that is effective in allowing the business to run efficiently, in compliance with the Society's Risk Appetite Statement, legislation and regulation and enables the effective management of the Society's capital, risks and Own Risk and Solvency Assessment ("ORSA"). Risk KPIs plus risk and control ratings are reviewed regularly
- Establish systems for business relationships/partnerships, particularly outsourced arrangements, so that regulatory obligations are complied with, in compliance with the Outsourcing policy, contractual service standards are delivered and business needs met.
- Oversee the strategic approach to regulatory and legislative matters, including new legislation and regulations.
- Implement and maintain an effective member relations strategy.
- Determine the Society's internal culture and values, ensuring alignment with the Board's cultural objectives, ensuring they are embedded, maintained and promote a culture of risk awareness and ethical behaviour for the Society's staff to follow in pursuit of its business goals and which is conducive to treating customers fairly and good customer outcomes.
- Undertake tasks delegated by the Board as required.

The Society monitors its system of governance on an ongoing basis and considers it to be appropriate for the Society, taking into account the nature, scale and complexity of the risks inherent in the business.

Remuneration Policy

The Society's approach to remuneration is an integral part of its business strategy and the policy is designed to attract, retain and motivate competent, experienced and skilled staff. The policy is based on the following principles:

- Reward and remuneration will be clear and competitive within the market so that individuals are motivated and the Society is able to attract and retain key talent.

- Remuneration will be determined fairly and objectively across the Society.
- Variable reward for the Directors and key function holders will be linked to strategic personal objectives.
- Total remuneration will comprise a fixed base salary as well as a variable discretionary bonus and other financial and non-financial employee benefits.
- The remuneration policy will be transparent and accessible to all Society staff.

The fixed and variable components of remuneration for Executive Directors and persons responsible for key functions within the Society are broken down as follows:

Base salary

Base pay will normally be reviewed annually in April. Pay rises are not guaranteed, but the review will take into consideration any increase in cost of living and, where appropriate other external market factors, in line with the approach taken for all employees.

Pay reviews may take place at other times of the year to reflect a change in role and/or significant change in responsibilities. The Committee may consult with external advisors as appropriate for such pay reviews, who can undertake a job evaluation to provide a guide salary range relevant to the role. The evaluation considers the demands of the role and then applying factors derived from salary research data, takes account of the Society's size, sector and location.

Performance Related Pay

The Executive Directors and members of the Executive Committee are eligible for annual Performance Related Pay. This comprises a short term incentive plan with a maximum potential cash bonus of 60% of base salary, 30% of which is deferred. Performance is assessed across a collective basis against corporate objectives identified within the Society's balanced scorecard and delivery of personal objectives.

Long Term Incentive Plan

In addition to the deferred component to the performance related pay, from January 2024 a formal Long Term Incentive Plan ("LTIP") scheme was introduced, not only for Executive Directors but for all staff. This takes into account the Society's performance in terms of Excess Own Funds over a 3 year time horizon, aligning the interests of staff with the interests of members, and promoting good management of risk.

Retirement and Related Benefits

The Executive Directors are members of a defined contribution pension scheme which is available to all employees. The Society contributes up to a maximum of 12% of base salary per Director, dependent upon personal contribution levels and consistent with the contribution levels for all staff. The Chief Executive receives an allowance in lieu of a contribution to a defined contribution pension scheme, the cost to the Society is the same as a 12% contribution to a pension scheme.

Other Benefits

Executive Directors are entitled to death in service benefit of four times basic salary and a company car or car cash allowance. Other benefits available to all staff are also available to Executive Directors such as private medical insurance, salary sacrifice schemes for pension contributions and the cycle to work initiatives and season ticket loans.

Non-Executive Directors

All Non-Executive Directors including the Chair have letters of appointment which set out their duties and responsibilities. The appointment of Non-Executive Directors is usually for a period of three years and is subject to election and re-election at the Society's AGM. After nine years of service or when a director reaches the age of 70, re-election becomes an annual process.

Fees are benchmarked against similar roles in comparable organisations. Fees are calculated on an annual rather than a daily basis. However, it is assumed that to fulfil the basic role of a Non-Executive Director, sufficient time and commitment is required each month for review work and attendance at regular Board meetings, the Society's AGM, Special General Meetings where appropriate, other ad hoc meetings with regulators and advisers as may be required and training courses.

Non-Executive Directors' remuneration is not performance related nor pensionable and Non-Executive Directors do not participate in any incentive plans. However, a formal bi-annual appraisal process is undertaken where the views of all Directors are taken into consideration and the outcome of this is ratified by the Board.

Fees for Non-Executive Directors are determined by the Executive Directors and subject to approval of the Board as a whole. They are designed to recognise the responsibilities of Non-Executive Directors and to attract individuals with the necessary skills and experience to contribute to the objectives of the Society.

B.2 Fit and proper requirements

Skills, knowledge, and expertise

The Society ensures that persons who effectively run the business or hold responsibility for key functions (defined as "Senior Managers") have, individually and collectively, an appropriate depth and diversity of knowledge, skills, qualifications, and experience relevant to their respective roles and duties, in order to manage and oversee the running of the organisation in an effective, compliant, and professional manner.

These functions lie within the financial regulators' Senior Managers and Certification Regime ("SM&CR") that designates a number of defined senior management function ("SMF") roles and are subject to additional conduct standards. The SMF roles are subject to regulatory approval prior to appointment to their new role and undergo regular assessment of fitness and propriety.

Fitness and Propriety

To ensure that Senior Managers are fit and proper, they are recruited giving due regard to honesty, integrity and reputation, competence, and capability of the candidate, as well as their fitness and propriety. This is covered in the FCA's 'Fit and Proper test for Employees and Senior Personnel' as included in the FIT sourcebook of the FCA Handbook, and a process is in place to ensure that all candidates in this category are reviewed against the regulatory requirements.

Certification individuals are identified as a key person that could cause customers or the business significant harm if they failed to perform their role effectively. These are subject to the same fitness and propriety expectations as Senior Managers.

On an annual basis, the Society will carry out an assessment to certify that both categories (SMF and certified individuals) are fit and proper to carry out their function in the business.

The Society has a 'Fit and Proper' policy including an annual Fit and Proper declaration.

B.3 Risk management system, including the own risk and solvency assessment

Risk management system

The Society's risk management framework seeks to ensure that there is an effective process in place to manage risks across the Society. Risk management is integral to all aspects of the Society's activities and is the responsibility of all staff. Senior managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasises careful analysis and management of risk in all business processes. Risks are identified, assessed, and managed at a strategic, operational, conduct, and financial level.

The framework comprises the stated risk appetite and tolerance for strategic, operational, and financial risks and associated risk registers. The Society has a number of specific risk metrics which assist management in assessing whether outcomes are consistent with the Society's risk appetite.

The governance of risk management is aligned to the three lines of defence:

- The first line of defence comprises the operational business areas who are responsible for the ongoing assessment of risk and performance of day-to-day controls.
- The second line of defence is represented by internal assurance (oversight and monitoring) of the operational business areas provided by Compliance and Risk.
- The third line of defence represents independent assurance on the effectiveness of the Society's systems and internal controls, and is provided by the internal audit function and other skilled external practitioners e.g. consulting actuaries.

The Board has the ultimate responsibility for setting the Society's strategy for risk management; reviewing the Society's systems of risk management and internal control and their effectiveness and being responsible to the regulator and its policyholders for ensuring compliance with regulatory obligations including capital and solvency requirements of the ORSA.

The Board determines the risk appetite, taking into consideration recommendations from the Risk and Compliance Committee and senior management. The Risk and Compliance Committee reviews the Society's risk appetite statements at least annually before submission to the Board for approval.

Risk Management Function

The Risk function is led by the Head of Risk and Strategic Projects. Key responsibilities of the function include:

- Maintenance, development, and monitoring of the risk management framework.
- Leading the review of all risks within the Society's Risk Universe on at least a quarterly basis to reflect any changes including the identification of emerging risks.
- Provision of regular risk reporting to the Risk and Compliance Committee including dashboard reporting of the current risk assessment versus appetite.
- Undertaking second line monitoring to assess the operational effectiveness of the first line of defence.
- Leading the review of the Society's risk appetite on at least an annual basis taking into account the Society's business plan and strategic objectives.

To ensure independence of this function, it has a direct reporting line to the Risk & Compliance Committee with access to the Committee Chair.

Own Risk and Solvency Assessment

The ORSA process and report enable the Board to assess the risk-based capital requirement of the Society based upon its strategic business plan. The Board is ultimately responsible for the review, challenge and approval of the ORSA framework, ORSA Policy and Process approval and the ORSA report.

A five-year base case projection of the Solvency Balance Sheet, Own Funds, SCR and SCR Coverage Ratio position is produced incorporating a number of key assumptions about the anticipated level of new business, economic and demographic risks plus insurance risks including morbidity, lapse and future expense assumptions. This projection is subjected to a range of stress tests in robust upward and downward scenarios including stresses for lower-than-expected new product sales, worsening morbidity plus lapses and expenses exceeding the levels assumed. The responses of the Society's financial position to the stress tests are the main outputs of interest; the central projection of the position is secondary.

The Society's ORSA process operates routinely through the course of the year, accompanied by periodic formal reporting. The full ORSA report is produced and approved by the Board at least annually. Business performance key metrics are tracked versus the ORSA target on a monthly and quarterly basis through management reporting. Additionally, the ORSA will be reperformed at intermediate times if capital adequacy is impacted either through capital erosion from a material event or a material change in the risk profile. Circumstances that will trigger the need for an ORSA outside the regular timescales have been agreed and documented within the ORSA Policy.

The Society has determined that the Standard Formula is appropriate to calculate the required solvency capital and to assess overall solvency needs.

B.4 Internal control system

The Society has established an internal control framework encompassing key controls of the business, both financial and non-financial. The effectiveness of these controls are regularly reviewed by the Executive Committee, the Board and its appointed Committees.

Key controls include:

- **Strategic business planning and budgeting processes** – defining the business objectives and key initiatives, aligned to the assumptions within the ORSA projections and the Society's risk appetite. Performance against these objectives is monitored throughout the year by the Board and Executive Management.
- **Risk appetite process** – performed at least annually in line with the business planning process and sets the detailed risk appetite for the key risk areas within the Society.
- **Authority and approval limits** – clearly documented throughout the Society such as underwriting guidelines, claims payment authorities, invoice approval and bank transfers.
- **Investment controls** – have been developed and documented within the Investment Policy detailing the investment principles and strategy and defining investment parameters, policies, controls and valuation methodologies.

- **Data validation and reconciliation processes** – detailed data quality control procedures are in place across the Society, including cross checking and reconciliations between different sources to validate that the data within our systems and used for reporting is accurate and complete.
- **Escalation processes** – the control processes above in addition to other key measures e.g. risk appetite measures, loss events, root cause analysis and progress against audit actions are presented to the appropriate Committee within the Society. This is designed to allow each Committee to assess emerging risks and provide appropriate oversight of the Society’s control environment.

The financial statements are subject to internal controls in their production and review and undergo external audit review and Board approval prior to publication. The actuarial methodology and assumptions follow actuarial practices and standards and are subject to review and approval by the Board.

The internal control system is subject to periodic internal audit reviews of the appropriateness and effectiveness of the controls. These are subsequently presented to and challenged by the Audit Committee

Compliance Function

The overall responsibility for overseeing the compliance of the Society and advising and supporting the business on regulatory compliance matters is a key function and approved by the regulators as a senior management function (SMF 16 Compliance Oversight).

This function is held by the Head of Legal and Compliance who is deemed to be an appropriately competent person and responsible for ensuring the effectiveness of Society’s systems and controls to meet regulatory compliance requirements and undertake compliance reporting to the regulators.

The Compliance function is an independent control function with formal status within the overall governance framework. It is not engaged in areas of the business which could create a conflict of interest and is responsible for reporting to executive management and the Board any breaches or non-compliance with relevant policies, rules, and regulations.

The function has access to all information necessary to carry out its responsibilities.

B.5 Internal Audit function

The Society has operated the Internal Audit function as an in-house function since 2023. The Head of Internal Audit holds qualifications with both the Chartered Institute of Internal Auditors and the Chartered Management Institute. Internal Audit reports administratively to the Chief Executive Officer and to maintain the independence of internal audit activities they report functionally to the Audit Committee. The Chair of the Audit Committee is responsible for overseeing the independence and performance of the internal audit function.

On an annual basis the Internal Audit function formulates and presents an annual audit plan to the Audit Committee for approval. The internal audit plan is risk based and appropriate to the nature, scale and risks of the Society. The plan is developed to make sure that all areas within the business are subject to a regular review. The plan is flexible so that changes can be made during the year as a result of changes in priorities, external conditions and risk areas.

Based on the audit plan, the internal audit function assesses the adequacy and effectiveness of controls covering areas of governance, operations and information systems.

B.6 Actuarial Function

The Chief Actuary position is held by Executive Director, Julian Ellacott FIA, who is a Fellow of the Institute and Faculty of Actuaries, holds the appropriate Practising Certificate and has complied continuously with the specific professional obligations this requires.

The Chief Actuary is supported by an internal team including at least one qualified actuary, and external peer review of key pieces of work is also obtained. The Chief Actuary is the management function holder approved by the regulators under the SMR.

The key responsibilities of the Chief Actuary role are:

- Providing actuarial advice to the Society's senior management and Board.
- Regulatory reporting of technical provisions and capital requirements.
- Contributing to the effective risk management system through modelling of risks and actuarial forecasts which form part of the ORSA process.
- Ensuring the effectiveness of the Society's actuarial methodology, assumptions, systems and controls.
- Providing actuarial opinion on data quality, underwriting and reinsurance effectiveness.

The Actuarial function is established as an independent control function within the overall governance framework.

The role of With-Profits Actuary is a separate independent function which is outsourced to Sally Butters of Simon Dixon Associates LLP. The With-Profits Actuary reports to the Board through the WPAA and has the following key responsibilities:

- Advising on key aspects of the discretion to be exercised with regards the Society's with-profits insurance business.
- Advising whether the assumptions used to calculate the future discretionary benefits within the technical provisions are consistent with the Society's PPFM in respect of the with-profits insurance business.

B.7 Outsourcing

The Society works with a number of third-party suppliers who provide a range of goods and services. Engagement of these suppliers is governed by the Society's Outsourcing and Purchasing Policies. Service quality is monitored through an ongoing review of service level agreements with each third party.

The Outsourcing Policy sets out the following requirements:

- Third party due diligence includes an assessment of key risks and material factors which could affect the potential service provider's ability to perform the required business activity. Checks including financial, regulatory, conflicts of interest, information security, operational resilience and business continuity are undertaken.
- All outsourcing arrangements must be established with a written contractual agreement which requires internal approval as set out in the policy. Where a critical function is outsourced and deemed material, this requires Board approval.

- A record of all material outsourced arrangements is maintained with a process for regular monitoring by the person responsible for the outsourced activity, overseen by the Risk function.

During the period, critical or important services were outsourced to the following organisations:

Service outsourced	Provider	Jurisdiction
Pensions policy administrators	XPS Pensions Group PLC	UK
Unit Linked policy administrators	Link Group Limited (acquired by MUFG)	UK
Investment Management (fixed interest and collective investment undertakings)	Royal London Asset Management	UK
Investment Management (assets backing unit linked policies)	Church House Investments Limited	UK
Asset custodians	Northern Trust Corporation	US
Odyssey system development	Spark Data Systems Limited	UK
Medical claims administrators	Healix Limited	UK
Medical services administrators	Medicals Direct Group Limited (Inuvi Group Limited)	UK
Cloud hosting and other IT infrastructure and support services	HybrIT Services Limited	UK
With-Profits Actuary	Steve Dixon Associates LLP	UK

B.8 Any other information

The Society has no other material information regarding its system of governance to report.

C. Risk Profile

Risk Assessment Process

Risk management is an integral part of the Society's business activities through the identification of key threats to business strategy. Mitigation plans are put in place to ensure the Society remains sustainable and continues to operate in the best interests of its policyholders.

The extent to which the Society tolerates risk is described by performance indicators, operational parameters and process controls set out in the Risk Appetite Statement.

The Society's risk appetite determines the level of risk the Society is prepared to accept as well as the action and mitigation to be implemented against identified risks. Risks are rated based upon impact and probability and it has been determined that any risk with a 'Very High' residual risk rating will require an action plan stating what action is to be taken and on what timescale.

Concentrations

The Society has a well-diversified portfolio of assets with a defined Investment & Liquidity Policy limiting exposure to any one asset class. Therefore, it is not subject to material concentration risk in respect of its asset holdings.

Risk Profile

The Society's risk profile depends on the nature of the insurance policies issued as at 31 December 2025, the assets held to match the liabilities and Own Funds and the Society's defined benefit pension scheme arrangement, which also contributes to the overall SCR calculation.

The Society faces a number of material risks, which are summarised below and detailed in sections C1–C5. As at 31 December 2025 the Society had over 75,000 in force long-term policies (compared to approximately 61,000 as at 31 December 2024). The relative proportions of policy numbers and Best Estimate Liabilities ("BEL") are as follows (note that, because of the net negative total BEL, the proportions of total BEL are relatively meaningless and hence are not shown):

Product Group	Policies	BEL (£m)	% of total policies
With profits contracts	3,915	23.1	5%
Life annuities	1,187	44.6	2%
Other life contracts	57,779	(56.6)	76%
Health similar to life contracts	13,071	(12.6)	17%
Unit linked contracts	57	1.0	0%
Total	76,009	(0.3)	100%

Please note, the numbers in the above table are rounded to the nearest £000 and match the figures within the relevant QRT templates which are input to the penny. As such, there may be small rounding differences between the individual line items and the totals.

The high number of "Other life contracts" which give rise to net negative BEL is driven by:

- The Society has Death Benefit Only contracts with low sums assured. These account for 4% of the total policies by number, but less than £0.5m of BEL.

- The Society has just over 43,000 Guaranteed Life Assurance (“GLA/GLAP”) policies, which in aggregate have negative BEL.
- The Society has just over 17,000 Friendly Shield and Income Protection policies, which in aggregate have negative BEL.

Given the wide range of inforce contracts, the Society has some exposure to each of the core underwriting risks. These are summarised in the table below. However, there are no material concentrations, as shown in the tables under section C.1.

Product Group	Mortality	Longevity	Morbidity	Lapse	Expense
With profits contracts	Y	Y			Y
Life annuities		Y			Y
Other life contracts	Y	Y		Y	Y
Health similar to life contracts		Y	Y	Y	Y
Unit linked contracts					Y

Overall risk exposure

The Society uses the Standard Formula approach to quantify its exposure to risk. The table below shows the composition of the undiversified net SCR by each of the main risk categories for the current and previous year (note that there is no allowance for diversification in these figures).

Risk	2025 (£m)	2024 (£m)	2025 (% of total)	2024 (% of total)
Market risk	4.4	2.4	9%	7%
Counterparty risk	0.9	0.9	2%	3%
Underwriting risk (Life)	24.6	21.8	51%	66%
Underwriting risk (Health SLT) ¹	16.0	6.3	33%	19%
Operational risk	2.0	1.5	4%	5%
Total	47.9	32.8	100%	100%

1) This is the fully undiversified result for this risk module, and as a result differs from the figures in IR.25.04.21, which is partially diversified due to the way the QRTs work.

The most significant risk faced by the Society is life underwriting risk, followed by health underwriting risk, and then (by some distance) by market risk.

C.1 Underwriting Risk

Underwriting risk arises when premiums and investment income are insufficient to pay the contractual benefits on a policy or when the actual demographic experience and/or expenses of administering a group of policies is worse than assumed in the calculation of the BEL.

In accordance with the Standard Formula, the Society has assessed the Basic SCR (“BSCR”) for underwriting risk separately for Life and Health Similar to Life Techniques (“SLT”) business. (There are a small number of contracts that have both health and life assurance benefits. The majority of risk arises from the health benefits and they have therefore, been classified as Health Similar to Life

Techniques.) The table below compares the capital requirements comprising the BSCR as at 31 December 2025 by key risk (once again, with no allowance for diversification).

SCR module	Life Underwriting Risk (£m)	Health Underwriting Risk (£m)	Total (£m)
Mortality	7.8	0.1	7.9
Longevity	1.6	0.0	1.6
Morbidity	0.0	5.9	5.9
Lapse	12.7	9.2	21.8
Expenses	2.0	0.8	2.8
Pandemic	0.5	0.1	0.6
Total	24.6	16.0	40.6

Mortality Risk

Where insurance contracts pay out a lump sum on death, the Society is exposed to the risk that policyholders die, on average, sooner than expected. The key exposure to mortality risk is under the GLA/GLAP contracts. There are two variants of this contract with differing underwriting requirements. At 31 December 2025, they accounted for 57% of the in force book (by policy count) (2024: 60%).

Mortality risk is an increasing risk for the Society because of increased sales of the GLAP product.

There is also the risk of a concentration of deaths due to a particular type of catastrophe, for example a pandemic; however concentrations of risk was not evident as a result of the COVID pandemic. They could arise from other types of pandemic, or other phenomena, but overall this is not currently a material risk for the Society.

Longevity Risk

Where insurance contracts pay out benefits that are dependent on survival or which lead to higher claims costs with increased longevity, the Society is exposed to the risk that policyholders die, on average, later than expected. The key exposures to longevity risk are non-profit annuities in payment, with-profits retirement annuity contracts which have a guaranteed annuity option and healthcare policies. Longevity risk on the care annuity policy is substantially reinsured, therefore there is little residual exposure on the part of the Society.

Morbidity Risk

The Society's income protection and health insurance contracts are exposed to morbidity risk, the risk that claims payments for medical or health benefits are higher than expected. Higher claims may occur due to higher numbers of claims and/or larger claim amounts than expected. The most significant risk applies to the whole of life healthcare policies, where premiums cannot be reviewed to offset the impact.

There is also the risk of additional claims arising from a catastrophe of some sort. The level of this risk is hard to gauge, as demonstrated by the COVID pandemic.

Lapse Risk

This is the risk that a policyholder lapses or surrenders their policy before the planned maturity date resulting in a loss to the Society. For some contracts, higher lapses than expected can result in a loss

if lapses occur before the Society has recouped its acquisition costs or if the surrender benefit exceeds the policy reserve. Lower than expected lapses can lead to a loss when the expected value of future claims and administration expenses exceeds the expected value of future premiums.

Overall, a mass lapse scenario leads to the greatest loss in Own Funds when compared to a permanent increase or decrease in lapses. Mass lapse also leads to a loss in Own Funds for reviewable premium Healthcare policies and for the new health, GLA/GLAP and income protection products that the Society has launched in recent years. During 2022 the Society executed a reinsurance arrangement to mitigate the impact of a mass lapse event on the GLAP product, and this arrangement has been renewed subsequently.

Expense Risk

The Society is exposed to the risk that future expenses are higher than expected and that the amounts reserved need to be increased to reflect a higher expense assumption. This can arise through a one-off shock to certain expenses and/or higher than expected expense inflation, both resulting in an increase of liabilities.

Assessment and risk mitigation techniques

The Society has processes in place to reduce and monitor each of the underwriting risks:

- The risk register covers the key underwriting risks and is reviewed quarterly with a summary reported to the Risk and Compliance Committee on a quarterly basis.
- Reinsurance reduces exposure to large claims and higher than expected claim frequency.
- Regular monitoring of demographic assumptions versus actual experience to aid early identification of adverse trends.
- New product design reduces risk by using reinsurance (where appropriate) and offering reviewable premiums rather than guaranteed.
- Underwriting at point of sale minimises the risk of adverse selection.
- Appropriate claims processes, to ensure the validity of claims before making payment.
- Expenses are closely monitored and combined with organisational restructuring, where necessary, to ensure the right cost base.

A full valuation of the technical provisions and life obligations SCR is performed on a quarterly basis, and estimates of the solvency position are produced for intervening month ends. The SCR coverage ratio is reported routinely to the Society's Board.

Risk sensitivity for underwriting risks

The Society assesses underwriting risk by considering a number of stand-alone stress tests and scenarios affecting material demographic and expense assumptions in its ORSA. The analyses consider the impact of an immediate shock to the starting balance sheet in addition to the impact on its forward-looking assessment of the future balance sheet position.

A series of stand-alone stress tests have been performed on the Society's insurance assets and liabilities as at 31 December 2025 as part of the Standard Formula calculation of the SCR. The most onerous of the underwriting sensitivities identified is a 40% mass lapse scenario.

C.2 Market Risk

This represents the risk that the Society's solvency coverage is adversely affected by changes to financial market conditions, which impact the fair value of assets held. The Society's underlying assets comprise a mix of UK and overseas assets comprising equity, property, fixed interest and money market assets, some of which are held directly and others via collective investment undertakings.

Material market risks

The following table shows the split of total assets between different asset types, excluding those backing unit linked liabilities, which determine the nature and magnitude of the market risks:

Asset mix	Total (£m)
Property	5.3
Government bonds	22.2
Corporate bonds	8.0
Cash	3.8
Collective investment undertakings (equity funds)	3.6
Collective investment undertakings (money market and short duration bond funds)	13.3
Collective investment undertakings (short duration bond funds, EUR denominated)	12.9
Derivatives	0.2
Other assets	0.1
Total	69.4

The following table shows the relative size of the undiversified net SCR and elements of the Standard Formula market risk module in respect of each asset class holding. The SCR allows for market risk in respect of the assets held by the Society's defined benefit staff pension scheme. The staff defined benefit pension scheme contributes 18% of the undiversified net SCR in respect of market risk.

SCR Market Risk	Insurance (£m)	Pension Scheme (£m)	Total (£m)	% of total market risk
Interest rates	1.4	-0.5	0.8	19%
Equity	0.2	0.0	0.2	5%
Property	0.1	0.0	0.1	3%
Credit spread	0.1	0.0	0.1	3%
Currency	3.1	0.0	3.1	70%
Concentration	0.0	0.0	0.0	1%
Total	4.9	-0.5	4.4	100%

The most significant component of market risk at 31 December 2025 is currency risk, arising from the proceeds of the Tier 2 capital financing, which are invested in euro denominated assets (to match the ultimate repayment). This is followed by interest rate risk, which is materially lower both in

proportionate and absolute terms relative to 31 December 2024, as a result of the implementation of a derivative strategy to improve liability matching. Other market risks are relatively immaterial.

Interest Rate Risk

Interest rate risk arises when a fluctuation in interest rates adversely affects the Society's SCR coverage ratio and can arise when the value of assets and liabilities do not move in line with each other when interest rates change. Both an increase and a decrease in interest rates are tested and the SCR is based on the more onerous reduction in interest rate scenario. The interest rate increase stress is the more onerous on the combined position of the insurance business and pension scheme.

Equity Risk

The Society is exposed to the risk that the market value of its equity assets falls without a corresponding reduction in its liabilities, leading to a loss in SCR coverage ratio.

Equity assets are held to provide real returns to with-profits life and unit-linked contracts. The loss absorbing capacity of with-profits and unit-linked contracts mitigates a significant proportion of the equity risk in the insurance business.

Property Risk

The Society is exposed to the risk that the market value of its property assets falls without a corresponding reduction in its liabilities leading to a loss in SCR coverage ratio.

Property assets are held to provide real returns to with-profits life and pension contracts. The loss absorbing capacity of with-profits contracts mitigates a proportion of the property risk.

Credit Spread Risk

Spread risk arises on corporate bond assets and represents the reduction in market value of a bond asset due the widening of credit spreads following a downgraded assessment of asset quality. The Society has limited exposure to this risk, as no corporate bonds are used to back non-profit liabilities. Corporate bonds are used to back with-profits liabilities but the loss absorbing capacity of with-profits contracts mitigates a proportion of the resulting credit spread risk.

In relation to the pension scheme, under FRS 102 liabilities are discounted using spread from a corporate bond index, although none of the assets are invested in corporate bonds. Therefore to the extent that the liability discount rate and asset yields do not move in line with each other, an "inverse" credit spread risk arises.

Currency Risk

This arises when movements in foreign exchange rates have an adverse impact on the value of the Society's assets or liabilities. All policyholder liabilities are denominated in Sterling, as are all directly held assets backing policyholder liabilities. Currency risk does arise from assets held to match future repayment of the Tier 2 capital financing which is included as a liability in the balance sheet, as well as contributing to the Own Funds.

Assessment and risk mitigation techniques

The Society has processes in place to limit and monitor market risks:

- The risk register contains key market risks and is reviewed at least quarterly with a summary reported to the Risk and Compliance Committee on a quarterly basis.

- Regular cash flow analysis takes place and is monitored internally by the Capital Management, Investment & Liquidity Working Group.
- Projected liability cashflows are provided to the Society's asset managers in order to ensure asset liability matching remains appropriate.
- Investment mandates specify maximum exposure limits to lower quality bond assets.
- A process is in place whereby management are informed before any transactions take place that would adversely impact the average credit rating of the bond portfolios.
- Weekly monitoring of investment indices takes place to identify the movement in key investment metrics with triggers set to prompt consideration on any actions that should be taken in response.
- New product terms are tested for their sensitivity to market risk as part of the profit testing work.

Prudent Person Principle

The PRA Rulebook requires that the "Prudent Person Principle" is applied to the Society's investments. The Society adheres to the principle by investing in a range of equity, property and fixed interest assets of an appropriate quality and level of diversification. There are also holdings in cash to mitigate the impact of adverse market movements and interest rate swaps to minimise any mismatch of durations in market movements between assets and liabilities.

The weightings of the different asset classes and the nature of the underlying assets are regularly monitored and are reviewed quarterly by the Investment Committee to consider their appropriateness to the matching requirements of the technical provisions and the best interests of policyholders.

Risk sensitivity for market risk

The Society assesses market risk by considering a number of stand-alone stress tests and scenarios affecting material market assumptions within its ORSA. These consider the impact of an immediate shock to the starting balance sheet in addition to the impact on its forward-looking assessment of the future balance sheet position.

C.3 Credit Risk

Material Credit risks

The risk of credit spreads widening has been covered in Section C.2.

Counterparty Default Risk

This risk arises when a counterparty is unable to fulfil its obligations to the Society, thereby leading to a loss of the Society's financial assets. The key exposures are money market deposits, reinsurance assets and derivative contracts.

Assessment and risk mitigation techniques

The Society has processes in place to limit and monitor counterparty default risk:

- The risk register contains key default risks and is reviewed quarterly with a summary reported to the Risk and Compliance Committee on a quarterly basis.

- The Society's risk appetite statement sets thresholds for counterparty exposure in terms of monetary limits per counterparty and credit quality standing of counterparties. These are monitored regularly through the Risk and Compliance Committee.
- Selection of new reinsurance terms has regard to minimum credit rating criteria.

Risk sensitivity for counterparty default risk

This is not currently considered a significant risk for the Society, however, fulfilment of the strategic plan sales volumes will result in increased exposure to reinsurance over the planning period. The reinsurers have strong credit ratings and themselves hold material capital under the solvency regime, which minimises this risk.

C.4 Liquidity Risk

This is the risk that the Society is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirements.

Assessment and risk mitigation techniques

Short-term liquidity or daily cash management covers the day-to-day cash requirements under normal business operations. Long-term liquidity is managed through careful matching of liabilities and their expected cash outflows against assets of similar duration. With the exception of property assets, most of the Society's assets are readily realisable, providing a high degree of mitigation of liquidity risk.

The Capital Management, Investment & Liquidity Working Group meets monthly to review the latest cashflow forecasts, and to decide whether management action needs to be taken to address any risk of liquidity shortfall over the following 3-6 months.

Risk sensitivity for liquidity risks

The Society has set a risk appetite measure and Minimum Liquidity Requirement metrics to maintain minimum cash deposits that would be sufficient to cover a proportion of projected claims and expense outgoings, net of projected premium income, over various short and medium terms, in order to allow sufficient time to realise the most appropriate investments in the event of a stress scenario. It is likely that there will be further reductions in the value of the Society's asset portfolio over 2026 reflecting the maturing profile of the Society's business, combined with sales of protection contracts that require initial financing. The Society's Investment & Liquidity Policy ensures it will have sufficient readily realisable assets to meet these requirements over the coming year in accordance with its risk appetite measure.

C.5 Operational Risk

Operational risk is the risk of direct or indirect loss (actual or potential) resulting from inadequate or failed internal processes, people and systems or from external events. This includes risks relating to compliance, business processes, information technology, outsourcing and financial reporting.

Assessment and risk mitigation techniques

The Society's Operational Risk policy defines the key operational risks faced and the processes in place to identify, assess, manage, monitor and report risks and events.

The following processes are in place to manage operational risk:

- The well-established Risk function regularly performs operational risk monitoring, in order to assist in detecting deficiencies in the policies, procedures and processes of the Society and propose corrective actions.
- The Risk function is subject to independent periodic review by internal audit.
- All departmental functions of the Society are required to conduct risk assessments, which include specific operational risks inherent in their activities, including their identification and assessment with regard to the likelihood and impact on the Society, and report the identified events to through the Society's automated risk management system.
- Defined key risk indicators, to act as early warnings of increased risk of potential losses. Effective tracking of these indicators by the Risk function allows the Society to identify changing risks upon their occurrence and respond to them promptly.
- Insurance is in place to protect against losses, which may occur as a result of events such as third-party claims resulting from errors and omissions, employee or third-party fraud, and natural disaster.
- Disaster recovery and business continuity plans are in place for all key functions/departments and take into account different types of plausible scenarios to which the Society's operations may be subject. Such plans are periodically reviewed and tested.
- All outsourced activities are subject to due diligence and regular review and monitoring.

Risk sensitivity for operational risks

This is not currently a significant financial risk for the Society however, the planned increase in new business could increase the exposure to operational risk and this will be closely monitored by the Society.

Conduct Risk

Conduct risk has the potential to arise if the Society's behaviours result in poor customer outcomes; it is inherent in any operation that provides products or services to customers. Delivering good customer outcomes is a key driver in building a valuable, sustainable business and is a key measure as part of the Society's risk appetite. Ongoing work in relation to Consumer Duty requirements is helping to mitigate conduct risk for the Society.

The Society's products are distributed through both regulated intermediaries and direct sales. All employed Sales Executives are subject to strict training and competence requirements, monitoring by direct management and compliance oversight.

Regular conduct risk training is completed for all staff members, with more in-depth training for individuals undertaking sales and customer service roles. Additionally, a number of processes are in place to manage and monitor conduct risk exposures across the end-to-end customer journey. Conduct risk processes are subject to review and challenge as part of the internal monitoring plan, and oversight through the Compliance function.

C.6 Other material risks

There are no other material risks to disclose.

C.7 Any other information

The Society has no other material information regarding its risk profile to report.

D Valuation for Solvency Purposes

The below table below summarises the reclassifications made from the Society's assets and liabilities presentation as disclosed in the financial statements, which is prepared using FRS 102, compared to the presentation as required by the balance sheet QRT.

FRS 102 valuations - Assets	FRS 102 – FRS 102 presentation	Reclassifications due to different presentation	FRS 102 – QRT presentation
Intangible assets	39	-	39
Land and buildings/Property, plant & equipment held for own use	5,330	(1,769) ¹	3,561
Investments in subsidiaries	400	(400) ²	-
Other financial investments / Investments (other than assets held for index-linked and unit-linked contracts)	60,563	1,769 ¹ +559 ¹ +400 ² +(584) ³ +(47) ⁴	62,660
Assets held to cover (index-linked and unit-)linked contracts	1,355	-	1,355
Loans and mortgages	-	47 ⁴	47
Reinsurers' share of technical provisions – claims outstanding/Reinsurance recoverable from: Life and health similar to life	28	(10,100) ⁵	(10,073)
Technical provisions - Long term business provision	138	(138) ⁶	-
Debtors arising out of direct insurance operations / Insurance and intermediaries receivables	381	-	381
Debtors arising out of reinsurance operations / Reinsurance receivables	123	-	123
Other Debtors / Receivables (trade, not insurance)	1,276	335 ⁷	1,611
Tangible assets	559	(559) ¹	-
Cash at bank and in hand	3,177	584 ³	3,761
Accrued interest and rent	335	(335) ⁷	-
Other prepayments and accrued income / Any other assets, not elsewhere shown	4,286	-	4,286
Total assets (see section D.1)	77,990	(10,239)	67,752

FRS 102 valuations (continued) - Liabilities	FRS 102 – FRS 102 presentation	Reclassifications due to different presentation	FRS 102 – QRT presentation
Subordinated liabilities	12,566	-	12,566
Fund for future appropriations	31,988	31,988 ⁸	-
Technical provisions – claims outstanding/Total (see section D.2)	3,298	(138) ⁶ +29 ⁶ +922 ⁶ +219 ⁶	4,329
Technical provisions – provision for bonuses and rebates	29	(29) ⁶	-
Technical provision for linked liabilities – Insurance contracts	922	(922) ⁶	-
Technical provision for linked liabilities – Investment contracts	219	(219) ⁶	-
Reinsurers' share of technical provisions – long term business provision	10,100	(10,100) ⁵	-
Provisions for pensions and similar obligations / Pension benefit obligations	6,739	-	6,739
Derivatives	-	351 ⁹	351
Creditors arising out of direct insurance operations / Insurance & intermediaries payables	99	-	99
Financing liability	8,054	(8,054) ¹⁰	-
Other creditors including taxation and social security / Payables (trade, not insurance)	1,310	(351) ⁹	959
Accruals and deferred income/ Any other liabilities, not elsewhere shown	2,666	8,054 ¹⁰	10,720
Total liabilities (see section D.3)	77,990	(42,227)	35,763
Excess of assets over liabilities	N/A	31,988⁸	31,988
Total assets less liabilities less excess of assets over liabilities	-	-	-

Notes:

- 1) This reclassification moves the 'Tangible assets' to 'Property, plant & equipment held for own use', and moves the Investment property from 'Land and buildings' to 'Investments (other than assets held for index-linked and unit-linked contracts)'. This is because:
 - a. FRS 102 presentation requires:
 - i. All property to be included under 'Land and buildings', and
 - ii. All plant and equipment to be included under 'Tangible assets'
 - b. Whereas the QRT presentation requires disclosure for
 - i. 'Property, plant & equipment held for own use', and
 - ii. 'Property (other than for own use)' as part of 'Investments (other than assets held for index-linked and unit-linked contracts)'.

- 2) There is a separate line in the financial statements for 'Investments in subsidiaries' whereas it is included in the 'Investments (other than assets held for index-linked and unit-linked contracts)' in the QRT.
- 3) This is a reclassification of Deposits with credit institutions, which is included under 'Other financial investments' in the financial statements, and not under 'Cash at bank and in hand', whereas in the QRT it is included under 'Cash and cash equivalents'.
- 4) There is a separate line on the QRT for 'Loans and mortgages' whereas for the financial statements it is included under 'Other financial investments'.
- 5) This reclassification moves the 'Reinsurers' share of technical provisions – long term business provision', which is a liability under the FRS 102 balance sheet, to 'Reinsurance recoverable from: Life and health similar to life, excluding index-linked and unit-linked', as the only place on the QRT template for such items is in the assets section of the QRT.
- 6) This reclassification moves the 'Technical provisions - Long term business provision', which is an asset under the FRS 102 balance sheet, to 'Technical provisions – total', as the only place on the QRT template for such items is in the liabilities section of the QRT. This adjustment also consolidated other technical provisions under the FRS 102 presentation i.e. 'claims outstanding', 'provision for bonuses and rebates', and 'technical provision for linked liabilities' into the 'Technical provisions – total' line for the QRT.
- 7) There is no 'Accrued interest and rent' on the balance sheet QRT, so this rent and accrued interest is included under 'Other debtors'. The accrued interest is later moved, see section D1.
- 8) The Society's FFA are historic profits arising its long-term business operations and hence similar to retained earnings, therefore it is included in the Excess of assets over liabilities.
- 9) There is a separate line for derivative liabilities on the QRT, this liability is included within 'Other creditors including taxation and social security' in the financial statements.
- 10) There is no equivalent line for the 'Financing liability' in the balance sheet QRT so that is included in 'Any other liabilities, not elsewhere shown'.

D.1 Assets

Summary of asset valuation

There were no changes made to the recognition and valuation bases applied to the assets during the reporting period, Derivative assets are recognised this year following new swaps contracts entered into in the year.

The table below summarises the Society's assets valued for solvency purposes and per the financial statements (FRS 102) as at 31 December 2025:

Assets (£000)	FRS 102	Intangibles	Valuation of subs	Accrued interest	Solvency
Intangible assets	39	(39)	-	-	-
Property, plant & equipment held for own use	3,561	-	-	-	3,561
Investments (other than assets held for index-linked and unit-linked contracts)	62,660	-	(246)	266	62,680
Assets held to cover index-linked and unit-linked contracts	1,355	-	-	-	1,355
Loans and mortgages	47	-	-	-	47
Reinsurance recoverable from: Life and health similar to life, excluding index-linked and unit-linked	(10,073)	-	-	-	(10,073)
Insurance and intermediaries receivables	381	-	-	-	381
Reinsurance receivables	123	-	-	-	123
Receivables (trade, not insurance)	1,611	-	-	(266)	1,345
Cash and cash equivalents	3,761	-	-	-	3,761
Any other assets, not elsewhere shown	4,286	-	-	-	4,286
Total assets	67,752	(39)	(246)	-	67,466

Differences between valuation for solvency purposes and valuation in financial statements

Assets on the Society's solvency balance sheet are typically valued on the same basis as applied in the financial statements under FRS 102 aside from the following exceptions:

- Under the PRA Rulebook, the Society's intangible assets are valued at nil as there are no quoted prices in an active market for similar assets.

- Under the PRA Rulebook, the Society's investments in subsidiaries are valued on a look through basis. Therefore, intangible assets contained within the subsidiaries are also valued at nil as there are no quoted prices in an active market for similar assets.
- Under the PRA Rulebook the investments are valued at dirty value, i.e. includes accrued interest, whereas for the financial statements the accrued interest on bonds are included under 'Accrued interest and rent', which under the first table in section D, is mapped into the 'Receivables (trade, not insurance)' above.

The Society has a potential deferred tax asset comprising of capital losses, expenses deductible from future years and trade losses. This asset may be realised through reduced future tax payable, when net gains chargeable to corporation tax generate sufficient taxable income to offset the expenses or losses. However, the Society is currently in a position of expenses allocated to taxable BLAGAB exceeding investment income allocated to taxable BLAGAB and it is uncertain when this asset could be realised. Therefore, no deferred tax asset has been recognised on the balance sheet for solvency or FRS 102 purposes.

The paragraphs below further describe the valuation methodologies applied to each asset category.

Fair value measurement

Where applicable, the Society measures the fair value of a financial instrument using the quoted price in an active market for that instrument. If unavailable, the Society uses the valuation hierarchy summarised below to determine the fair value when accounting for assets and liabilities. This is in line with the valuation methodology set out in the PRA Rulebook.

Fair value based on quoted prices in an active market

The default method is to value assets and liabilities using unadjusted quoted market prices in active markets for the same assets or liabilities.

A market is defined as active if:

- Quoted prices are readily available e.g. from an exchange, broker or dealer;
- These prices represent actual regularly occurring transactions on an arm's length basis.

Fair value based on observable market data

Where the use of quoted market prices in an active market is not possible, assets and liabilities are valued using techniques based significantly on observed market data. These observable inputs are obtained from a broker or third party pricing services and include:

- Quoted prices in active markets for similar (not identical) assets or liabilities.
- Quoted prices for identical or similar assets in inactive markets.
- Input variables, which are based on or supported by observable market data.

Fair value not based on observable market data

Alternative valuation techniques are used to the extent that observable market data is not available. These reflect management's expectations about the assumptions that market participants would use in pricing an asset or liability (including assumptions about risk).

Property, plant & equipment held for own use

For the property disclosure under this asset category, the Society recognises property at market value based on observable market data. This applies the latest valuation as at 31 December 2025 performed by the Society appointed Chartered Surveyors in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation - Professional Standards. In preparing these valuations, data and available information concerning rental yields, lease terms, voids and floor areas and enquiries within the local market were used as contributing factors to calculate each individual property's valuation. This is a consistent basis as that reported in the financial statements.

This asset category also includes equipment held for own use. Under FRS 101 reporting tangible assets are included at cost less depreciation. The Society considers this approach provides a value materially equivalent to the fair value required under solvency reporting.

Property (other than for own use)

The Society recognises property at market value based on observable market data. This applies the latest valuation as at 31 December 2025 performed by the Society appointed Chartered Surveyors in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation - Professional Standards. In preparing these valuations, data and available information concerning rental yields, lease terms, voids and floor areas and enquiries within the local market were used as contributing factors to calculate each individual property's valuation.

Holdings in related undertakings

Valuations of holdings in related undertakings such as investments in subsidiaries is at fair value. Judgement is applied to assess the fair values of the subsidiary companies which are not considered to be materially different from the net asset value of the respective subsidiaries.

For solvency purposes the holdings must be valued on a look through basis, considering the underlying assets of the subsidiary companies. Included within the FRS 102 valuation of these undertakings are intangible assets linked to an acquired book of business and the Policy Administration System. On a solvency basis, these assets are valued at nil as there are no quoted prices for a similar asset in an active market, thus reducing the value of holdings in related undertakings from £400,000 under FRS 102 to £154,000 for solvency purposes.

Bonds – including Government bonds and Corporate bonds

Government bonds comprise UK gilts and Treasury bonds. The valuation of gilts is based on quoted market prices in an active market, whilst the valuation of Treasury bonds and other fixed-interest securities including corporate bonds are based on observed market data of same or similar assets. Solvency reporting includes the accrued interest, whereas for the financial statements these are excluded and reported under 'Accrued interest and rent', which under the first table in section D, is mapped into the 'Receivables (trade, not insurance)' above.

Collective investment undertakings

Valuation of collective investments undertakings is based on quoted market prices in an active market.

Derivatives

Derivative contracts in the form of a total return swap and an interest rate swap derivative are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value for both the financial statements and solvency reporting.

Deposits other than cash equivalents

Deposits other than cash equivalents consist of cash held on fixed term-deposits with a maturity date greater than 3 months and cash held with investment managers for investment purposes. This is valued by taking the cash balances held, including the deposit interest accrued up to the balance sheet date. The amortised cost valuation, as used in the financial statements is materially the same as the fair value as required by solvency reporting.

Assets held for index-linked and unit-linked contracts

These assets are part of an investment fund which is not traded on a listed market. Therefore, the valuation is based on observed market data of same or similar assets. This fair value approach is the same for the financial statements and for solvency reporting.

Loans and mortgages to individuals

Loans and mortgages to individuals are valued based upon the discounted cash flow method, utilising appropriate interest rates. The amortised cost valuation, as used in the financial statements is materially the same as the fair value as required by solvency reporting.

Reinsurance recoverable from: Life excluding health and unit-linked

The reinsurance asset represents the technical provisions associated with the reinsured policies that have been ceded to a reinsurer. This asset has been valued for solvency purposes in line with the Technical Provisions as described in section D.2. As at the year end the Reinsurance is in a payable position so is negative, but must be accounted for in this manner for solvency purposes.

Insurance and intermediaries receivables, and Reinsurance receivables

The valuation of these assets represents the fair value of the amounts owed at the valuation date, this is deemed materially the same as the amortised cost valuation, as used in the financial statements.

Receivables (trade, not insurance)

There is no difference between the solvency valuation and the FRS 102 valuation.

Cash and cash equivalents

This comprises liquid cash holdings valued at fair value i.e. their actual year end balances. This is deemed materially the same as the amortised cost valuation, as used in the financial statements.

Any other assets, not elsewhere shown

For solvency reporting these are valued at fair value. This is deemed materially the same as the amortised cost valuation, as used in the financial statements.

D.2 Technical Provisions

Analysis of Technical Provisions

The tables below show the Technical Provisions split by line of business and between the Best Estimate Liability and Risk Margin. The only (theoretical) difference in the valuation of Technical Provisions for solvency purposes and the Long Term Business Provision shown in the financial statements is that the TMIR is included in the former but not the latter – however as previously noted, the TMIR as at 31 December 2025 was zero (hence the figures in the two tables below are the same).

Technical Provisions at 31 December 2025:

Analysis of Technical Provisions (£000)	Gross Best Estimate Liabilities	Risk Margin	Technical Provisions
With-Profits Contracts	23,141	45	23,186
Life Annuities	44,619	241	44,860
Other Life	(56,567)	2,748	(53,819)
Health Similar to Life	(12,558)	1,618	(10,940)
Unit Linked	1,032	11	1,043
Total	(334)	4,663	4,329

The Best Estimate Liabilities shown above is a net figure, comprising some product lines whose aggregate BEL is positive, and others whose aggregate BEL is negative. These subsets are shown below, reconciling to the total gross BEL set out in the above table:

Netting of positive and negative BEL	Gross Best Estimate Liabilities (£000)
Product classes with net positive liabilities	92,019
Product classes with net negative liabilities	(92,353)
Total	(334)

There are a small number of contracts that have both health and life assurance benefits. The majority of risk arises from the health benefits and they have therefore, been classified as Health Similar to Life Techniques in the above table.

Reinsurance recoverables are not included in the gross Technical Provisions above as the net recoverable is captured within the asset valuation. At 31 December 2025, the value of reinsurance recoverables was £(10.073m). This item is a net liability as the value of future reinsurance premiums payable exceeds the value of expected reinsurance claims recoverable.

The key characteristics of the methodology and assumptions used for the Technical Provisions are as follows:

- The BEL is calculated using best estimate assumptions which therefore by definition do not include margins for adverse deviation in each assumption;
- The best estimate cash flows are valued on a market consistent basis using UK-specific risk free discount rates prescribed by the PRA;

- Where the BEL for a group of similar contracts is negative, this has been allowed in the Technical Provisions;
- A Risk Margin is required under the PRA solvency regulations. This represents the cost of capital that another insurance undertaking would require to take on the Society's insurance liabilities using the prescribed 4% cost of capital rate.

The PRA Rulebook permits a number of simplifications in the calculation of the Technical Provisions. The key simplification applied by the Society relates to the calculation of the Risk Margin whereby the projected future SCR used to determine the cost of capital is approximated using the profile of the BEL or policy run off, as appropriate (e.g. to allow for products with negative BEL).

There are a number of approximations used in the calculation of the BEL which reflect proportionality and align with generally accepted actuarial practice. These include:

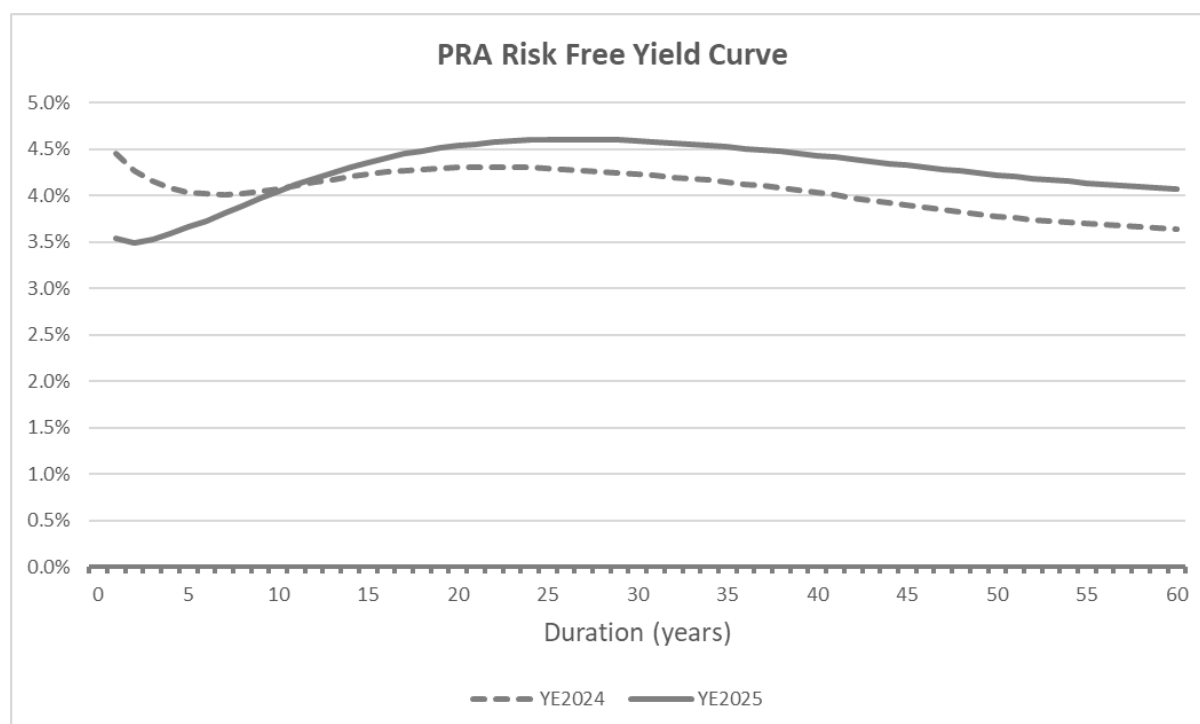
- Allowance for tax as a percentage of investment return and expenses which reflect the tax regime of a friendly society;
- Use of annual cash flows in stochastic calculations;
- Age approximations on joint life policies.

Main Assumptions

Valuation Discount Rates

The valuation interest rate used to discount the BEL and Risk Margin is the relevant GBP risk free term structure of interest rates as at 31 December 2025 and provided by the PRA. The risk free yield curve has not been adjusted in respect of a matching adjustment or a volatility adjustment.

Over the year the yield curve has pivoted around the 10 year duration point, shifting upwards at longer durations (30bp at 25 years) and downwards at short durations (100bp at 1 year). At the approximate average duration of the Society's liabilities, of 15 years, the increase in rates was 20 basis points.



The Society has been approved by the PRA to use TMIR. This allows firms a transitional period to move from the interest rate structure in force under the pre-2016 regime ("Solvency I") to that required by the current regime over a period of 16 years, in respect of insurance contracts in force prior to 1 January 2016. The benefit therefore reduces as those liabilities run off, and as the 16 year amortisation works its way through. It is also sensitive to the assets actually held by the Society, and for these reasons the assessed value as at 31 December 2025 was immaterial, hence a value of zero has been used for the TMIR.

Expenses

Best estimate per-policy expenses have been calculated taking into account the anticipated new business the Society expects to write.

The methodology is based on setting per policy expenses such that they equal the anticipated maintenance expenses in 3 years' time divided by the expected number of policies in force at that time. The expected number of policies is based on the run-off of the Society's current in-force book plus projected new business. An additional reserve is held to cover the projected excess of expenses over expense margins over the 3 year period.

The expense inflation assumption is set by reference to:

- The assumed future rate of inflation of salary related expenses, which is based on Society-specific factors in the short term, and an increment above assumed general inflation in the long term.
- The assumed future rate of inflation of non-salary related expenses, which is based on a market implied RPI inflation rate, adjusted for differences between RPI and CPI and for an inflation risk premium. Inflation projections from the Bank of England are also used as a reference point.
- The two components above are then blended to reflect the salary and non-salary related proportions of the Society's renewal expense base.

The assumed investment expenses are based upon the contractual investment expenses paid by the Society to its asset managers.

Lapses

Lapse assumptions are set with reference to actual experience for homogeneous groups of contracts. For certain contracts where a significant change in terms applies at a specific point in time, one off lapse assumptions have been determined based on prior experience.

Lapse rates were updated in the calculation of Technical Provisions at 31 December 2025 based upon actual experience per product group and expert judgement. The change in assumptions varied according to product groups.

Morbidity Assumptions

Best estimate morbidity assumptions are determined based upon analysis of the Society's own experience and are established separately for each homogeneous group where sufficiently credible data exists.

For some contracts, an assumption for inflation of future medical expenses is required. This is set having regard to own experience, restrictions in benefits payable and general inflation assumptions.

Morbidity assumptions were updated in the calculation of Technical Provisions at 31 December 2025 based on actual experience and expert judgement. The change in assumptions varied according to product groups.

Mortality Assumptions

Mortality assumptions are set with reference to analysis of the Society's own experience having regard to standard actuarial tables of mortality rates. Assumptions are determined separately for each homogeneous group where sufficiently credible data exists.

For contracts with higher levels of mortality risk, the rates used vary between males and females and between smokers and non-smokers. Annuitant mortality rates are adjusted for projected mortality improvements, using relevant projections from the Continuous Mortality Investigation ("CMI").

Mortality assumptions were updated in the calculation of Technical Provisions at 31 December 2025 based on actual experience and expert judgement. The change in assumptions varied according to product groups.

Material assumption changes

The Society has reviewed its experience against that expected and has made a number of changes to its assumptions of future experience in the light of that analysis. The most significant changes at 31 December 2025 are:

- Mortality assumptions have been strengthened on average, increasing the BEL by £1.0m.
- Morbidity assumptions have been strengthened on average, increasing the BEL by £2.6m.
- Lapse assumptions have been strengthened on average, increasing the BEL by £2.3m.

Uncertainty associated with the value of the Technical Provisions

Uncertainty arises from actual experience being different to the assumptions used in the calculation of the Technical Provisions.

Assumptions with the most uncertainty are as follows:

- Longevity assumptions. The Society has a number of annuity contracts which are sensitive to longevity assumptions, including with profit retirement annuity contracts with valuable guarantees. The Society's staff defined benefit pension scheme is also sensitive to longevity assumptions. In some categories the volume of business is insufficient to inform a credible experience analysis and so there is increased uncertainty around these assumptions.
- Mortality and lapse assumptions on the GLA/GLAP contracts. These are still relatively new products and therefore the Society has limited relevant data on which to base long term assumptions, and hence there is greater uncertainty around these assumptions. Experience is being closely monitored.
- Morbidity and lapse assumptions on Friendly Shield and Income Protection contracts. These are new products and therefore the Society has limited relevant data on which to base long term assumptions, and hence there is greater uncertainty around these assumptions. Experience is being closely monitored.
- Expense assumptions are calculated with reference to future new business volume projections. The actual volumes of new business may be higher or lower than those forecast.

Methodology

Technical Provisions are defined as the sum of the BEL and the Risk Margin. The BEL and Risk Margin are calculated separately. The Society does not apply a matching or volatility adjustment but does apply an adjustment for TMIR on the BEL, as previously described, nor does any TMIR apply to the Risk Margin.

The impact of the TMIR on the Society's Own Funds, SCR and Minimum Capital Requirement ("MCR") is zero as at 31 December 2025.

The Society does not apply a transitional measures on technical provisions.

Best Estimate of Liabilities

The Society has a data warehouse from which individual policy data is extracted and validated for completeness and accuracy. This data is used to calculate the Technical Provisions and SCR and has passed an appropriate level of controls.

The BEL is calculated on a policy by policy basis for all contracts accepted on risk at the valuation date using a cash flow approach and generally accepted actuarial practices. The calculations generate probability weighted cashflows for each monthly time period within a policy's contract boundary. The cash flows are discounted using the PRA risk free yield curve and therefore allow appropriately for the time value of money.

The BEL is calculated gross of reinsurance recoverables which are calculated separately. If the present value of future cash flows on a contract gives rise to a negative BEL, this has been allowed.

For with-profit contracts, total reserves are calculated as the higher of the asset share or basic reserve at a Homogenous Risk Group ("HRG") level plus other future policy related liabilities. The basic reserve is calculated as the discounted value of probability-weighted cashflows. This covers the expected future guaranteed benefits payable at exit (death, maturity or surrender) on bonuses declared up to the valuation date, plus the value of expense loadings assumed within the premiums, less the value of future gross premiums. Surrender penalties are applied where appropriate in line with the Society's current practice on early surrenders.

Asset shares are accumulated using forward rates derived from the required risk free rates at the valuation date in line with a risk neutral approach.

The other future policy-related liabilities consist of an additional expense reserve, cost of guarantees and planned deductions for guarantees on other HRGs. The additional expense reserve has been calculated by valuing assumed per policy costs over the future lifetime of each contract less the amounts already allowed for within the future premium values (as described above). The investment expense reserve is set to zero because investment returns credited to asset shares are net of investment expenses.

Stochastic methods are used to determine the value of financial guarantees/options on with-profits pension and bond contracts.

Risk Margin

The total Risk Margin is calculated as the sum of the present values of the cost of capital rate applied to the SCR of a reference undertaking, willing to take on the Society's insurance portfolio, in each future year until the obligations are extinguished and there is no remaining SCR. The future SCRs are modelled using a permitted simplification whereby the SCR is assumed to be proportional to the

projected best estimate of liabilities for each group of similar contracts. In line with the reforms introduced from 31 December 2023, a tapering factor is applied to the projected SCRs.

The Risk Margin has been calculated by applying the Society's non-hedgeable capital requirements arising under the Standard Formula SCR directly to the reference undertaking without adjustment. The defined benefit pension scheme is not included in the Risk Margin calculation. Non-hedgeable risk arises under the Life and Health Underwriting Risk modules, the Operational Risk module and a subset of the Counterparty Default Risk module. Market risk and residual counterparty default risk are assumed to be fully hedged.

D.3 Other Liabilities

There were no changes made to the recognition and valuation bases applied to other liabilities during the reporting period. Subordinated liabilities were recognised this year following the issue of the tier 2 debt, furthermore derivative liabilities were also recognised following new swap contracts entered into in the year .

The table below shows the valuation of the Society's other liabilities on FRS 102 and solvency bases:

Liabilities (£000)	FRS 102	Fair value adjustment	Solvency
Pension benefit obligations	6,739	-	6,739
Derivatives	351	-	351
Insurance & intermediaries payables	99	-	99
Payables (trade, not insurance)	959	-	959
Subordinated liabilities in Basic Own Funds	12,566	530	13,096
Any other liabilities, not elsewhere shown	10,720	-	10,720
Total liabilities excluding technical provisions – total	31,434	530	31,964
Technical provisions – total per section D.2	4,329	-	4,329
Total liabilities	35,763	530	36,293

Pension benefit obligations

The Society previously operates a defined benefit pension scheme, the National Deposit Friendly Society Staff Superannuation Fund ("the SSF") for its employees. It is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary. The SSF was closed to the future accrual of benefits with effect from 31 May 2009. For the staff that remained in employment with the Society at that point, their pension benefits could still increase in line with increase in their pensionable salary whilst they remained in employment with the Society. (As at 31 December 2025, there were six members who were still employed by the Society, however for three out of these six the increases in their pension benefits had also stopped in previous years. (As at 31 March 2026, the increases in the remaining three members' pension benefits have also now stopped.)

In December 2024 the Trustees purchased from the Society annuity policies which replicate the benefits of 59 pensioner members of the Scheme, a transaction which has been appropriately allowed for the in the valuation of the Scheme assets and liabilities as at 31 December 2025.

As at 31 December 2025 these calculations indicated that the SSF has a net deficit of £6.7m. This figure reflects the accounting treatment of the transaction with the Society described above, whereby, effectively as an internal transaction, the Scheme does not allow for the value of the annuity policies, but does allow for the reduction in assets as a result of paying the premium in 2024. Upon consolidation with the Society's insurance business however there is no net impact.

The latest formal actuarial valuation of the SSF for funding purposes was carried out as at 31 December 2022. Separately, for the purposes of the accounting and solvency balance sheets a valuation is undertaken at each year end by a qualified independent actuary in line with IAS 19 'Employee benefits' requirements comply with the market-consistent, transfer-value principle under 2.1 of the 'Valuation' part of the PRA Rulebook. Furthermore, FRS 102 has been brought in line with the International Financial Reporting Standards, and in the opinion of the actuaries who calculated the FRS 102 position, the surplus or deficit under IAS 19 (consistent with the solvency basis) would be materially the same. As such, there is no difference between the FRS 102 and solvency valuations.

Further details regarding the composition of assets and methodology used to value the pension scheme liabilities can be found within the Society's Financial Statements.

The valuation of all other categories of liabilities follows the solvency basis fair value hierarchy as described in section D.1. There is no difference between the solvency valuation and the FRS 102 valuation of these liabilities.

Derivatives

Derivative contracts in the form of a total return swap and an interest rate swap derivative are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value for both the financial statements and solvency reporting.

Insurance & intermediaries payables, and Payables (trade, not insurance)

For solvency reporting these are valued at fair value. This is deemed materially the same as the amortised cost valuation, as used in the financial statements.

Subordinated liabilities in Basic Own Funds

For solvency reporting these are valued at fair value. This is different to the amortised cost valuation, as used in the financial statements.

Any other liabilities, not elsewhere shown

For solvency reporting these are valued at fair value. This is deemed material the same as the amortised cost valuation, as used in the financial statements.

Contingent liabilities

The Society has no contingent liabilities.

D.4 Alternative methods for valuation

The land and buildings are valued by Rapleys LLP as at 31st December 2025 in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation – Global Standards 2024 (the 'Red Book'), effective 31 January 2025. The critical assumptions made relating to the valuations are set out below:

	2025	2024
Yields	7.25%-8.40%	7.25%-8.00%

D.5 Any other information

The Society has no other material information regarding its valuation for solvency purposes to report.

E Capital Management

E.1 Own Funds

Objective, policies and processes for managing Own Funds

The Society is a mutual organisation as defined by the Friendly Societies Act 1992. It does not have shareholders and the Society's assets and Own Funds are ultimately owned by the Society's members or policyholders.

Own Funds represent the excess of assets over Technical Provisions, which are invested principally in secure assets, to ensure that their value is maintained in a stress scenario and that any losses in the value of assets backing liabilities can be covered. The target allocation of these assets is set out in the Society's Investment & Liquidity Policy, with the level of risk associated with these assets being explicitly linked to the degree to which the Society's Solvency Risk Appetite is being met. Overall, the assets aim to generate positive returns for policyholders subject to an acceptable level of risk, compliance with regulatory requirements and the required level of liquidity.

The Society aims to manage its funds such that there is an appropriate margin of Own Funds over the SCR at all times. This is monitored formally through the quarterly Risk and Compliance Committee and on an ongoing basis by the Actuarial Function.

The Society's Own Funds comprise basic own funds classified between Tier 1 and Tier 2.

Tier 1 own funds represent the excess of assets over liabilities, including accumulated profits which have not been made available for distribution to policyholders.

Following the issue of subordinated debt during the year, the Society also holds Tier 2 basic own funds. Own Funds are therefore not wholly Tier 1, but instead comprise a combination of eligible Tier 1 and Tier 2 own funds.

Business planning is performed annually, spanning a five-year projection period and is reported in the Society's Own Risk and Solvency Assessment with ongoing monitoring of business performance versus the ORSA target.

Own Funds classified by tiers

Own Funds are classed as Tier 1 capital and Tier 2 and are presented in the table below:

Solvency Position (£000)	2025	2024
Reinsurance recoverables ¹	(10,073)	(8,587)
Other assets	77,539	65,520
Total assets	67,466	56,933
Best Estimate Liabilities ¹	334	(11,347)
Other Liabilities ²	(31,964)	(15,593)
Risk Margin	(4,663)	(3,589)
Total liabilities	(36,293)	(30,530)
Excess of assets over liabilities (assets less liabilities)	31,173	26,403
Subordinated liabilities in Basic Own Funds ²	13,096	-

Solvency Position (£000)	2025	2024
Total available funds to meet the Solvency Capital Requirement	44,269	26,403
Restriction applied to the value of the subordinated liabilities ³	(90)	-
Total eligible funds to meet the Solvency Capital Requirement	44,179	26,403
Represented by		
Tier 1 – Reconciliation reserve	31,173	26,403
Tier 2 – Subordinated debt	13,006	
Solvency Capital Requirement	26,012	18,919
Excess Eligible Own Funds over Solvency Capital Requirement	18,167	7,484
SCR Coverage Ratio	170%	140%

Notes:

1) Reinsurance recoverables are required to be reported as an asset on the balance sheet QRT, and Best Estimate Liabilities are required to be reported as a liability on the balance sheet QRT.

2) This includes the new €15 million Tier 2 capital financing, which is valued at fair value and is included as a liability on the balance sheet but is also included as a benefit in the Own Funds QRT. The proceeds were invested and are included in the other assets above.

3) The subordinated debt cannot be higher than 50% of the Solvency Capital Requirement according to 4A.1 (3) of the 'Own Funds' part of the PRA Rulebook.

Minimum capital requirement (£000)	2025	2024
Total available funds to meet the Minimum Capital Requirement¹	44,269	26,403
Restriction applied to Tier 2 subordinated debt ²	(11,795)	-
Total available funds to meet the Minimum Capital Requirement²	32,474	26,403
Minimum Capital Requirement	6,503	4,730
Excess Eligible Own Funds over Minimum Capital Requirement	25,971	21,674
MCR Coverage Ratio	499%	558%

Notes:

1) The Total available funds to meet the Minimum Capital Requirement is the same as the Total available funds to meet the Solvency Capital Requirement.

2) The subordinated debt cannot be higher than 20% of the Minimum Capital Requirement according to 4A.2 (2) of the 'Own Funds' part of the PRA Rulebook. Thus only £1,301k of the £13,096k subordinated debt is eligible to cover the Minimum Capital Requirement.

The components of the +£17.9m change in Own Funds available to meet the Solvency Capital Requirement and Minimum Capital Requirement from £26.4m at 31 December 2024 to £44.3m at 31 December 2025 are:

• Movements in inforce business	+£0.3m
• Impact of writing new business (excluding expense overruns)	+£8.6m
• Strategic expenses/expense overruns	-£1.2m
• Changes in demographic assumptions	-£7.1m
• Changes in economic valuation assumptions	+£2.2m
• Model changes	+£1.9m
• Issue of Tier 2 capital financing	+£13.1m
• Other items	+£0.1m

Composition of Own Funds

The Society's Own Funds are made up of the

- i) reconciliation reserve. This is made up of
 - a. the Fund for future appropriations being the retained profits arising from the Society's long term business operations (as required by the PRA "The total reconciliation reserve represents reserves (eg retained earnings)", and
 - b. the differences between "accounting valuation and valuation according to 2.1(1) of the Valuation Part of the PRA Rulebook" (again as required by the PRA regulations).
- ii) Tier 2 subordinated debt, which also meets the definition of Own Funds within in the 'Own Funds' Part of the PRA Rulebook.

Reconciliation from Financial Statements to Own Funds

The Society's Own Funds reconcile to the Society's Financial Statements as follows:

Financial Statements to Solvency reconciliation	£000
Fund for future appropriations	32,543
Plus: valuation of Tier 2 subordinated debt in the financial statements (see section D.3) ¹	12,566
Less: Intangible asset (see section D.1)	(39)
Less: Investment in subsidiary valuation difference (see section D.1)	(246)
Plus: Impact of TMIR on Technical Provisions (see section D.2)	-
Total available funds to meet the Solvency Capital Requirement	44,824
Restriction applied to the value of the subordinated liabilities ²	(90)
Total eligible funds to meet the Solvency Capital Requirement	44,734

- 1) Note that this is the value of the subordinated debt in the financial statements, this is then later revalued by £530k to report the fair value for Solvency reporting of £13,096k.
- 2) The subordinated debt cannot be higher than 50% of the Solvency Capital Requirement according to 4A.1 (3) of the 'Own Funds' part of the PRA Rulebook.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The amount of SCR and MCR are shown in the table below.

£000	2025	2024
SCR	26,012	18,919
MCR	6,503	4,730

SCR Split by Risk Module

The Society uses the Standard Formula as set out in the PRA Rulebook to calculate the SCR and does not use any undertaking specific parameters. The risk module capital requirements are calculated without using simplifications.

The table below sets out the undiversified net SCR for each of the risk modules.

Undiversified net SCR (£000)	2025	2024
Market risk	4,419	2,376
Counterparty risk	863	897
Underwriting risk (Life)	24,557	21,753
Underwriting risk (Health SLT)	16,001	6,281
Operational risk	2,038	1,479

The overall SCR has increased in absolute terms driven by a continued increase in life underwriting risk, in turn largely due to the strong growth of the GLAP, Friendly Shield and Income Protection products, which generate mortality, morbidity and lapse risk (across the Life and Health SLT categories). In particular they generate significant negative reserves which are exposed to the mass lapse scenario which is the biting lapse stress, although reinsurance reduces the exposure to this mass lapse risk.

Note that the final SCR is subject to supervisory confirmation.

MCR

The components of the MCR calculation are shown below. The absolute floor of the MCR is prescribed by the PRA Handbook rules as £3.5m for an insurer with long-term liabilities. At 31 December 2025 the MCR absolute floor was less than 25% of the SCR, therefore the MCR is equal to the MCR floor, ie 25% of SCR.

Overall MCR calculation (£000)	2025	2024
Linear MCR	461	504
SCR	23,469	18,919
MCR cap (45% of SCR)	11,705	8,513
MCR floor (25% of SCR)	6,503	4,730
Combined MCR	6,503	4,730
Absolute floor of the MCR	3,500	3,495
MCR	6,503	4,730

E.3 Differences between the standard formula and any internal model used

The Society uses the Standard Formula to assess its SCR.

E.4 Non-compliance with Minimum Capital Requirement and Solvency Capital Requirement

The Society performed a full valuation as at 31 December 2025, valuations close to full valuations but with some approximations at other quarter ends, and approximate solvency estimates at other month ends.

The Society maintained sufficient funds throughout 2025 to cover its MCR and SCR.

E.5 Any other information

The Society has no other material information regarding its capital management to report.

APPENDIX**Quantitative Reporting Templates**

The following Quantitative Reporting Templates (“QRTs”) are required for the SFCR. All figures are presented in thousands of pounds with the exception of ratios that are in decimals. Please note that totals may differ from the component parts due to rounding.

QRT Ref	QRT Template name
IR.02.01.02	Balance sheet
IR.05.02.01	Premiums, claims and expenses by country
IR.05.03.02	Life income and expenditure
IR.12.01.02	Life technical provisions
IR.22.01.21	Impact of long term guarantees measures and transitionals
IR.23.01.01	Own funds
IR.25.04.21	Solvency Capital Requirement
IR.28.01.01	Minimum Capital Requirement – Only life or only non-life activity

IR.02.01.02 - Balance sheet

IR.02.01.02
Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	3,561
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	62,680
Property (other than for own use)	R0080	2,328
Holdings in related undertakings, including participations	R0090	154
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	30,150
Government Bonds	R0140	22,174
Corporate Bonds	R0150	7,977
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	29,845
Derivatives	R0190	202
Deposits other than cash equivalents	R0200	0
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	1,355
Loans and mortgages	R0230	47
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	47
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	(10,073)
Non-life and health similar to non-life	R0280	-
Life and health similar to life, excluding index-linked and unit-linked	R0315	(10,073)
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	381
Reinsurance receivables	R0370	123
Receivables (trade, not insurance)	R0380	1,345
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	3,761
Any other assets, not elsewhere shown	R0420	4,286
Total assets	R0500	67,466

IR.02.01.02 - Balance sheet (continued)

Liabilities		
Technical provisions - total	R0505	4,329
Technical provisions - non-life	R0510	-
Technical provisions - life	R0515	4,329
Best estimate - total	R0542	(334)
Best estimate - non-life	R0544	-
Best estimate - life	R0546	(334)
Risk margin - total	R0552	4,663
Risk margin - non-life	R0554	-
Risk margin - life	R0556	4,663
Transitional (TMTP) - life	R0565	-
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	6,739
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	351
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	99
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	959
Subordinated liabilities	R0850	13,096
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	13,096
Any other liabilities, not elsewhere shown	R0880	10,720
Total liabilities	R0900	36,293
Excess of assets over liabilities	R1000	31,173

IR.05.02.01 - Premiums, claims and expenses by country

Note that rows R0110 to R0550 relate to non-life business and the Society does not write non-life business therefore those rows are nil and hence are not disclosed below.

IR.05.02.01 Premiums, claims and expenses by country			Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country - life obligations
Home Country - life obligations				
		Home country C0220	Country (by amount of gross premiums written) - life obligations C0230	Total Top 5 and home country C0280
Premiums written				
Gross	R1410	56,703	-	56,703
Reinsurers' share	R1420	16,323	-	16,323
Net	R1500	40,379	-	40,379
Premiums earned				
Gross	R1510	56,703	-	56,703
Reinsurers' share	R1520	16,323	-	16,323
Net	R1600	40,379	-	40,379
Claims incurred				
Gross	R1610	34,333	-	34,333
Reinsurers' share	R1620	16,526	-	16,526
Net	R1700	17,806	-	17,806
Net expenses incurred	R1900	28,239	-	28,239

IR.05.03.02 - Life income and expenditure

IR.05.03.02

Life income and expenditure

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Premiums written								
Gross direct business	R0010	88	18	30,298	-	18,121	8,177	56,703
Gross reinsurance accepted	R0020	-	-	-	-	-	-	-
Gross	R0030	88	18	30,298	-	18,121	8,177	56,703
Reinsurers' share	R0040	-	-	13,643	-	442	2,239	16,323
Net	R0050	88	18	16,655	-	17,679	5,938	40,379
Claims incurred								
Gross direct business	R0110	2,416	33	14,924	-	7,705	9,254	34,333
Gross reinsurance accepted	R0120	-	-	-	-	-	-	-
Gross	R0130	2,416	33	14,924	-	7,705	9,254	34,333
Reinsurers' share	R0140	-	-	13,674	-	-	2,852	16,526
Net	R0150	2,416	33	1,250	-	7,705	6,402	17,806
Expenses incurred								
Gross direct business	R0160	429	6	256	-	18,618	8,929	28,239
Gross reinsurance accepted	R0170	-	-	-	-	-	-	-
Gross	R0180	429	6	256	-	18,618	8,929	28,239
Reinsurers' share	R0190	-	-	-	-	-	-	-
Net	R0200	429	6	256	-	18,618	8,929	28,239
Other expenses	R0300							738
Transfers and dividends								
Dividends paid	R0440							-

IR.12.01.02 - Life technical provisions

IR.12.01.02

Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Best Estimate								
Gross Best Estimate (direct business)	R0025	23,141	1,032	44,619	-	(56,567)	(12,558)	(334)
Gross Best Estimate (reinsurance accepted)	R0026	-	-	-	-	-	-	-
Gross Best Estimate	R0030	23,141	1,032	44,619	-	(56,567)	(12,558)	(334)
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	(9,708)	-	(296)	(69)	(10,073)
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	23,141	1,032	54,326	-	(56,271)	(12,489)	9,739
Risk Margin	R0100	45	11	241	-	2,748	1,618	4,663
Amount of the transitional on Technical Provisions								
TMTP - risk margin	R0140	-	-	-	-	-	-	-
TMTP - best estimate dynamic component	R0150	-	-	-	-	-	-	-
TMTP - best estimate non-dynamic component	R0160	-	-	-	-	-	-	-
TMTP - amortisation adjustment	R0170	-	-	-	-	-	-	-
Transitional Measure on Technical Provisions	R0180	-	-	-	-	-	-	-
Technical provisions - total	R0200	23,186	1,043	44,860	-	(53,819)	(10,940)	4,329

IR.22.01.21 - Impact of long term guarantees measures and transitionals

IR.22.01.21**Impact of long term guarantees measures and transitionals**

		Amount with Long Term Guarantee measures and transitionals	Impact of the LTG measures and transitionals (Step-by-step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	4,329	-	-	-	-
Basic own funds	R0020	44,269	-	-	-	-
Eligible own funds to meet Solvency Capital Requirement	R0050	44,179	-	-	-	-
Solvency Capital Requirement	R0090	26,012	-	-	-	-
Eligible own funds to meet Minimum Capital Requirement	R0100	32,474	-	-	-	-
Minimum Capital Requirement	R0110	6,503	-	-	-	-

Note that as explained in section D.2, the Society has been approved by the PRA to use TMIR. This allows firms a transitional period to move from the interest rate structure in force under the pre-2016 regime ("Solvency I") to that required by the current regime over a period of 16 years, in respect of insurance contracts in force prior to 1 January 2016. The benefit therefore reduces as those liabilities run off, and as the 16 year amortisation works its way through. It is also sensitive to the assets actually held by the Society, and for these reasons the assessed value as at 31 December 2025 was immaterial, hence a value of zero has been used for the TMIR

IR.23.01.01 - Own funds

IR.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	-	-			
Share premium account related to ordinary share capital	R0030	-	-			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-			
Subordinated mutual member accounts	R0050	-				
Surplus funds	R0070	-	-			
Preference shares	R0090	-				
Share premium account related to preference shares	R0110	-				
Reconciliation reserve	R0130	31,173	31,173			
Subordinated liabilities	R0140	13,096			13,096	
An amount equal to the value of net deferred tax assets	R0160	-				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Total basic own funds	R0290	44,269	31,173	-	13,096	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-				
Unpaid and uncalled preference shares callable on demand	R0320	-				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-				
Letters of credit and guarantees	R0340	-				
Letters of credit and guarantees other	R0350	-				
Supplementary members calls	R0360	-				
Supplementary members calls - other	R0370	-				
Other ancillary own funds	R0390	-				
Total ancillary own funds	R0400	-				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	44,269	31,173	-	13,096	-
Total available own funds to meet the MCR	R0510	44,269	31,173	-	13,096	-
Total eligible own funds to meet the SCR	R0540	44,179	31,173	-	13,006	-
Total eligible own funds to meet the MCR	R0550	32,474	31,173	-	1,301	-
SCR	R0580	26,012				
MCR	R0600	6,503				
Ratio of Eligible own funds to SCR	R0620	170%				
Ratio of Eligible own funds to MCR	R0640	499%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	31,173
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Deductions for participations in financial and credit institutions	R0725	-
Other basic own fund items	R0730	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	31,173

IR.25.04.21 - Solvency Capital Requirement

IR.25.04.21

Solvency Capital Requirement

Rows		C0010
Net of loss-absorbing capacity of technical provisions		
Market risk	R0140	3,524
Interest rate risk	R0070	825
Equity risk	R0080	208
Property risk	R0090	138
Spread risk	R0100	130
Concentration risk	R0110	27
Currency risk	R0120	3,090
Other market risk	R0125	-
Diversification within market risk	R0130	(895)
Counterparty default risk	R0180	863
Type 1 exposures	R0150	-
Type 2 exposures	R0160	863
Other counterparty risk	R0165	-
Diversification within counterparty default risk	R0170	-
Life underwriting risk	R0270	16,501
Mortality risk	R0190	7,793
Longevity risk	R0200	1,570
Disability-Morbidity risk	R0210	-
Life-expense risk	R0220	2,011
Revision risk	R0230	-
Lapse risk	R0240	12,658
Life catastrophe risk	R0250	522
Other life underwriting risk	R0255	-
Diversification within life underwriting risk	R0260	(8,053)
Total health underwriting risk	R0320	11,475
Health SLT risk	R0280	11,457
Health non SLT risk	R0290	-
Health catastrophe risk	R0300	74
Other health underwriting risk	R0305	-
Diversification within health underwriting risk	R0310	(55)
Non-life underwriting risk	R0370	-
Non-life premium and reserve risk (ex catastrophe risk)	R0330	-
Non-life catastrophe risk	R0340	-
Lapse risk	R0350	-
Other non-life underwriting risk	R0355	-
Diversification within non-life underwriting risk	R0360	-
Intangible asset risk	R0400	-
Operational and other risks	R0430	2,038
Operational risk	R0422	2,040
Other risks	R0424	(1)
Total before all diversification	R0432	43,405
Total before diversification between risk modules	R0434	34,403
Diversification between risk modules	R0436	(8,391)
Total after diversification	R0438	26,012
Loss-absorbing capacity of technical provisions	R0440	-
Loss-absorbing capacity of deferred taxes	R0450	-
Other adjustments	R0455	-
Solvency capital requirement including undisclosed capital add-on	R0460	26,012
Disclosed capital add-on - excluding residual model limitation	R0472	-
Disclosed capital add-on - residual model limitation	R0474	-
Solvency capital requirement including capital add-on	R0480	26,012
Biting interest rate scenario	R0490	increase
Biting life lapse scenario	R0495	mass

IR.28.01.01 - Minimum Capital Requirement – Only life or only non-life activity

Note that rows R0010 to R0170 relate to non-life business and the Society does not write non-life business therefore those rows are nil and hence are not disclosed below.

IR.28.01.01**Minimum Capital Requirement - Only life or only non-life activity****Linear formula component for life insurance and reinsurance obligations**

		C0040
MCR _L Result	R0200	461

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	18,609	
Obligations with profit participation - future discretionary benefits	R0220	4,512	
Index-linked and unit-linked insurance obligations	R0230	1,031	
Other life (re)insurance and health (re)insurance obligations	R0240	-	
Total capital at risk for all life (re)insurance obligations	R0250		-

Overall MCR calculation

		C0070
Linear MCR	R0300	461
SCR	R0310	26,012
MCR cap	R0320	11,705
MCR floor	R0330	6,503
Combined MCR	R0340	6,503
Absolute floor of the MCR	R0350	3,500
Minimum Capital Requirement	R0400	6,503

Statement of Directors' Responsibilities

National Deposit Friendly Society Limited ("the Society")

Financial period ended 31 December 2025.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report ("SFCR") in all material respects in accordance with the PRA rules and the Solvency II⁵ Regulatory framework.

We are satisfied that:

- a. throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Society: and
- b. it is reasonable to believe that, at the date of publication of the SFCR, the Society has continued so to comply, and will continue so to comply in future.

Approval by the Board of the SFCR.



Graham Singleton

Chief Executive Officer

For and on behalf of the Board

Date: 13 April 2026

⁵ Despite the majority of the Solvency UK reforms take place at 31 December 2024 and the PRA acknowledging that the new regime will be referred to as Solvency UK, there is still reference to Solvency II in the PRA's Supervisory Statement 11/16 "Solvency II: External audit of, and responsibilities of the governing body in relation to, the public disclosure requirement" which is where the above requirement comes from. This is approach is consistent with the PRA's statement in paragraph 1.9 of Policy Statement 15/24 "Review of Solvency II: Restatement of assimilated law" where it says "for clarity and consistency of the PRA's policy material, the PRA will continue to refer to the UK regime as Solvency II, until such time as all references to Solvency II can be changed across all relevant materials"