



# Annual Report

For the year ended 31 December 2025





# 2025

## Financial Highlights

# 14.0%

main With-Profits Fund return

# £100m\*

member bonuses shared with 250,000 eligible member policies

## £63m

profit before tax and member bonuses

## £48m

operating capital generation

## £(37)m

(loss)/profit before tax

## £370m

Solvency II capital surplus

## £1,232m

sales on a Present Value of New Business Premiums basis

Capital Coverage Ratio of

## 202%

Smoothed Managed Fund range

## 9.7%

return on the Balanced Fund

\*The £100m member bonuses allocated in 2025 is made up of a £20m mutual bonus and a one-off bonus of £80m, which is being awarded to eligible policies in respect of a final distribution of proceeds from the 2019 sale of the General Insurance business. This replaces the exit bonus which LV= has previously distributed to eligible members when their policy matured, was cashed in, paid out a death claim or when they started to receive money from the policy. The one-off bonus will be added to policy values on 1 April 2026 rather than at time of claim, increasing certainty of payment for members.

We have tried to use plain English throughout this document to make it as understandable as possible for all our stakeholders. However, some of the information in the Annual Report is quite technical and it has been necessary to use terminology or performance measures which are not commonly understood. To assist the reader a glossary is provided on page 76 and explanations as to why we use certain non-standard performance measures is provided on pages 19 and 77.



## Moments from our year

### UK's first with-profits fixed term annuity

launched to market

### 20 years of smoothed investments

consistently delivering stability  
and confidence

**£151m**

paid to personal protection policyholders

**95%**

of all personal protection  
claims settled

Customer satisfaction net  
promoter score increased to

**+58**

Colleague engagement  
score increased to

**+54**

Launched our social impact programme

**LV= Together**

### Published research

exploring the barriers to education and  
work that young people face

### Disability Confident Leader

meeting the UK government's highest  
standard for inclusive employers

**378**

members assisted through our  
member support programme



## A bit about us and what we do

### **Our purpose is to help people live financially confident lives.**

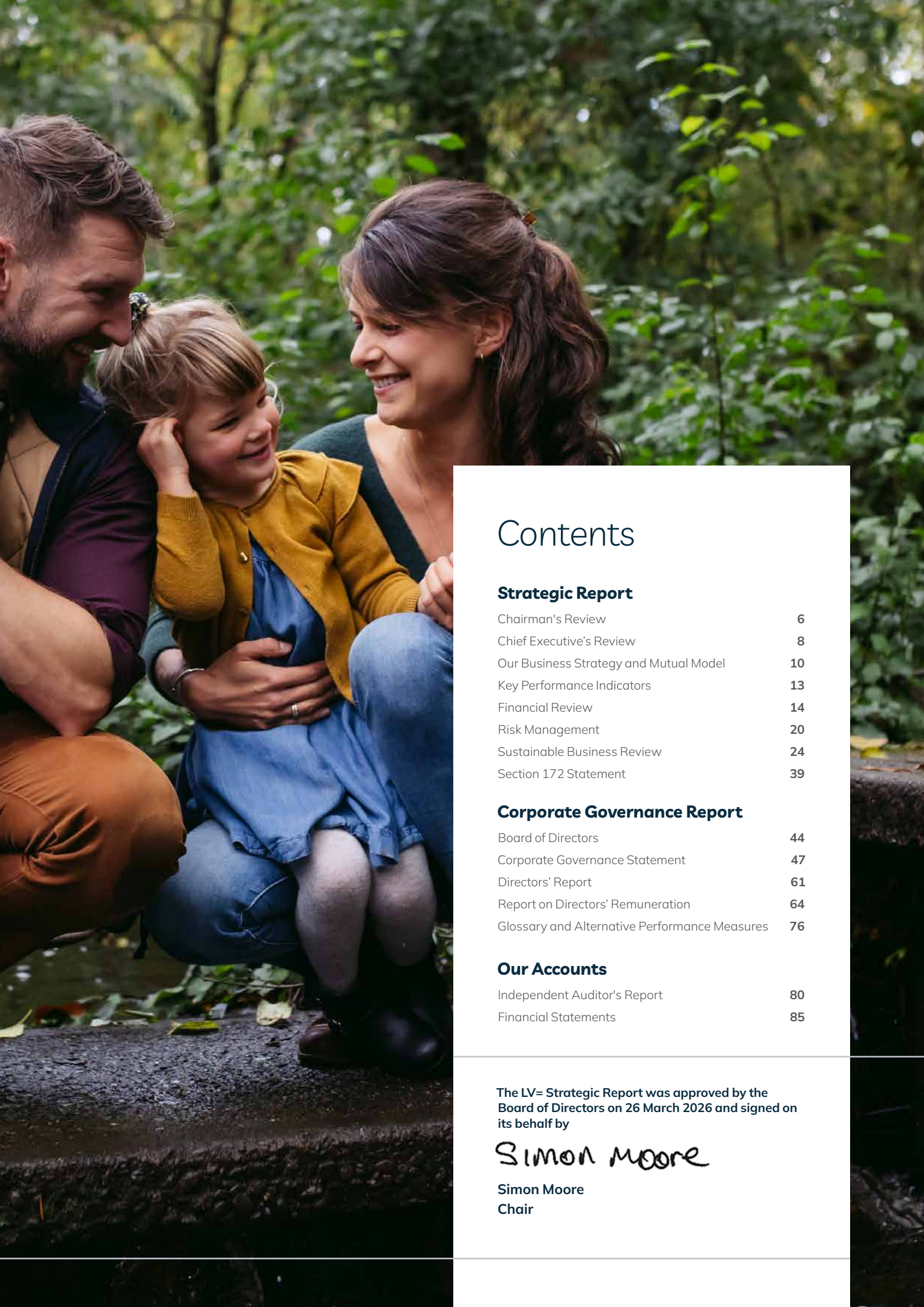
At LV=, our members come first. As a leading UK life and pensions mutual insurer with a proud history dating back to 1843, we exist to help people live financially confident lives – protecting their income while they work and maximising it when they stop.

Today, over one million members and customers trust us to look after their futures, families and finances. We put them at the heart of everything we do. As specialists in investment, protection, retirement and in-house advice, we offer a range of award-winning products and services designed to help our members and customers plan for a secure financial future.

We work closely with a wide network of financial advisers because good advice leads to better outcomes. It's through advisers that most of our customers will buy LV= products and services. Financial advice helps people feel informed, confident and secure about decisions that shape their future. Alongside this, our in-house team provides whole of market 'at retirement' advice and direct to consumer products, ensuring flexibility and choice for every stage of life.

Our LV= Together programme is designed to connect with our communities and make a positive and lasting impact in broader society. This goes beyond our role as a financial services provider as we build an LV= that works for everyone. LV= Together includes our sponsorships and partnerships, charity support, fundraising and volunteering.





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The LV= Strategic Report was approved by the Board of Directors on 26 March 2026 and signed on its behalf by

*Simon Moore*

Simon Moore  
Chair

# Chairman's Review

**Simon Moore** Chair



In a climate of continued geopolitical instability, macro-inflationary pressures and market uncertainty, LV= remains a firmly-rooted presence – a mutual with clarity of purpose and focus. Our strength is measured not only in numbers but also in the trust we hold, the principles we share and our enduring promise to serve our members and customers well into the future. As we move through 2026, we do so with confidence and a commitment to the long term.

## Mutuality and member value

Mutuality is not just a structure – it is about being part of something meaningful. When LV= prospers, our members share in that success. We are proud that we have shared member bonuses totalling £100 million with eligible members – this includes a £20 million mutual bonus and a one-off bonus of £80 million relating to the sale of the General Insurance business in 2019. This brings the total shared since 2011 to £513 million. This is what being a mutual means: member loyalty helps us grow and we return that value directly. Even through challenging periods, we have consistently demonstrated that mutuality works.

Our relationship with our members is central to this progress. Member engagement remains at the core of our governance and strategy, driving positive changes through community channels, surveys and direct dialogue. The Member Community continues to shape our thinking and direction, with thousands of views expressed over the year. Members' voices matter and they remain at the heart of who we are and how we evolve.

## Our role as a mutual

Our role as a mutual goes beyond financial returns. We are committed to fostering an inclusive culture, acting responsibly and making a positive contribution to society. We champion social mobility in finance and engage with government on the ambition to double the size of the mutual sector and grow the financial services industry – ensuring we have a diversity of consumer choice in our sector.

In an industry facing political, regulatory and economic shifts, mutuals stand out for stability, fairness and long-term value. Recognition for the strength of our culture, products and services reinforces our confidence in the path we are taking and we will continue to prioritise fair, transparent and high-quality service for every member, customer and adviser.

Our vision is clear: maintain a mutual that combines financial strength, operational excellence and member benefit. 2026 will be a year of reinforcing our distinct position as a purpose-driven, resilient mutual – serving today's generation while safeguarding the interests of future ones.

## The LV= Board

As a Board, our focus is on sustainable progress. We work closely with the LV= Executive Team to ensure growth is purposeful - balancing commercial ambition with member benefit - and every decision is guided by transparency and the principle of creating lasting value for our members.

We are grateful to Board colleagues who have stepped back from their roles in 2026. Natalie Ceeney CBE and Suzy Neubert made significant contributions to LV=, and we thank them for their service. We also share appreciation to David Rogers and Susan McInnes for stepping into additional, new roles on the Board as Senior Independent Director and Remuneration and Nomination Committee Chair respectively.

We are undertaking a recruitment process to appoint two new Non-Executive Directors to the Board. The search will focus on finding candidates with the right skills and experience so together, we can continue to deliver on our strategy and drive positive outcomes for our members and customers. I look forward to introducing our new Board directors to members when the process is complete.

## Thank you

A heartfelt thank you to our members and customers for trusting us with their futures, families and finances, and to all LV= colleagues for their continued commitment and efforts.



### Section 172 statement

The Section 172 statement, explaining how the directors have carried out their duty to promote the success of the company for the benefit of stakeholders as a whole, can be found at the end of this Strategic Report on pages 39 to 41.



Over **one million** members and customers trust us to look after their futures, families and finances

When LV= prospers, our members **share in that success**

**£100 million** of member bonuses

the largest in our history

totalling **£513 million** since 2011

**Members' voices matter** and they remain at the heart of who we are and how we evolve



Thousands of views expressed through our **Member Community**

**Over 2,500 members** are shaping the future of LV=

# Chief Executive's Review

**David Hynam** Chief Executive Officer (CEO)



2025 was a year of meaningful outcomes, grounded in our focused strategy, resulting in a return in value of £100 million to eligible members.

We stayed true to our strategy and progressed on the priorities that matter to members – quicker and more efficient access to our products, services and advice, disciplined cost management and excellent service. This advancement was only possible because of the commitment of our colleagues who supported members and customers, improved our services and contributed to our communities. Their dedication strengthens our ability to deliver great outcomes.

Our diversified portfolio remains a cornerstone of stability. Despite challenges in our annuity and pensions trading, reflecting an increasingly competitive market, our strategy continues to protect overall performance and the value we return to members.

## Financial and business highlights

Our Capital Coverage Ratio of 202% shows that we are continuing to operate from a position of underlying financial strength. We also maintained a strong Solvency II capital surplus of £370 million, further reinforcing our ability to support members for the long term.

Operating capital generation of £48 million confirms sustainable value creation, with the main contribution coming from actions we took to strengthen the capital position. It funds investment in the business and is an important metric to ensure we return good value to our members.

Operating efficiency remained disciplined. Operating expenses of £248 million reflect tight cost control amid inflation, paired with targeted business investment in technology that is making us easier to do business with.

## Our products – delivering for more members

Our core propositions continue to deliver for customers.

Protection sales remained strong at £430 million, an increase of 8% year-on-year, reflecting that our products are meeting the needs of even more consumers. Our commitment to fair outcomes was recognised by the Protection Distributors Group (PDG): acknowledged with Claims Charter status.

Equity Release sales nearly doubled year-on-year to £181 million, helping more customers unlock options in retirement through our lifetime mortgage options.

We saw strong fund performance across our Smoothed Managed Fund range, including a 9.7% smoothed return on the Balanced Fund, and a 14% return on our main With-Profits Fund – reinforcing our long-term investment approach that prioritises stability and builds confidence. We also celebrated 20 years since the launch of our smoothed investment product.

We introduced enhancements to our Fixed Term Annuity; launching the UK's first with-profits Fixed Term Annuity to offer members a share in business success – making all new customers eligible for a mutual bonus after the first 12 months.

Our continued momentum was recognised during the year. We were awarded Mutual Insurer Investment Strategy of the Year, at the Insurance Investor European Awards, and Moneyfacts' Best Income Protection Provider for the 16th consecutive year

## Simpler journeys, stronger support, better experiences

We simplified journeys and removed complexity so that members, customers and advisers can reach us faster, transact more easily and receive payments sooner. Continued investments in self-serve portals, web chat and call services are further improving access to our products and support in the moments that matter. LV= Platform Services for advisers continues to deliver an intuitive digital experience, enhancing adviser access to our Smoothed Managed Fund range for their clients.

In 2025, customers recognised our Customer Service teams and rated LV= excellent according to net promoter scores. It is my long-held view that a positive and inclusive workplace culture supports a high standard of service, so I am proud that our employee net promoter score continues to surpass industry benchmarks. The strength of our culture is further evidenced by our 2025 Engage Organisational Culture award and our ongoing inclusion in the Financial Times' UK Best Employers list.

Reflecting our mutual values in action, we continue to offer members support through our cost-of-living hub and financial crime information. Our payment break option remains in place to help financially vulnerable members keep essential protection cover in place. We paid £151 million in individual protection claims, with a consistent payout of 95% – further proof that our promise holds when it matters most for members and their families.

We also strengthened our approach to sustainability. Our latest Sustainability Report sets out the meaningful progress we've made both in reducing our environmental impact and in reinforcing the responsibilities that come with being a long-standing mutual. Although our ambitions continue to advance, we are proud of the steps taken in 2025 and confident that our direction of travel is the right one.

## Outlook

As we look ahead, our focus remains on building momentum with clarity and purpose. The progress we've made – financially, operationally and culturally – reflects a business that is growing stronger by working together and staying true to what matters to our members. I am grateful for the commitment of colleagues across LV= and I am confident in the path we are taking as we continue to improve and deliver for our members.



## LV= is award-winning

- Named one of the UK's best employers by the Financial Times
- Recognised as one of the UK's top pension providers by The Telegraph
- Award-winning investment strategy

## Financial strength

Solvency II capital surplus of  
**£370**  
million

Capital Coverage Ratio of

**202%**



**Sustainable value creation** – Operating capital generation of **£48 million**

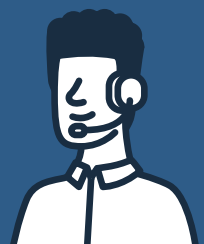


**Increased year-on-year sales** across Protection, Equity Release and Smoothed Managed Funds



**New highs in market share**  
Protection 8.4%  
Equity Release 6.9%

Customers rated our service as **excellent**

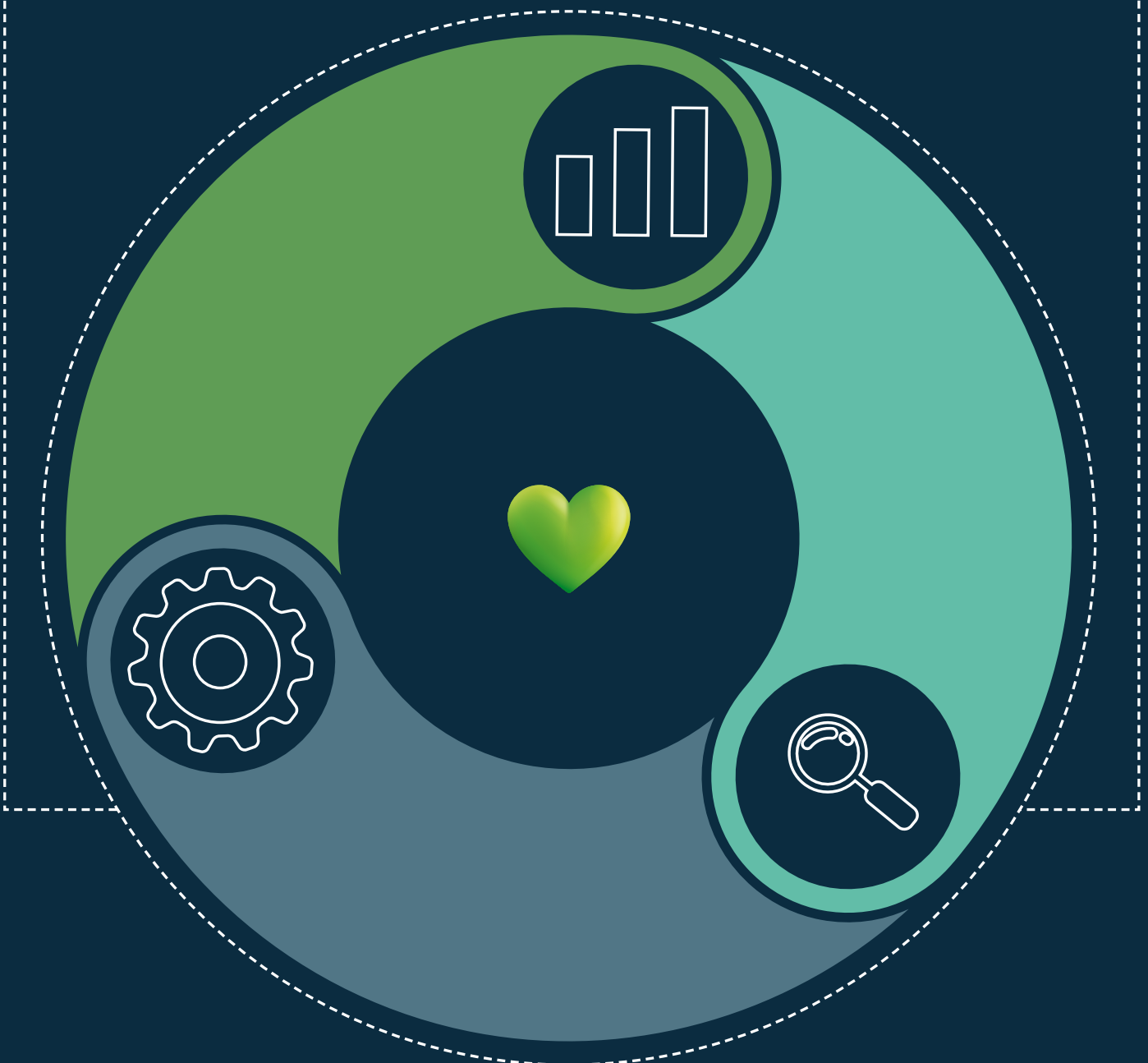


# Our Business Strategy and Mutual Model

**Our purpose is to help people live financially confident lives and we do this through our range of products, services and advice.**

As one of the UK's leading mutual insurers, and an investment, protection, retirement and in-house advice specialist, we achieve our purpose by helping our members and customers to protect their income while they are working and maximise it when they stop.

With products predominantly sold through financial advisers, our mix of business provides us with a diverse risk portfolio – helping to mitigate the impact of adverse market conditions.



# Business strategy

Our strategy is built around a diversified but focused portfolio, driven by a member-first philosophy. It is future focused with key components that define what we do, who we serve and how we deliver.

At the centre of our strategy is our multi-asset LV= Smoothed Managed Fund range that enables us to grow a modern With-Profits Fund for the benefit of our members today and for generations to come. In 2025, we celebrated 20 years since the launch of our first smoothed investment product, created to limit the impact of market volatility and enable a smoother investment journey. As an investment specialist, we have expanded our Smoothed Managed Fund range and refined the smoothing mechanism that cushions the impact of any short-term investment volatility.



Investments	Later Life and Pensions	Protection	Advice and Direct	Heritage
Provide access to multi-asset, low volatility investments through our with-profits Smoothed Managed Fund range.	Enable and secure retirement options with pension propositions and offer fixed term annuities and equity release products that supplement retirement income.	Offer critical illness, income protection and life insurance products to help protect livelihoods and incomes.	In-house advisers provide whole of market 'at retirement' advice and direct to consumer products.	Ensure fair value and service for our legacy with-profits, unit-linked and other policies.



Advisers	LV= Customers	Partnerships
Target advisers and their clients where the LV= brand and products are most competitive.	Grow our direct to customer proposition focused on protection, retirement and equity release products.	Create and sustain collaborative strategic partnerships through effective third-party management.



Culture	Customer and Adviser Experience	Technology	Brand	Capital Optimisation
Our values sit at the heart of LV= and help to define and strengthen our culture.	Deliver consistent service, experiences and outcomes to members, customers and advisers.	Continue to invest in our IT estate, further enhance our digital offerings and realise efficiencies.	Leverage LV's strong and recognised brand in the market to engage prospective consumers and existing policyholders.	Continue balance sheet and capital management alignment to the business strategy.

## This is US

In 2025, we launched a 'This is US' five-year rolling plan with colleagues. It focuses on where we want to be in the long term, outlining our shared goals and key priorities so we can continue to deliver value to our members.



**Financial Strength**

Ensure we are sustainable for the future and growing, generating more capital, managing our costs and returning value to our members.



**Market Leaders**

Offer a diversified but focused range of products and services that deliver strong investment returns as a recognised and respected brand.



**Service Excellence**

Consistently deliver good outcomes to members, customers and advisers ensuring we are easy to do business with.



**Colleagues Thrive**

Be 'the place to be' where colleagues can be themselves and share a sense of pride in who we are and what we do.



**Members Rewarded**

Deliver for our members through the mutual bonus and investment returns. Listen to the voice of our members through a growing Member Community.

**While our strategy is integral to our business, so are our culture and values.**

**Our culture**

Our purpose of helping people to live financially confident lives is at the heart of our culture – it drives our approach and everything we do. Clearly set out in our balanced scorecard are our measures for success. Alongside this, we embed a performance-focused culture with our colleagues by deepening engagement to make sure they understand what our targets are, what they mean and how we all play a role in achieving them, as well as developing talent, skills and capability.

**Our values**

Our four values run in parallel with our strategy and scorecard: trusted, curious, inclusive and courageous. They are an intrinsic part of who we are, how we do business and reflect our culture and what we think is important. The values are rooted throughout the business and support our colleagues to bring their best selves to work. They also reinforce our commitment to creating an inclusive culture where all colleagues feel welcomed, respected, supported and valued.



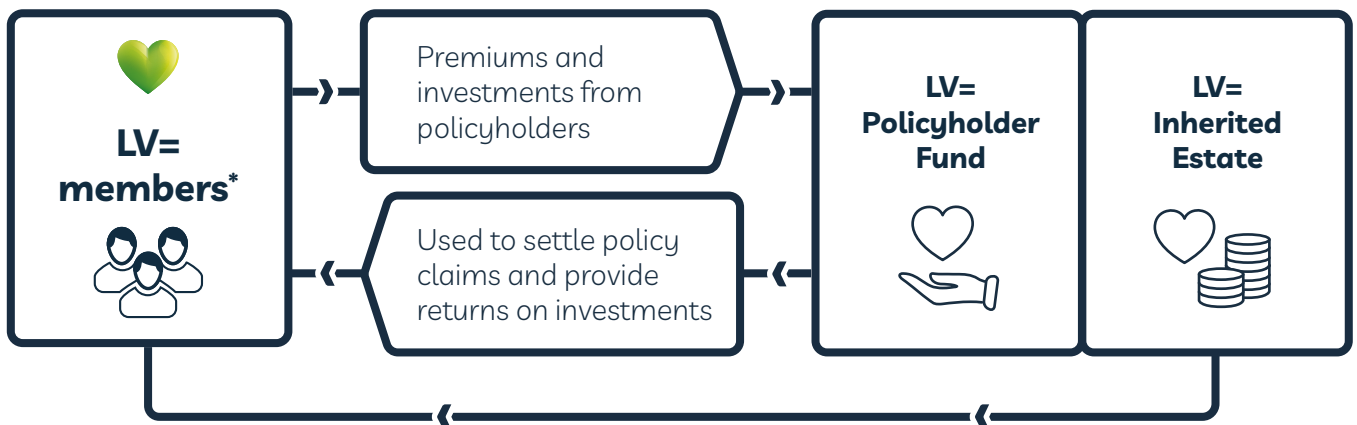
**Our mutual model**

As a mutual business, we are owned by our members and we operate using our mutual model. We run the business in a responsible and sustainable way, aiming to grow consistently for our members today and in the future.

Our focus is to deliver value for our members, particularly for our with-profits members who, due to the nature of with-profits policies, have invested in LV=. In 2025, we launched the UK's first with-profits fixed term annuity, enabling more people to share in the success of our mutual.

We have over one million members and customers who hold a variety of products including investments, life insurance, income protection and retirement income solutions.

Members have access to a range of member benefits and additional support services. Eligible members, who hold certain with-profits policies, may also benefit from a mutual bonus when the business performs well.



\*Our mutual model does not include LV= members in the ring-fenced RNPFN or Teachers Funds. Eligible with-profits members in these funds benefit from the distribution of the RNPFN or Teachers inherited estates.

**Our products and services that feed into our mutual model**

**Savings and Retirement** - Smoothed Managed Fund range, unit-linked pensions, fixed-term annuities, closed book lifetime annuities, LV= Equity Release and our Retirement Advice Service.

**Protection** - Products that help protect people's lives and incomes, such as life insurance, income protection and critical illness.

**Heritage** - A closed book of savings and retirement products issued by LV= and companies acquired by LV= in previous years, including Teachers Assurance and Royal National Pension Fund for Nurses (RNPFN).

**LV= Policyholder Fund**

Premiums and investments are invested in a variety of assets and any returns increase the value of the Policyholder Fund. The fund is also used to settle policy claims.

Due to our range of both with-profits and unit-linked products, the LV= Policyholder Fund contains different mixes of assets for different products. The fund also includes our non-profit protection and annuity products.

**The LV= Inherited Estate**

The LV= Inherited Estate is the money that is not needed to pay our liabilities. These funds represent the retained profits we have made since we began in 1843. It is used to invest in new business and in our subsidiary companies, to generate future returns and acts as a source of capital for running the business. If a mutual bonus is awarded to eligible with-profits members, this is generated from the LV= Inherited Estate.

# Key Performance Indicators

The following key performance indicators (KPIs) have been judged by the Board as the most effective in measuring business performance and assessing progress against our aims. Our KPIs are based on key metrics in the balanced scorecard that drive both colleague and director remuneration. The performance of the main With-Profits Fund is also included as a KPI so we can monitor how we are returning value to our members.

## Our aims

### Operating capital generation £m

Generate positive capital from our trading businesses in order to continue to return good value to our members.

### Capital Coverage Ratio (CCR) %

Ensure the long-term sustainability of the group by maintaining a robust Solvency II CCR.

### Main With-Profits Fund return %

Deliver strong investment returns for with-profits members over the medium to long term.

### Colleague engagement

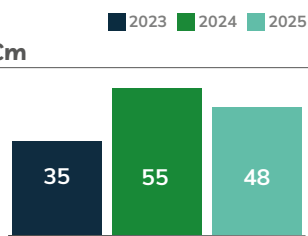
Maintain good levels of colleague engagement. We use Employee Net Promoter Score (eNPS) to measure this non-financial KPI.

### Best loved

Deliver excellent customer service levels while consistently treating customers fairly and providing market-leading service and propositions for our advisers. We use the Net Promoter Score (NPS) to measure this non-financial KPI.

## 2025 performance

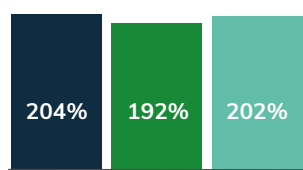
### Operating capital generation £m



Operating capital generation for 2025 was £48m. Although increased competition in our chosen annuities and protection markets has impacted trading profit, effective cost control measures and actions taken during the year to strengthen the capital position have ensured that the business continues to generate strong levels of capital from its operating activities.

For further detail see our capital and profit performance section on page 14. Definitions are provided on page 19.

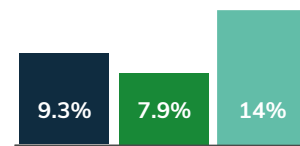
### Capital Coverage Ratio (CCR) %



Our 2025 CCR of 202% is well above minimum risk appetite and demonstrates our robust capital position. It is particularly pleasing that we can report a strong capital position after allocating £100m of discretionary member bonuses during the year.

For further detail on the movement in our capital position see our Solvency II capital surplus section on pages 16 and 17. Definitions are provided on page 19.

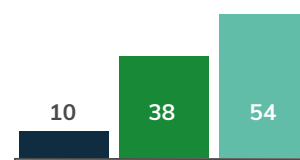
### Main With-Profits Fund return %



The main With-Profits Fund was able to navigate uncertain market conditions through 2025 to deliver an investment return of 14.0%. This was well ahead of both the fund's benchmark return of 12.6% and the industry average of 10.3%. This superior return was driven by our active management and overweight holdings in US equities and gold where our asset manager BlackRock performed especially well.

For further detail see our investment performance section on page 15.

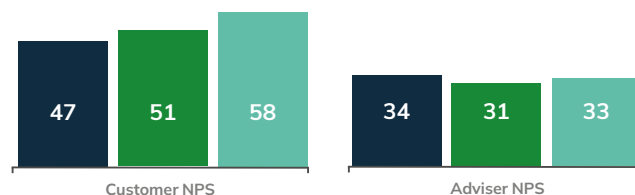
### Colleague engagement



A key part of our business performance is keeping colleagues engaged. Colleagues are more likely to deliver great experiences for our members and customers if they feel energised, fulfilled and connected and believe in what we do. We feel passionately about continuously listening to our colleagues and use our engagement tool (BeMe at LV=) to conduct regular surveys to track colleague engagement and check how we are doing. Averaged across 2025, our colleague total engagement score, using the employee net promoter score (eNPS) methodology, was +54.

Four questions which focus on engagement, loyalty, belief and satisfaction make up total engagement. We have seen improvements in each of our surveys during the year and are delighted that our average total engagement score is 16 points higher than in 2024.

### Best Loved



We are focused on offering our members and customers great service and we measure this through a daily survey. Our average customer net promoter score (NPS) for 2025 was +58, an increase of seven points compared to 2024 and 11 points over the past two years reflecting the service improvements we have delivered over this period. Feedback is analysed and shared across the business to drive continuous improvements. In addition to the NPS measure, we also seek feedback on customer journeys and interactions via our web messenger service.

Our 2025 Adviser NPS also improved, up two points to +33. We remain committed to improving our scores over time and use the detailed feedback provided to enhance the experiences financial advisers have with us. We also seek to understand adviser needs and challenges to ensure we are providing the right support, and we explore topics in more detail with our LV= Adviser Panel through regular surveys.

# Financial Review

**Stephen Percival** Chief Financial Officer

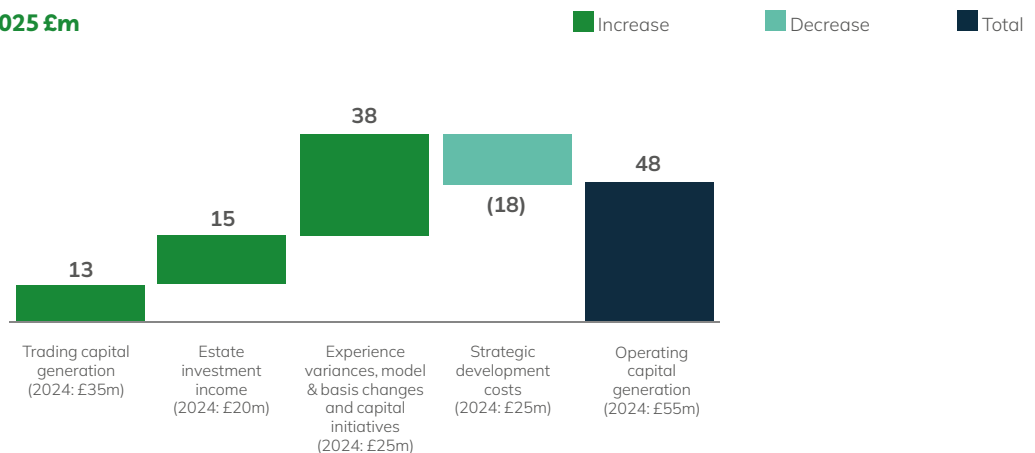


We are pleased that despite increased competition in our chosen markets impacting new business profitability, we have continued to generate good levels of operating capital and deliver a positive set of outcomes for our members. Our focus on maintaining a strong balance sheet while actively managing cost efficiencies has enabled us to maintain a Solvency II Capital Coverage Ratio well above our minimum risk appetite throughout 2025. This strong capital position has allowed us to allocate £100m in discretionary bonuses for eligible members (£20m mutual bonus and £80m one-off bonus), taking our total member bonuses since 2011 to £513m. In addition to this, our members' funds have benefited from strong returns during the year, with our main With-Profits Fund delivering a 14% return and our Smoothed Managed Fund range delivering smoothed returns averaging around 10%. Our positive 2025 results once again demonstrate how our mutual model allows our members to share in the success of our business.

Because we are a mutual business, we do not need to generate profits to pay shareholder dividends and so consider the strength of our members' funds and the returns generated from these funds to be the key measures of our performance. As such, we manage our business on a capital-focused Solvency II basis and as reported on page 13, our financial key performance indicators relate to capital generation, capital strength and the performance of the main With-Profits Fund. Within this financial review, in order to allow a fuller understanding of our financial performance and position, we have explained the drivers of our results on both a Solvency II and UK Generally Accepted Accounting Practice (UK GAAP) basis. We have also provided details of our investment performance, what has impacted this during the year and how this has affected fund values.

## Operating capital and profit performance

### Operating capital generation 2025 £m



### Operating capital generation

Operating capital generation has remained strong at £48m (2024: £55m). The main contribution to capital generation in 2025 came from the actions we took to strengthen our capital position. These include the benefit from mass lapse reinsurance, which provides protection from a substantial increase in lapses on specific protection products, thereby reducing the level of capital we are required to hold.

Trading capital generation has reduced to £13m (2024: £35m). During 2025, we experienced increased competition in our core markets, leading to a reduction in annuities sales volumes and reduced margins on protection sales, both of which adversely impacted our new business profitability.

Operating capital generation also includes £15m of Estate investment income and £18m spent on strategic developments, with a focus on efficiency, risk reduction and growth projects (a reduction of £7m from last year) demonstrating our ongoing commitment to cost control.

### Operating profit generation

LV= is managed on a Solvency II basis rather than UK GAAP. The reserving basis implemented for UK GAAP is aligned to Solvency II best estimate liabilities plus Solvency II risk margin. The material differences between the Solvency II basis and UK GAAP are the movements in Solvency Capital Requirement (SCR), Transitional Measures on Technical Provisions (TMTP) and allowance for the contribution of subordinated debt to own funds which benefits Solvency II own funds but not the UK GAAP position.

Our operating profit generation metric of £6m is driven by the same factors as operating capital generation. However, the UK GAAP metric is not impacted by the annual step-down in TMTP and does not include the benefit of reduction in the SCR. Most notably for 2025, the reduction in SCR driven by mass lapse reinsurance.



## New business performance

New business sales for the group on a Present Value of New Business Premiums (PVNBP) basis are stable at £1,232m (2024: £1,229m). See page 77 for the definition of our PVNBP alternative performance measure and page 19 for the reconciliation of this metric to UK GAAP premiums.

Our Protection business achieved new business sales of £430m (2024: £398m) on a PVNBP basis, made up of new business regular premiums of £49m (2024: £46m) that will continue to generate premiums for the business over the coming years. 2025 saw increased competition in our chosen protection markets, with pricing changes required to maintain volumes, leading to reductions in margins and overall new business profitability.

During the year, our Savings and Retirement business reported new business sales of £802m (2024: £831m) on a PVNBP basis, made up of:

- single premium annuities of £284m (2024: £358m),
- policyholders adding £191m (2024: £290m) to their pensions by way of deposits to their unit-linked pensions and Self Invested Personal Pensions (SIPP) funds,
- equity release mortgage advances we arranged of £181m (2024: £94m),
- single premiums paid into our Smoothed Managed Fund range of £123m (2024: £89m),
- sales of pensions wrappers we arranged via LV= Platform Services of £23m (2024: £nil).

Equity release advances performed well in 2025, with the market recovering and our proposition well received. Sales performance in 2025 was £87m higher than 2024, with momentum maintained throughout the year. Our Smoothed Managed Fund range volumes also improved through 2025 as our policyholders continued to enjoy strong returns on their investments. New business is now being arranged through our LV= Platform Services and we expect to see continued growth in this sales channel going forward.

Fixed term annuities have been impacted by increased competition and this has led to lower new business profitability and trading profit for our Savings and Retirement business. There has also been a year-on-year decrease in deposits to our unit-linked pensions and SIPP funds as adviser preferences move towards platform-based products.

## Operating expenses

Operating expenses have increased slightly year-on-year at £248m (2024: £244m). We have seen higher commission costs related to protection new business sales, and increased business as usual expenses at £122m (2024: £116m), driven by inflationary pressures impacting staff costs. These are offset by lower investment fees, which include the benefit from legacy accrual releases of £4m arising from the transition to BlackRock, and lower strategic development spend.

See page 77 for the definition of our operating expenses alternative performance measure and page 18 for the reconciliation of this metric to UK GAAP net operating and investment expenses.

## Investment returns

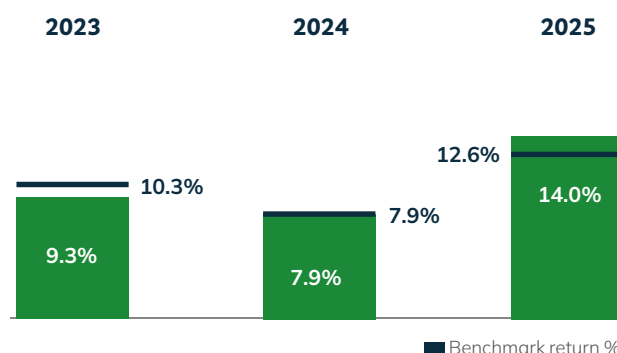
Following the positive returns seen in both 2023 and 2024, most asset classes continued to deliver positive returns in 2025. Both equities and fixed-income investments performed strongly. This was despite a year in which geopolitical events such as the introduction of tariffs generated large fluctuations in market values. Despite posting mid-teen returns, US equities lagged behind other equity markets where Asia Pacific and Emerging Markets were the stand-out performers for the year. Gold, an asset class typically seen as defensive, also saw record increases over the year as investors sought to hedge against some of the geopolitical tensions.

Returns for fixed-income assets benefited from continued rate cutting by central banks over 2025 as inflation eased. Spreads on corporate bonds also reduced providing a tailwind for this asset class.

## Main With-Profits Fund

Our main With-Profits Fund benefited from the positive investment returns from global markets, enhanced by tactical asset allocation during the year, and delivered a positive 14% return, well above the fund benchmark of 12.6%. Key drivers were our overweight positions in global equities. Performance of our UK equities lagged behind the benchmark but still returned a positive 16.4%. Overseas equities outperformed the benchmark, returning 19.5%, led by the Emerging Market exposure, which returned 22.7%, benefiting from a weaker US dollar. Within bonds, our position of being underweight in high-yield bonds and overweight in emerging market debt also benefited as emerging market debt returns at 12.6% outperformed high-yield bonds returns at 6.6%.

## Main With-Profits Fund returns %

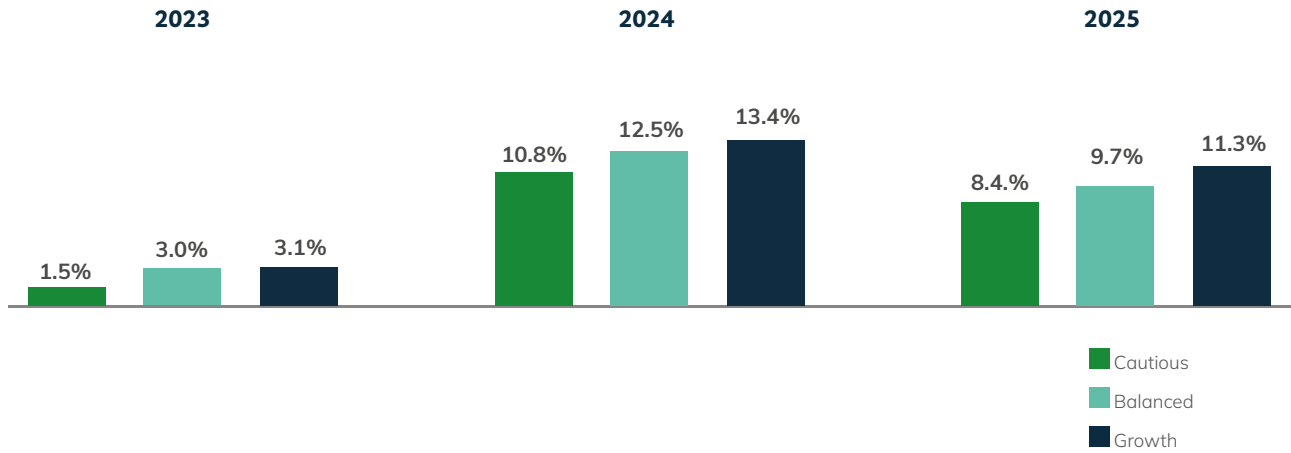


## Smoothed Managed Funds

Smoothed Managed Funds benefited from the same tailwinds described above. The charts below set out the strong returns delivered by our Smoothed Managed Funds Pension Funds, with fund classes across this range delivering smoothed returns averaging around 10% for 2025.

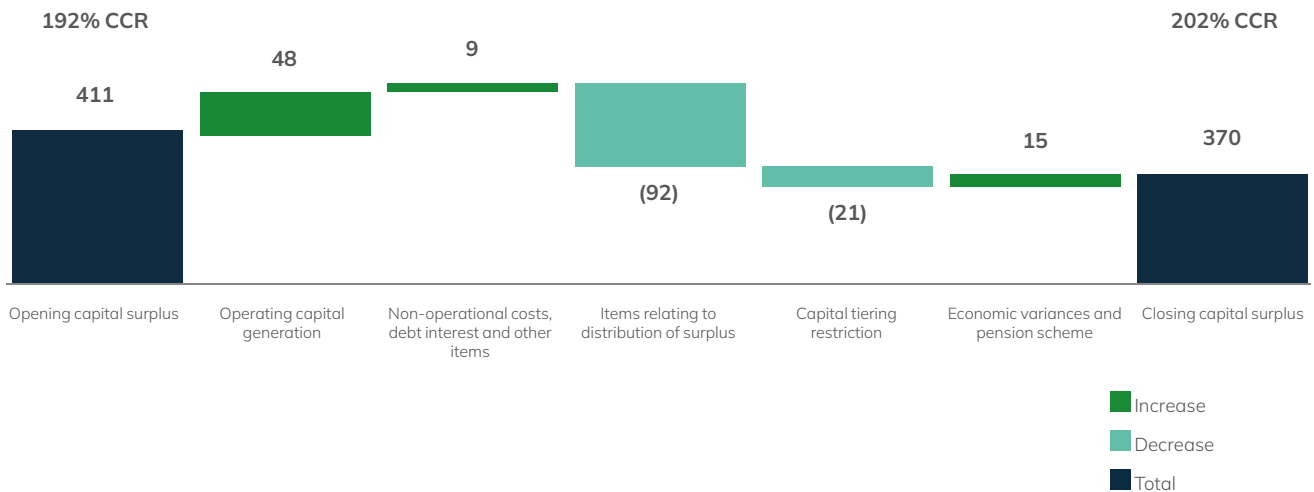
Returns in these funds are smoothed, taking the average of the funds' daily unit price over the preceding 26 weeks to produce an averaged price. This means that there is a lag in investment performance, resulting in the 2025 smoothed returns being suppressed slightly due to 2025 metrics including a proportion of the negative returns occurring in the last quarter of 2024 but not fully reflecting the strong returns seen over the second half of 2025.

## Smoothed Managed Fund Returns %



## Solvency II capital surplus

### Solvency II capital surplus reconciliation 2025 £m



Although the Solvency II capital surplus has decreased by £41m to £370m (2024: £411m), management initiatives to reduce the Solvency Capital Requirement mean that our Capital Coverage Ratio has increased by 10 points during the year to 202%. In addition to operating capital generation of £48m, the surplus has been increased by favourable non-operational items of £9m (2024: £65m adverse). This includes a £33m favourable impact from the recognition of decreased insurance contract liabilities following the update to late retirement terms on certain pension products. Partially offsetting this is interest payable on our subordinated debt of £19m and various other restructuring and one-off items totalling £5m.

Items relating to distribution of surplus in the form of member bonuses have generated a reduction in capital surplus of £92m (2024: £29m).

This is different to the UK GAAP impact of £100m, due to timing differences when accounting for the exit bonus paid in 2025 and the reduction in SCR generated by the allocation of the one-off bonus.

Management initiatives to reduce the Solvency Capital Requirement have led to a £21m capital tiering restriction being applied at year-end 2025. The Solvency II regulations mean that due to the lower level of the Solvency Capital Requirement not all of our subordinated debt can be classified as tier 2 capital, thereby reducing our capital surplus.

The increase of £15m (2024: £19m adverse) from Economic variances and the pension scheme is made up of £19m favourable impacts from economics, mainly equity driven, partially offset by an adverse pension scheme impact of £4m.

## Solvency II capital position

At the end of 2025, the group capital position remained strong on a Solvency II Standard Formula basis, with the capital surplus estimated to be £370m (2024: £411m). The Capital Coverage Ratio (CCR) of both the group (202%) and the company (201%) is above our minimum risk appetite of 140%.

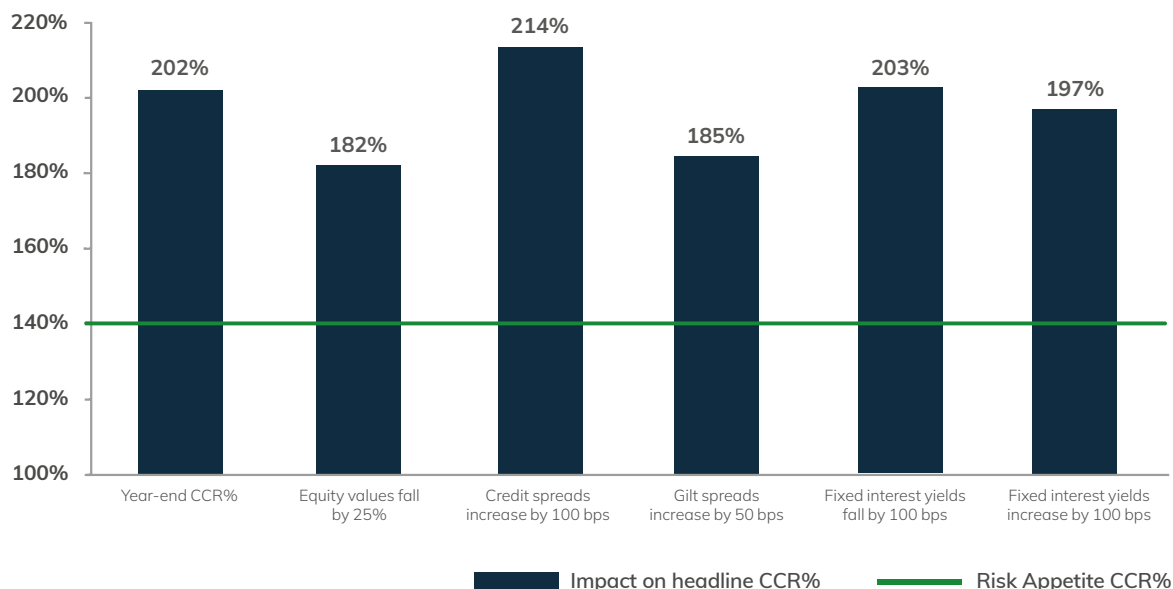
Capital surplus £m	Group		Company	
	2025	2024	2025	2024
Eligible own funds	732	857	735	857
Solvency Capital Requirement (SCR)	362	446	365	451
<b>Surplus<sup>1</sup></b>	<b>370</b>	<b>411</b>	<b>370</b>	<b>406</b>
<b>Capital Coverage Ratio (CCR)</b>	<b>202%</b>	<b>192%</b>	<b>201%</b>	<b>190%</b>

<sup>1</sup> The capital surplus reported in the Annual Report is based on the estimate of the results at the Annual Report signing date. It is possible that this result will be adjusted prior to the publication of the group Solvency Financial Condition Report later in 2026.

In order to report our CCR on a standard 'Investor view' basis, the Eligible own funds and SCR reported above exclude amounts attributable to ring-fenced funds (Royal National Pension Fund for Nurses (RNPFN) and Teachers Assurance). Including these funds, to provide a 'Regulatory view', would dilute the reported CCR to 197% (2024: 187%) for the group and 196% (2024: 185%) for the company as Eligible own funds and SCR would increase, however surplus would remain materially unchanged.

Eligible own funds for the group and company include the impact of £82m (2024: £101m) TMTP and are reconciled to the Fund for Future Appropriations (FFA) in note 2 of our accounts.

### Sensitivity analysis of Solvency II group capital surplus



The table above shows the sensitivity of the group's Capital Coverage Ratio to economic assumptions. The sensitivities allow for the impact of the group's hedging strategy. It can be seen that the group's Capital Coverage Ratio remains well above our minimum risk appetite CCR of 140% under all the economic sensitivities shown above.

The group's capital surplus position is sensitive to the above economic assumptions due to the following:

- A fall in equity values reduces the value of the group's defined benefit pension scheme, increases with-profits guarantee and smoothing costs and reduces the benefit of future charges on unit-linked business, all of which have partial hedges in place to limit the exposure to adverse equity market movements. A fall in equity values generates an increase in capital requirement because the cost of lapses on certain lines of business will increase. The severity of this sensitivity has been mitigated through a Smoothing Management Framework which permits management action to suspend smoothing on certain products to limit the extent of loss in severe market downturns.

- The credit spread sensitivity represents a widening of yields on relevant asset classes in basis points (bps) relative to swap rates. A widening of credit spreads, relative to swaps, increases the value of the group's defined benefit pension scheme by reducing the value of future liabilities. It also reduces the value of liabilities using the Volatility Adjustment.

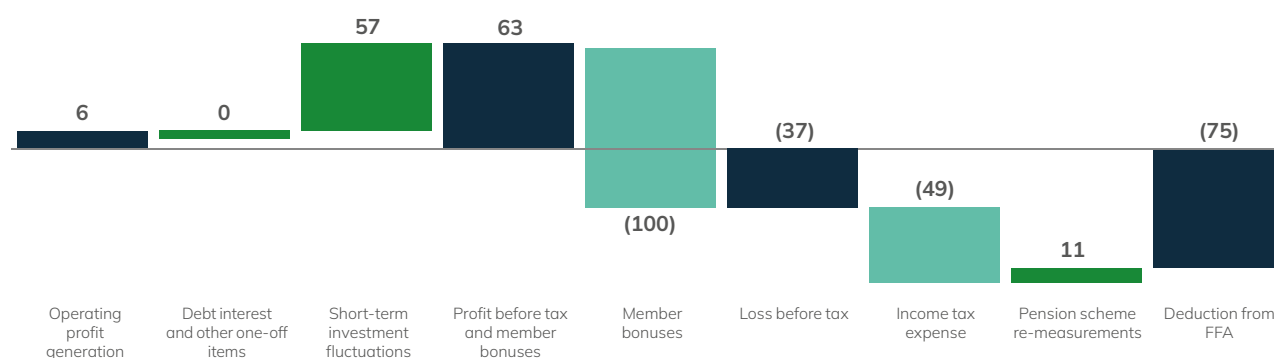
- The gilt spread sensitivity represents a widening of yields on relevant asset classes in basis points (bps) relative to swap rates. A widening of gilt spreads, relative to swaps, reduces the value of the group's defined benefit pension scheme and the assets invested to support the group's liabilities.

- The group's yield exposure is hedged based on an internal metric similar to Solvency II Own Funds excluding the defined benefit pension scheme. The solvency capital requirement, risk margin and TMTP are unhedged. Exposure arises on all product lines from the impact of fixed interest rate yield movements on discounting of future cashflows and unhedged capital. Over the year there has been a significant drop in exposure following the update to late retirement terms on certain pensions products and the consequent true ups to the hedged position.

## UK GAAP Result analysis

### UK GAAP surplus reconciliation £m

■ Increase  
■ Decrease  
■ Total



During 2025, the Fund for Future Appropriations (FFA) decreased by £75m (2024: £5m transfer to FFA), to give a total FFA for the group at year-end 2025 of £460m (2024: £535m). Due to the strength of our balance sheet and capital position, we were able to share £100m of discretionary bonuses with our eligible members in the form of £20m mutual bonus and £80m one-off bonus. Excluding this £100m allocation to policyholders' asset shares, the FFA would have increased by £25m.

Operating profit generation of £6m (2024: £43m) is discussed in further detail in the operating capital and profit performance section on page 14.

Subordinated debt interest of £19m was offset by £19m of non-operational items, comprising the positive one-off profit impact of £29m from updated late retirement terms on certain pensions products, partially offset by various other one-off costs totalling £10m.

Short-term investment fluctuations, generated by the strong performance in investment markets during the year, have had a £57m positive impact on profit before tax (2024: £65m). This mainly relates to the £48m reduction in the policyholders' asset shares generated by the deduction of tax from policyholders' investment gains. The overall impact on FFA of the policyholder tax expense is minimal as the tax expense itself is reported separately after profit before tax.

We consider the discretionary member bonuses we allocate to eligible members as being equivalent to the dividend payments made by shareholder owned companies. We are therefore reporting an alternative performance measure for our profitability of profit before tax and member bonuses. For 2025, our profit before tax and member bonuses was £63m (2024: £80m). During 2025, we allocated £100m of member bonuses, resulting in a pure UK GAAP loss before tax of £37m (2024: £51m profit).

The overall transfer from FFA was also impacted by income tax expense of £49m (2024: £32m) and favourable pension scheme re-measurements of £11m (2024: £14m adverse).

### UK GAAP expenses

Expenses reconciliation £m	2025	2024
Business as usual expenses	122	116
Commission paid on acquisition of business	103	91
Investment fees*	5	12
Strategic development costs	18	25
<b>Operating Costs</b>	<b>248</b>	<b>244</b>
Restructuring, one-offs and other	9	22
Claims handling cost adjustment	(6)	(7)
<b>UK GAAP total expenses</b>	<b>251</b>	<b>259</b>

\* Underlying operating investment fees for 2025 were £9m, with the £5m operating investment fees disclosed above benefiting from legacy positive impacts of £4m arising from the transition to BlackRock as our primary asset manager.

Operating expenses are discussed in more detail in our operating expenses performance review on page 15. The operating expenses metric incorporates the expenses included in our operating capital and operating profit generation metrics.

UK GAAP total expenses which are not incorporated into our operating costs include restructuring, one-offs and other costs of £9m (2024: £22m). Partially offsetting this in the reconciliation above is an accounting adjustment which removes claims handling costs of £6m (2024: £7m) because these costs are reported within gross claims paid under UK GAAP reporting rules.

## Sales reconciliation to UK GAAP premiums

Sales reconciliation £m	2025	2024
<b>Group sales (PVNBP basis)</b>	<b>1,232</b>	1,229
Equity release mortgage advances	(181)	(94)
Gross written premiums for non-participating investment contracts which are deposit accounted	(149)	(187)
Self-Invested Personal Pension (SIPP) deposits	(42)	(103)
Products arranged by LV= via our platform services	(23)	-
Effect of capitalisation factor on regular premium long-term business	(381)	(352)
<b>New business gross premiums</b>	<b>456</b>	493
Gross premiums from existing in-force business	281	267
<b>UK GAAP gross premiums written (see note 4 of our accounts)</b>	<b>737</b>	760

We report sales for the group on a Present Value of New Business Premiums (PVNBP) basis. Our PVNBP metric is defined in the alternative performance measures section on page 77. The slight increase in group sales during 2025 to £1,232m (2024: £1,229m) is discussed in further detail in our new business performance review on page 15.

## Capital key performance indicators (KPIs)

The business is managed on a Solvency II basis. The capital based KPIs are defined in the table below:

Capital KPI	Definition
<b>Operating capital generation</b>	<p>Operating capital generation is the primary KPI used by management to monitor the performance of our three business units.</p> <p>Operating capital generation is Solvency II surplus generated by the business, adjusted to remove the effects of temporary volatility from market movements. As a measure of the performance of the three business units rather than the overall group, it also excludes the revaluation of defined benefit pension schemes, impacts of member bonuses, debt interest and other group items including restructuring, non-recurring costs and other one-off items. This alternative performance measure is reconciled to Solvency II surplus generation in the financial review on page 16.</p> <p>Operating capital generation and Solvency II surplus capital are reported in the Annual Report on an investor-view basis, i.e. excluding the impact from ring-fenced funds.</p>
<b>Capital Coverage Ratio (CCR) %</b>	<p>The Capital Coverage Ratio is used by management for strategic planning purposes and to monitor the group's capital against our risk appetite. CCR% represents the ratio of our available capital to our required capital.</p> <p>CCR% is calculated as the ratio of Eligible own funds to the Solvency Capital Requirement (SCR) on an investor view basis. This reconciles to the Solvency II regulatory view capital figures for Eligible own funds and SCR by adding in the available and required capital for ring-fenced funds as shown in the financial review on page 17.</p>



# Risk Management



## Introduction

Risk management supports the delivery of LV's strategy by helping the business identify, assess and manage risks that could affect member outcomes, financial and operational resilience, or regulatory compliance. We operate an integrated risk management framework (LV=RMF) which brings together the key processes and activities we undertake to ensure that our members' and customers' security is at the forefront of our decision making. Structuring risk management practices and embedding engagement in line with this framework and our values, enables senior management to demonstrate that risk is actively and appropriately managed across the business.

The Board is responsible for determining the acceptable level of risk to which we may be exposed and for ensuring that these risks are appropriately controlled. These include risks to the business strategy and future performance, potential threats to policyholder security, liquidity management, and adverse outcomes for members and customers.

The Board seeks to achieve this by ensuring that the LV=RMF continues to include the setting of a proportionate risk strategy, risk appetite and a clear risk mandate and associated organisational design. The Risk Committee, on behalf of the Board, regularly monitors the operational effectiveness of the LV=RMF to ensure that it continues to drive a mature risk culture across LV=.

## Risk environment

The external context remained challenging during 2025, reflecting ongoing geopolitical uncertainty, inflationary pressures and regulatory change. These factors contributed to continued volatility in financial markets and heightened uncertainty for customers and businesses. The full year market performance was strong in 2025 despite market shocks principally from US trade policy and the market volatility associated with ongoing geopolitical dynamics in certain regions.

Inflation, and its impact on central bank interest rate policy, has remained a key focus throughout 2025. The Consumer Price Index (CPI) rose from 2.5% at the start of the year to 3.8% by September, which tempered optimism on the extent to which interest rates may be reduced. However, the Bank of England reduced rates by 1.0% over the year, with CPI falling to 3.4% by December.

This economic backdrop further influenced consumer sentiment. Findings from our Wealth and Wellbeing Research Programme confirm that there has been an increase in consumer optimism over the year, though cost of living implications continue. More than two in five people are worried about their financial future and one in five have recently dipped into their savings.

The regulatory priorities during 2025 continued the focus on embedding the Consumer Duty, enhancing market integrity and enabling growth and innovation. A central theme has been using the Consumer Duty as a framework to improve outcomes rather than layering new rulebooks. The Financial Conduct Authority (FCA) is prioritising multi-firm reviews, thematic work and sharing sector-wide good and poor practice to drive deeper embedding of the Duty across product design, customer journeys, outcomes monitoring and fair value assessments.

Following the implementation of the Solvency UK reforms in 2023 and 2024, we continue to explore opportunities to extend our range of investments.

Over 2025, there has been greater expectation over firms' environmental, social and governance (ESG) activities and disclosures in response to global issues such as climate change. A summary of the key activities undertaken, and the emerging risks and opportunities associated with climate change are discussed in the sustainable business review on pages 27 and 28.

## Risk profile

The principal risks set out below represent those most relevant to LV's strategy, operating model and external environment during 2025.

Key risks	Impact and mitigation
<p><b>Political, economic and regulatory uncertainty</b></p> <p>The risk of a reduction in solvency, policyholder value or customer returns resulting from prolonged uncertainty within the political, economic and regulatory landscape.</p>	<p>This risk continues to be significant as a result of the ongoing geopolitical risks, global macroeconomic uncertainty and the associated implications for the UK and other world economies.</p> <p>Inflation has remained persistent despite falling from the levels seen in 2022 and 2023, with high mortgage rates and high fuel and food prices continuing to squeeze household incomes, although this has somewhat improved over 2025. The impact of this squeeze (and potentially corresponding market volatility) on sales, persistency and customer outcomes is closely monitored by management to enable appropriate responses to be developed.</p> <p>The Solvency UK reforms have now been implemented and they provide opportunities to extend the range of asset investments utilised. We are fully exploring these along with the wider industry. This may have implications for capital management and the competitive positions in some of the markets we operate in.</p>
<p><b>Financial market volatility</b></p> <p>The risk that the financial resilience of our business is adversely impacted by changes in the financial markets.</p>	<p>The value of assets and liabilities held on our balance sheet, including those related to our pension schemes, are impacted by movements in the financial markets, most notably the equity and fixed-interest markets. We manage financial market risk through a combination of asset-liability matching through investing in high quality assets, use of regulatory allowances within the Matching Adjustment Portfolio where appropriate, product design and, where necessary, targeted equity, interest rate and inflation hedging strategies. Exposures are actively monitored through the Asset and Liability Management Committee and ongoing oversight by our asset manager. If required, actions are taken to change exposures and we expect this to continue in 2026 due to ongoing market volatility.</p> <p>The strategy for managing financial market risks, which balances the best interests of members and the management of the regulatory solvency position, is also regularly monitored through the Asset and Liability Management Committee.</p>

Key risks	Impact and mitigation
<p><b>Increased competitor pressures or market contraction</b></p> <p>The risk of lower business performance and profitability resulting from increased competitor pressures, market contraction or other factors.</p>	<p>Increasing competitor pressures across our propositions or potential market contraction in certain areas could adversely impact the ability to deliver our business plan through changes in business performance and mix resulting in reduced profitability and/or cashflow generation. We maintain a robust planning process and continue to monitor developments and adjust our plans, propositions and pricing where appropriate. We also monitor and review our strategic plans as part of these processes.</p>
<p><b>Business transformation</b></p> <p>The execution risks associated with pursuing the business plan priorities and dependencies on third-party delivery.</p>	<p>In 2025, the Board and management continued to progress the business strategy and transformation agenda. This includes a focus on delivering the business plan and managing the associated execution risks. Given the scale and importance of the transformation programme, there remains a risk that expected strategic outcomes are delayed or not fully achieved due to internal and external factors.</p> <p>We monitor this risk through ongoing review of key metrics and taking timely management actions to avoid potential adverse deviations to the business plan.</p>
<p><b>IT sustainability</b></p> <p>The risk that capacity, capability and control issues in relation to our IT systems lead to significant operational or customer risk events.</p>	<p>We currently operate with a number of legacy IT systems and infrastructure which can be exposed to capacity, capability or control issues including, for example, the system being unavailable for a period of time. These risks could result in adverse operational and customer impacts should they arise. During 2025, significant investment and progress was made in addressing IT sustainability risk. This remains a top strategic priority and the work to mitigate these risks is progressing as part of a multi-year project. We continue to enhance and embed our operational resilience framework, in line with regulatory requirements, to reduce the likelihood and impact of technology-related disruption.</p>
<p><b>Cyber security</b></p> <p>The risk of customer data loss or a severe reduction in customer service as a result of a cyber-event.</p>	<p>The threat of external cyber-attacks remained heightened during 2025. We operate a comprehensive cyber-risk strategy which is designed to ensure that the business continues to identify, assess and respond to the evolving threat of a cyber-attack. In addition, a range of communications were delivered to improve both colleague and customer awareness of the threat of fraudulent activity. We continue to invest in our response to cyber security, and it remains a key priority to ensure the mitigating controls remain robust, while acknowledging the evolving external context.</p>
<p><b>Conduct risk</b></p> <p>The risk that key operational controls are ineffective, resulting in poor member or customer outcomes.</p>	<p>The complex and long-term nature of life and pensions products means that, as customer needs change over time, there is a risk that products do not perform as customers would expect and that they no longer deliver appropriate customer outcomes. We operate a comprehensive framework to ensure that new and existing products are subject to review. These regular product reviews seek to support the delivery of appropriate customer outcomes, in line with the Consumer Duty requirements.</p>

## Emerging risks

As well as monitoring near-term risks, senior management and the Board also consider emerging risks and opportunities which may impact LV= in the future. The top themes from our latest review include:

Emerging risks	Example events/drivers
<p><b>Potential impact of generative artificial intelligence (AI)</b></p>	<p>As rapid advancements and widespread adoption of AI continue, the technology presents significant opportunities to drive efficiency and innovation both now and in the future. However, it also introduces new and evolving risks. Emerging AI related themes identified through our review include increasing focus on ethical implications, unconscious bias, data accuracy and privacy.</p>
<p><b>Evolving cyber threats</b></p>	<p>The rapid advancement of AI and emerging technologies, including quantum computing, significantly elevates cybercrime sophistication. Consequently, the threat landscape is constantly evolving, requiring organisations to consider how they will continue to enhance their detection, protection and response capabilities. This emerging risk focuses on this driver of cyber threat, alongside the existing threats and risks.</p>
<p><b>Unexpected further geopolitical risk</b></p>	<p>Escalating geopolitical tensions and uncertainty, including conflicts and shifts in international relations are generating significant global impacts. While a number of these are current risks, this emerging risk considers potential future geopolitical risks. For us, impacts such as third-party disruptions, increased market volatility and increased cyber threats are plausible in the short to medium term.</p>
<p><b>Large-scale regulatory change</b></p>	<p>The regulatory landscape is becoming increasingly complex with continued regulatory focus on how to support economic growth while maintaining market integrity and protecting consumer outcomes. This risk includes a material shift in future regulation together with regulators raising the standards required to demonstrate compliance or developing new significant regulations in response to other government or external developments.</p>

Each emerging risk is assigned to an Executive team owner and is reported to the Risk Committee. This includes, where appropriate, risk monitoring, the actions that can be taken to respond to the risk if required and the triggers for the action to be considered.

## LV=RMF overview

The LV=RMF, owned by our Chief Risk Officer on behalf of the Board, provides a structured set of processes, tools and behaviours to support the identification, assessment and management of material risks. This further supports senior management in responding effectively to any potentially significant internal or external event(s) that may impact the delivery of our business strategy. The LV=RMF supports informed, risk-based decision making and helps ensure ongoing compliance with regulatory, legislative and internal policy requirements.

### The key elements of the LV=RMF are summarised below:

<b>Risk universe</b>	The risk universe is a standard set of key risk categories where we have, or are likely to have, material risk exposures. These are used for identifying, reporting and modelling our risk exposures.
<b>Risk strategy</b>	This sets out our approach to risk management and how it is aligned with the overall business strategy.
<b>Risk governance</b>	This covers the framework and processes which demonstrate to the Board that appropriate and effective risk management, oversight and assurance is being undertaken for all material risks faced by the business.
<b>Risk appetite</b>	These are a set of statements and supporting measures which clearly state the level of risk that the Board is willing to accept in order to achieve its business objectives.
<b>Risk policies and standards</b>	These set out the expectations and evidence requirements for how the Board expect the key risks within the risk universe to be identified, categorised, assessed, controlled, monitored and reported.
<b>Risk and control assessment</b>	This is an integrated and co-ordinated set of processes which facilitate the timely and effective identification, assessment and management of risks that could or will impact the business.
<b>Own Risk and Solvency Assessment</b>	The Own Risk and Solvency Assessment (ORSA) processes facilitate the timely and effective identification, assessment, monitoring and control of our risk, capital and liquidity positions.
<b>Culture and performance</b>	This includes performance measures that drive appropriate behaviours and promote an effective risk culture.
<b>Training and communications</b>	This is a programme of regular and timely risk-based training and communication across all areas of the business. It ensures that there is a clear understanding of risk management processes and controls.
<b>Management information and reporting</b>	This is the provision of complete, accurate and timely management information to senior management and the Board to allow them to discharge their risk management responsibilities and to facilitate risk-based decision making.

### Risk universe

As a business we are exposed to both financial and non-financial risks. Profitability and growth, together with customer outcomes, are dependent upon the proactive management of these risk exposures. The risk universe sets out the key risk categories where we have, or are likely to have, material risk exposures. At a high level, the risk categories to which we are exposed are:

- life insurance risk
- financial markets risk
- credit counterparty risk
- liquidity risk
- strategic risk
- conduct risk
- operational risk

Clear executive accountabilities for managing each of these risks have been agreed at the Risk Committee.

### Risk strategy

The risk strategy is aligned with the business strategy and ensures that an effective approach to risk management is in place, in line with our business and financial goals. This risk strategy aims:

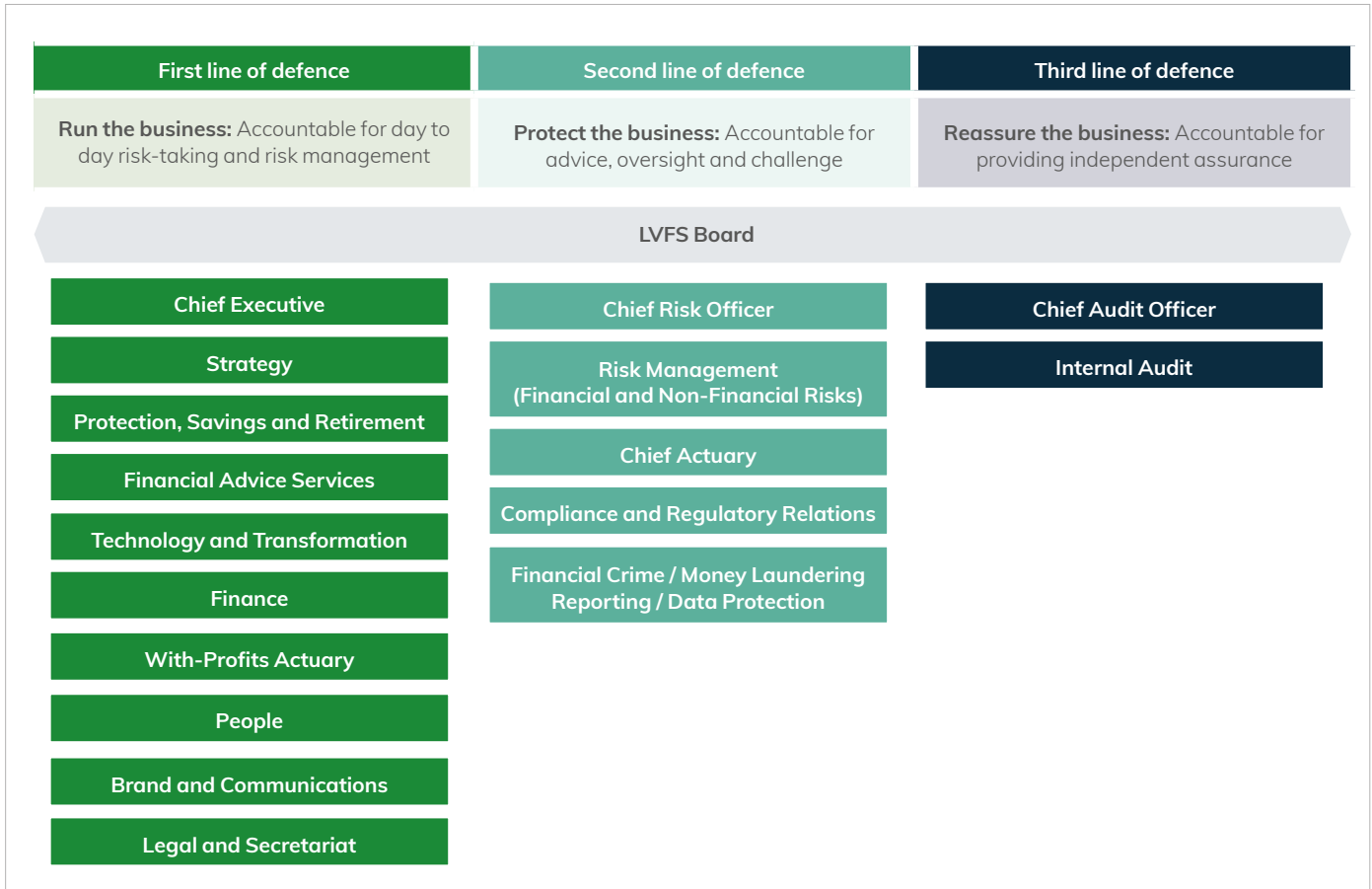
- to inform the Board in identifying the most attractive risks to accept and set a robust risk appetite which ensures that the business model and strategy are designed and executed in a controlled manner to safeguard member value.
- to drive a strong risk culture that ensures the business is managed in line with the Board's risk strategy.

### Risk governance

We operate a three lines of defence model as part of our day-to-day risk management operations, as set out within the Board-approved risk mandate. The Board delegates much of its oversight of risk matters to the Risk Committee, which together with the Executive Risk Committee, the Chief Risk Officer and the Risk Management team, ensures that the business is operating in line with the requirements of the LV=RMF.

The roles and responsibilities across the three lines of defence model are included within the risk strategy. Ownership of risk is summarised as follows.

- **First line of defence:** led by the Chief Executive who is supported by the Executive and Senior Leadership team. The Executive team are accountable for the management of risk and are required to identify, assess, manage and report on the risk profile on a current and forward-looking basis. Sound risk management tools, practices and knowledge facilitate informed business decision making in accordance with the LV=RMF and particularly our risk appetite.
- **Second line of defence:** led by the Chief Risk Officer who is supported by the Risk Management team (covering both Operational and Financial risk), Compliance and Actuarial functions and other risk management professionals across the organisation. The Risk Management team develops and directs the implementation of the LV=RMF, monitors, reviews and challenges first line compliance with this framework, and escalates material breaches to the Board.
- **Third line of defence:** led by the Chief Audit Officer who is supported by the Internal Audit team. The Internal Audit team provides independent and objective assurance to the Audit Committee and the Executive team on the effectiveness of the systems of risk management and internal controls across the business.



### Risk appetite

Our risk appetite comprises a suite of quantitative and qualitative statements that are used to measure current and future business performance. These consider both financial risks (solvency and liquidity) and non-financial risks (people, product and sales, customer and adviser service, safeguarding, IT, information security, data and processes).

Risk appetite statements provide direction to senior management in executing the risk strategy and balancing growth, resilience and customer outcomes. These statements are further underpinned by a suite of more granular supporting measures, limits and triggers relating to key risk drivers.

### Risk and control assessment

Management undertake regular assessments to help determine whether the risk and control environment continues to operate in line with expectations. This helps ensure that the risks that we face are identified, understood and managed effectively. The conclusions of these assessments are used to inform our senior management and the Board as to whether there is an increasing likelihood that a single risk or group of risks could impact the business or our members and customers.

### Own Risk and Solvency Assessment (ORSA)

The ORSA is an integral part of our capital management processes and the overall LV=RMF. It is an effective tool used to inform strategic decision making. The ORSA comprises iterative internal risk and capital assessment processes operated throughout the year to monitor ongoing risk exposures relative to appetite and ensure solvency and liquidity needs are met on both a current and forward-looking basis. These processes support the implementation and embedding of the LV=RMF and include risk strategy and risk appetite, risk identification, assessment and measurement, risk monitoring and reporting, linkages to business strategy and stress and scenario testing across both financial and non-financial risks.

An annual ORSA Report is developed and agreed with the Board and consolidates the findings from the ORSA processes performed throughout the year. For example, the ORSA Report includes key outcomes from the risk review of our financial plan, stress and scenario testing (including reverse stress testing), the assessment of the appropriateness of the Solvency II Standard Formula and regular solvency and risk exposure monitoring. The solvency position of the business is determined in accordance with the Solvency II Standard Formula requirements.

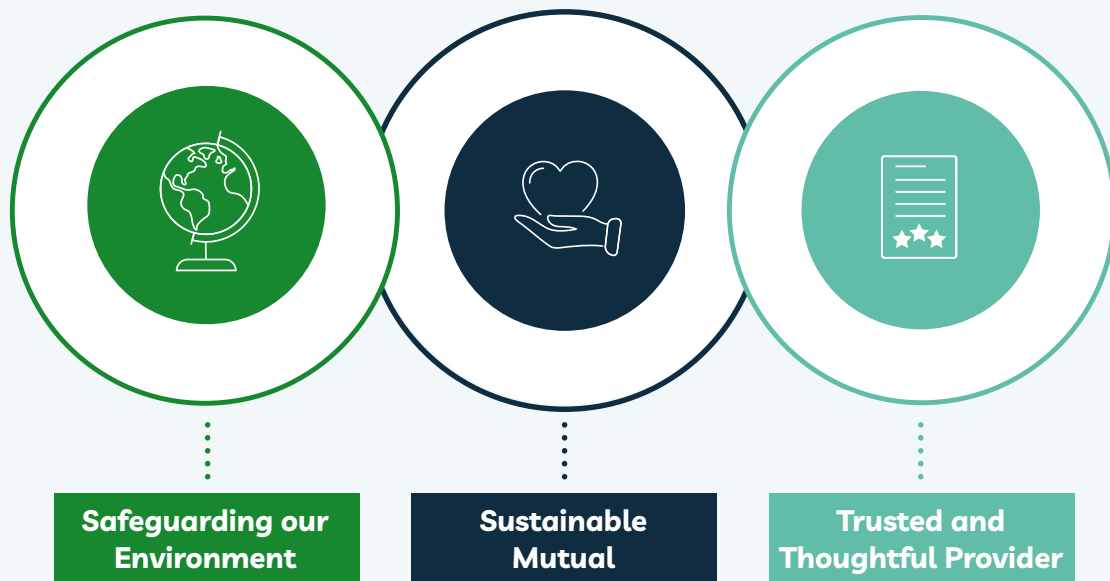
Key risk developments emerging throughout the year are escalated to the Board or Risk Committee as appropriate through regular risk reporting.

### Risk management effectiveness

We conduct an annual risk maturity and culture assessment to assess the ongoing effectiveness of the embedding of the LV=RMF and to test how the risk culture of the business is evolving over time. The outputs from this assessment are used to identify areas for further enhancement and support continuous improvement in risk management effectiveness. This is also included in the remuneration performance targets to directly link risk management performance to overall reward.

# Sustainable Business Review

Sustainability is an integral part of the way we do business. This report aims to share our approach and what we are doing at LV= to tackle environmental, social and governance (ESG) issues with our members, customers, advisers and other stakeholders. Further details are provided in our stand-alone Sustainability Report which can be found at [LV.com/lvcares](https://www.lv.com/lvcares)



## Sustainability strategy

Our purpose has been to help people live financially confident lives since 1843. Everything we do is to help our members and customers plan for a financially secure future by protecting their income while they are working and maximising it when they stop. As a mutual, our members are at the heart of LV=.

Our sustainability strategy focuses on three core pillars that we believe are essential foundations in helping our members and customers for many generations to come.

### Safeguarding our Environment

#### Commitment

Deliver strong, stable and sustainable value to our members and customers and achieve this in a way that protects and nurtures our planet for both current and future generations.

#### Goal

Strive to embed environmental considerations in everything we do. Safeguarding our environment is our first pillar because we believe looking after our environment is fundamental to ensuring a society and economy where all can thrive.

#### Key initiatives

- Develop a transition plan to net zero.
- Invest responsibly by ensuring environmental, social and governance factors are considered when making decisions.
- Further reduce the environmental impact of our operations.

### Sustainable Mutual

#### Commitment

Make a positive and lasting impact in our local communities because, as a mutual, we believe our role in society goes beyond supplying products and services. Empower our colleagues to deliver positive sustainable outcomes for our members, customers and wider stakeholders.

#### Goal

Be part of a society that works for everyone. Our priority is to ensure that we are here for our members and customers for generations to come.

#### Key initiatives

- Support our communities through activities and fundraising.
- Build talented diverse teams and prioritise the wellbeing of our colleagues.

### Trusted and Thoughtful Provider

#### Commitment

Build on our strong governance and values-led culture to ensure we go above and beyond what is required to meet legal and regulatory obligations. The way we serve our members and customers is of equal importance to the products, services and advice that we offer.

#### Goal

Be a trusted and thoughtful mutual business that is member-focused and provides attractive and sustainable member returns through product, service and investment excellence.

#### Key initiatives

- Support our members and customers with excellent customer service and access to help when they need it.
- Embed a strong governance framework, which is driven by a values-led culture.
- Collaborate with others in our industry to drive change.

# Safeguarding our Environment

We all have an important part to play in safeguarding our environment by sustainably using our resources to protect and nurture our planet for current and future generations. Central to this is the collective reduction of greenhouse gas emissions.

Our ambition is to transform our business to become net zero in line with the UK government's commitment to net zero by 2050 and in support of the Paris Agreement's objective to limit global temperature increases<sup>1</sup>. As we prepare for this, we will continue to seek opportunities to accelerate this timeline.




**Net zero** is the goal of balancing greenhouse gases produced with those absorbed. This means reducing emissions and utilising methods of absorbing greenhouse gases from the atmosphere.

During 2025, we continued to make progress across our investments, operations and supply chain. Within our investments portfolio, we have made significant progress and are on track to achieve our 2030 decarbonisation objective. In our operations, we have further enhanced the efficiency of our offices as part of the energy savings opportunity scheme. Within our supply chain, our focus has been on enhancing the data we collect and further embedding environmental, social and governance factors into our due diligence processes. With that in mind, we have integrated a new platform that ensures we collect, as standard, information on emissions, net zero commitments and broader ESG practices that improve our decision making.

We cannot achieve our full ambitions alone. Achieving net zero status is reliant on many stakeholders, including governments and policymakers, to ensure that the goals of the Paris Agreement are achieved. We must also ensure that our ambitions for net zero outcomes are balanced against our ability to deliver the risk-adjusted investment performance our members expect. We plan to evolve our approach by considering interim targets for a greater proportion of our emissions.

Since 2022, we have been carbon negative in relation to our operational greenhouse gas emissions and have maintained our Carbon Neutral + accreditation. This means we have determined our carbon emissions for our business and offset 110% of both our direct and indirect operational emissions<sup>2</sup>. We achieved this by supporting six emissions removal projects that were voted for by our colleagues. The projects include reforestation in Ghana and Sierra Leone, plantations in Uruguay and afforestation and improved grassland management in China.

We continue to identify and implement environmental initiatives to further lower our carbon footprint and reduce the reliance on offsetting.



**Carbon Neutral Organisation**

**Our operations are carbon negative**

We calculated our operational carbon emissions and offset 110% of our total emissions which has supported worthwhile projects

<sup>1</sup> The Paris Agreement is a legally-binding international treaty on climate change. The goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

<sup>2</sup> This calculation focuses on our operational emissions including direct emissions from heating and cooling our offices, consuming electricity and estimates for homeworking and business travel. It does not include other indirect emissions such as those from our investment portfolio or the goods and services we purchase from third parties.

## Governance

The Board, with support from the Investment, Risk, Audit and Remuneration and Nomination Committees, has mandated and monitored progress towards our sustainability strategy and net zero ambition throughout 2025 and continues to ensure appropriate oversight is maintained and enhanced over time. The Board is committed to assessing and addressing the financial risks associated with climate change and the framework to support this continues to be embedded and enhanced within our governance and risk management processes.

Committee	2025 committee activity
<b>Investment</b>	<p>The Investment Committee regularly considered the progress made in relation to our strategic aims including monitoring progress towards our net zero ambitions.</p> <p>Continued advancement of our Responsible Investing Framework was a key focus and the committee supported a formal exclusion of holdings deriving significant revenue from thermal coal and oil sands.</p>
<b>Risk</b>	<p>The Risk Committee continued to oversee sustainability risk, receiving updates on our sustainability-related risk radar and enhanced regulatory expectations in relation to climate-related financial risks. In addition, the committee met in June 2025 to review the Own Risk and Solvency Assessment (ORSA) Report, which includes meaningful consideration of developments in the financial risks associated with climate change.</p>
<b>Audit</b>	<p>The Audit Committee supported our Sustainability Report development and ultimately approved it, with a focus on Task Force on Climate-related Financial Disclosures (TCFD) and Companies Act 2006 regulatory requirements. In addition, the committee considered an internal audit report reviewing the reporting of sustainability measures.</p>
<b>Remuneration and Nomination</b>	<p>The Remuneration and Nomination Committee has oversight of the diversity, equity and inclusion (DEI) targets set in support of our DEI and wellbeing strategies and our wider sustainability strategy. The committee meets at least five times a year and receives reports at each meeting from our Chief People Officer on the initiatives in place across the business and our performance against our DEI targets. The committee also receives regular updates on the work undertaken by our five DEI&amp;W networks, our involvement in community and charity projects with our chosen partners and the results of our regular employee surveys.</p>

Our governance structures have been designed to achieve integration of the sustainability strategy into everything we do and leverages existing Board meetings and other Board committees to oversee this.

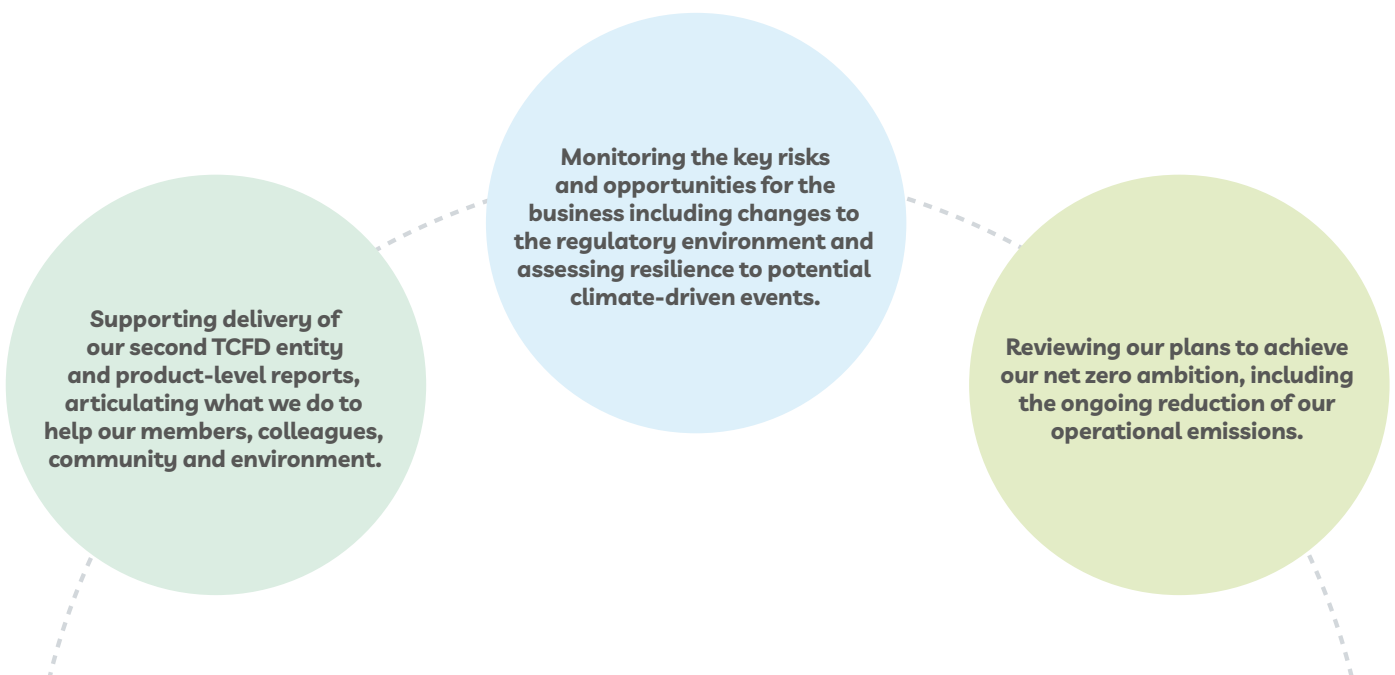


### Sustainability Committee

The Sustainability Committee, chaired by our Chief Executive, brings together key stakeholders from across the business to drive change and deliver and evolve our sustainability strategy.

The membership includes the Chief Risk Officer, Chief People Officer, Chief Commercial Officer, Chief Investment Officer, Operational Resilience Director and Head of Third-Party Management. The seniority of the membership demonstrates our commitment to sustainability and supports the Chief Executive in implementing the sustainability strategy across the business. Issues raised at the Sustainability Committee can be escalated, where required, to the wider Executive team.

**Over 2025, the committee met four times with key activity including:**



## Risks and opportunities

### Identification and assessment of climate-related risks

Climate change and wider sustainability risks are incorporated within LV's risk management framework (LV=RMF) to enable us to assess these risks within our business strategy. The primary channel for identification of climate risks is our annual refresh of our risk universe and emerging risk register supported by a workshop held with key stakeholders to allow additional focus to be given to identifying the changing risks and opportunities that climate change presents.

Further detail in relation to the LV=RMF can be found on pages 22 and 23, while the table below outlines how climate change and wider sustainability risks have been incorporated within the LV=RMF.

LV=RMF element	Relevance for climate change and sustainability
<b>Risk universe</b>	Climate change risk has been classified as a driver of other potential risks, rather than a standalone risk – this reflects its wide-reaching potential impact. Climate change, and sustainability in general, may impact and evolve other risks within the risk universe. For example, the financial markets risk will change depending on the chosen investment strategy, which is influenced by our sustainability strategy. Potential movements in climate-related exposures are monitored and reported within the annual Own Risk & Solvency Assessment (ORSA) Report.
<b>Risk appetite</b>	The risks from climate change and sustainability are reflected within the risk appetite framework of the business. Appetites relate to both financial and non-financial risks.  Additional climate-specific risk indicators were introduced in 2023 to provide oversight over the level of risk.
<b>Risk policies and standards</b>	While climate change has been classified as a driver of risk, it has been explicitly flagged within the relevant risk policies and standards to ensure that any potential future impacts are given due consideration and reflect the long-term nature of the associated exposure.
<b>Own Risk and Solvency Assessment (ORSA)</b>	Risks to the business are assessed on an ongoing basis through the ORSA-related processes. These include assessing the potential impact of ESG-related factors on the risks and identifying any further emerging risks and opportunities.  The scenario analyses, performed to support the ORSA and other business processes throughout the year, explicitly consider climate-related exposures and the potential implications within the scenarios.
<b>Management information and reporting</b>	Insights on the sustainability of our investments is provided to the Investment Committee on a regular basis and included in any new investment proposals.  Where appropriate, sustainability factors are also included within reporting to the Board or Board committees to ensure there is appropriate consideration within key decision making.

### Climate-related risks and opportunities

Uncertainty remains in the ways in which we, and the wider financial services sector, may be impacted by climate change while governments, industries and society more widely seek to determine the appropriate speed and actions required to protect the environment. In 2019, the UK government became the first major economy to pass a net zero emissions law; also supported at COP 26 where the Chancellor set out plans for the UK to be the world's first net zero aligned financial centre. The scale of change required to meet these targets, and the potential consequences if we don't, present both risks and opportunities for our business. These risks and opportunities will likely manifest over different time frames depending on the scale of intervention taken to protect the environment. In our analysis of the risks, we use the following time frames:

#### LV= Time frames

**Short Term** Less than 5 years

**Medium Term** Five to ten years

**Long Term** Greater than ten years

As a UK life and pensions mutual insurer, the risks associated with climate change, particularly physical risk, may be less material than for other companies who carry out general insurance or global operations. However, the impact of climate change remains highly uncertain, particularly in relation to the extent to which different geographical locations may be affected.

The key risks and opportunities for our business from climate change include:

Risk or opportunity	Description	Timeframe	Examples of potential impact	Approach
<b>Physical risk</b>	Physical risks due to climate change arise from a number of factors and relate to specific weather events (such as heat waves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising average temperatures).	Medium to Long Term	<ul style="list-style-type: none"> <li>■ Fall in the value of investments or property backing equity release or commercial mortgage loans</li> <li>■ Failure/disruption of a third party</li> <li>■ Shifts in longevity, morbidity and mortality</li> <li>■ Disruption of business operations</li> <li>■ Inflation of business as usual costs due to scarcity of resources or increased geopolitical tension arising from climate changes</li> </ul>	<ul style="list-style-type: none"> <li>■ Monitor via scenario analysis and sensitivities</li> <li>■ Use of reinsurance to mitigate demographic risk exposures</li> <li>■ Monitor evolving industry practice and regulatory guidance for assessing and adjusting to demographic risks</li> <li>■ Business continuity planning and operational resilience testing</li> </ul>
<b>Asset transition risk</b>	Asset transition risks can arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.	Short to Medium Term	<ul style="list-style-type: none"> <li>■ Fall in the value of investments which are perceived as environmentally unfriendly or which may be adversely affected by climate change</li> <li>■ Failure or disruption of a third party who provides a service to us, adversely affecting delivery of that service</li> </ul>	<ul style="list-style-type: none"> <li>■ Monitor via a transition risk indicator</li> <li>■ Monitor via sensitivity testing</li> <li>■ Ensure ESG considerations are embedded in investment processes</li> </ul>
<b>Policy and legal risk</b>	Changes to regulation and disclosure requirements from governments encouraging firms to transition to a low-carbon economy have the potential to create compliance and legal risks as we adjust to new regulation.	Short to Medium Term	<ul style="list-style-type: none"> <li>■ Increased operating costs as a result of implementing regulatory requirements</li> <li>■ Increased operating costs from third parties</li> <li>■ Potential fines and litigation</li> </ul>	<ul style="list-style-type: none"> <li>■ Emerging regulatory changes are tracked by our Compliance team</li> <li>■ Operation of a 'three lines of defence' model to mitigate risk of non-compliance</li> <li>■ Contract renegotiation and tender processes with third parties</li> </ul>
<b>Reputational risk</b>	Reputational risk may arise as a result of unfavourable market and consumer reactions if we are judged not to have responded appropriately to climate change and emerging regulatory requirements.	All	<ul style="list-style-type: none"> <li>■ Reduced new business volumes</li> <li>■ Increased lapse/surrender rates</li> <li>■ Potential litigation</li> </ul>	<ul style="list-style-type: none"> <li>■ Integration of climate change and greenwashing risks within our risk management framework to ensure appropriate response</li> <li>■ Monitoring to understand and explain any increases in the operational emissions of the business per full-time employee</li> <li>■ Implementation and publication of our sustainability strategy</li> <li>■ Ensure targets set are achievable with progress monitored</li> </ul>
<b>Product innovation opportunity</b>	As regulations and consumer preferences change, opportunities for new and innovative products which meet consumer needs are likely to be created.	Medium Term	<ul style="list-style-type: none"> <li>■ Consumer demand creates opportunities for product innovation and growth, thereby addressing new and evolving consumer needs</li> </ul>	<ul style="list-style-type: none"> <li>■ Monitor consumer sentiment by conducting surveys and watching industry trends</li> </ul>
<b>Investment opportunities</b>	Asset transition presents an opportunity for enhanced returns from assets that support the transition to a low-carbon economy. Longer term there is an opportunity for enhanced returns from assets which are resilient to the physical effects of climate change.	Medium to Long Term	<ul style="list-style-type: none"> <li>■ Increase in the value of our investments</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensure ESG considerations are embedded within our investment processes</li> </ul>

## Embedding sustainability into the business planning process

Our sustainability strategy is integrated into business planning to ensure that climate change and other ESG considerations are captured alongside other financial metrics as we plan for the future and assess the resilience of our business strategy.

Our business plan, which is reviewed and approved by the Board annually, provides a road map for delivering the group's strategic objectives. The plan is developed by setting a number of assumptions including those relating to future trading, demographic experience of the existing business and anticipated spend. The assumptions are set using a combination of analysis of past experience overlaid by expert judgement informed by the risk analysis and assessment activities undertaken over the year. Climate change considerations are factored implicitly into some assumptions, such as future market returns or lapse rates, and in some cases more explicitly, such as consideration of the level and allocation of spend required to support initiatives required to deliver key strategic goals relating to climate change. These assumptions are assessed by management, including our Risk Management team, and the Board for both reasonableness and for consistency with our capabilities and objectives.

In recent years, this process supported the delivery of several activities which have enhanced our ability to manage climate-related risks. These include improvements made to our offices to reduce our carbon footprint, the implementation of carbon offsetting, the development of our climate-related scenario analysis and the sourcing of data to monitor and manage exposures.

### Climate scenario analysis

A number of scenarios were developed to support our understanding of the potential implications arising as a result of acute and chronic changes to the climate, which included:

- significant falls to the value of properties backing Commercial Mortgage Loans used to back annuities or Equity Release Mortgage loans, as a result of an increase in the frequency and severity of weather events, including storms and floods,
- shocks to the investment portfolio using the Network for Greening Financial Services scenarios, including the Disorderly Transition scenario, which is assumed to result in a 2°C temperature rise by 2100,
- changes to mortality, morbidity or longevity assumptions as the climate shifts,
- LV= failing to comply with regulations or being subject to litigation because of failing to appropriately manage the risks related to climate change.

The impact on the investment portfolio from each of these scenarios was expected to have limited impact on our solvency position because of the diversification within our existing holdings and the hedging strategies in place. Similarly, the impact on our liquidity surplus was expected to be limited. However, it was also recognised that certain considerations and factors, such as sea level rises or forced mass migration, were not yet modelled within these scenarios.

Scenario testing was also performed within the business plan with the scenarios designed to consider how climate change could affect the strategic outlook. We assessed a transition headwinds scenario and a delayed transition scenario.

The transition headwinds scenario assumes our strategy experiences additional challenges from the external environment, both regulatory changes and the transition and physical impacts from climate change.

The delayed transition scenario assumes that there is a delay in implementing our climate change transition strategy (or that additional activity is deemed required to meet objectives) and that we face regulatory, investment and expense challenges as a result.

The scenarios rely on a number of assumptions about the size and timing of impacts from climate change. Therefore, they are intended to promote discussion rather than fully predict and model the future. We expect to further enhance our climate scenario analysis as industry practice evolves and data improves.

## Responsible Investment

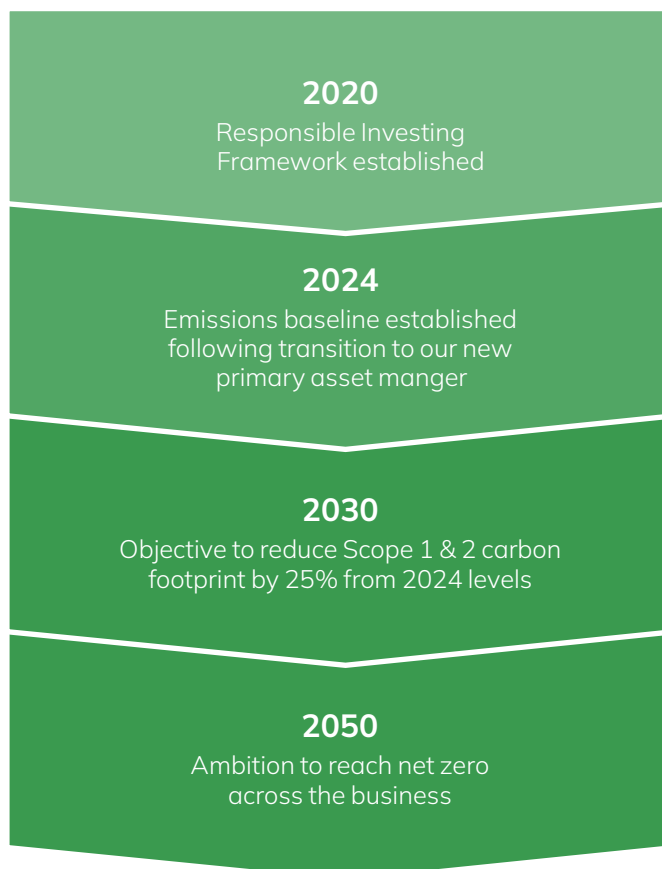
We believe we have an obligation to our members to invest their money responsibly to manage investment risks. Our Responsible Investing Framework ensures we work closely with our external asset managers to ensure ESG considerations are firmly embedded in the origination and management of our investments. By doing so, we strive to deliver strong and stable member returns in a way that protects and nurtures our planet for both current and future generations.

During 2025, we made significant progress towards our objective to reduce our carbon footprint by 25% before 2030 for publicly listed corporate bond and equity holdings where we have full investment control. As part of our Responsible investing approach, we optimised returns for members and significantly reduced exposure to holdings that we believed had increased ESG risks. For example, we divested away from assets in the mining and tobacco sectors. We have reduced our carbon footprint by 31% over 2025 across these funds. Carbon footprint is influenced by a range of factors such as changes in company emissions, data and methodology changes and investment management activity. It is important to note that decarbonisation pathways are rarely linear and short-term emissions performance may vary despite sustained effort. The decarbonisation of investment portfolios, engagement with investee companies and allocation of capital to support the transition to a low-carbon economy are core components of our wider long-term ambition to reach net zero by 2050.

### We are on track to achieve our 2030 decarbonisation objective

This applies to publicly listed corporate bond and equity holdings within our full control

Responsible investment encompasses all ESG considerations. We undertake several actions which ensure ESG risks are identified and managed appropriately as we seek to drive strong and stable member returns.



## 2025 highlights

### Reviewing our exclusions

While we prefer engagement over exclusion, we recognise that in some cases divestment may be necessary to appropriately manage ESG risks, deliver risk-adjusted returns for our members and align with our Responsible Investing Framework.

Over 2025, we strengthened our commitment to the energy transition by formalising an exclusion to holdings deriving greater than 25% revenue from thermal coal extraction and/or power generation, and oil sands production and generation. This applies to holdings where we have full investment control which is approximately half of our assets under management.

Exposure to companies with revenue from thermal coal and oil sands is limited across all investments as, with the exception of index strategies, all of the pooled investment funds we currently allocate to operate a 25% or lower revenue threshold exclusion. We may consider exceptions on a case-by-case basis, particularly if a company can demonstrate a credible path to transition away from thermal coal or oil sands in alignment with the goals of the Paris Agreement.

### Engaging for change

We believe that engagement with investee companies is an effective way to drive positive ESG change and contributes to the long-term success of the global economy.

Our engagement approach aligns to our net zero ambitions and we have established a joint Sustainability Forum with BlackRock, our primary asset manager, focusing on engagement with our highest emitters.

We recognise that BlackRock engage collectively, focusing on understanding material risks and opportunities. We believe regular engagement can influence change and ultimately our goal, through BlackRock, is to advocate for a greater proportion of companies to make credible net zero commitments.

### Funding the transition

We recognise that as well as encouraging decarbonisation through engagement activity, we have a part to play in ensuring capital is deployed to climate solutions that support the mitigation and adaptation of the real economy.

Over 2025, we increased our allocation to funds which promote specific environmental or social characteristics by more than £350m. These investments now represent over half of our policyholder assets. These funds range from operating simple exclusions to having specific objectives, such as the reduction of carbon emissions intensity over time.

To ensure we support the transition to a low-carbon economy, we are exploring specific allocations to investments that provide climate solutions.

## Metrics and targets - investments

		2025	2024
<b>Listed equity</b>	Carbon Emissions <sup>1</sup>	96,787	87,588
	Carbon Footprint <sup>2</sup> Scope 1 and 2	38	40
	Carbon Footprint scope 3	320	n/a
	WACI <sup>3</sup> Scope 1 and 2	83	99
	WACI Scope 3	668	n/a
	ITR <sup>4</sup>	2.4	n/a
	Data Coverage <sup>5</sup>	99%	94%
<b>Corporate bonds</b>	Carbon Emissions	114,837	120,190
	Carbon Footprint Scope 1 and 2	43	51
	Carbon Footprint scope 3	273	n/a
	WACI Scope 1 and 2	123	118
	WACI Scope 3	727	n/a
	ITR	2.3	n/a
	Data Coverage	86%	85%
<b>Sovereign bonds</b>	Production Emissions Intensity <sup>6</sup>	129	143
	Consumption Emissions Intensity <sup>7</sup>	8	9
	Data Coverage	100%	100%

Source: BlackRock

Data provided for regulatory use only

<sup>1</sup> Carbon emissions are the annual greenhouse gas emissions, measured in tonnes of carbon dioxide equivalent emissions (tCO<sub>2</sub>e). To attribute our share of investee companies' emissions, we use our market value divided by Enterprise Value Including Cash of the investee company. The metric can therefore be influenced by changes in market values, total assets under management and data coverage over the period.

<sup>2</sup> Carbon footprint is the total carbon emissions for the portfolio normalised by the market value of the portfolio, expressed in tonnes of carbon dioxide equivalent emissions per million US dollars invested (tCO<sub>2</sub>e/\$m). This is our primary metric for monitoring progress against our decarbonisation reference objective.

<sup>3</sup> Weighted Average Carbon Intensity (WACI) is the tonnes of carbon dioxide equivalent emissions per million US dollars of revenue (tCO<sub>2</sub>e/\$m). This is a company's carbon emissions relative to the size of the business adjusted for the weighting in a portfolio or benchmark. This is an alternative metric to measure emissions and can be influenced by revenue volatility.

<sup>4</sup> Implied Temperature Rise (ITR) is a forward-looking climate impact metric which estimates the global implied temperature rise if the whole economy had the same carbon budget overshoot or undershoot as the company (or portfolio) in question. It is measured in degrees Celsius.

<sup>5</sup> Data coverage represents the % of assets for which data is available (either reported or estimated).

<sup>6</sup> Sovereign production emissions intensity is the tonnes of carbon dioxide equivalent emissions weighted by million US dollars of nominal Gross Domestic Product (GDP), (tCO<sub>2</sub>e/\$m GDP nominal). Six greenhouse gases are considered consistent with the Kyoto Protocol.

<sup>7</sup> Sovereign consumption emissions intensity is the tonnes of carbon dioxide equivalent emissions per capita, (tCO<sub>2</sub>e/Capita). Six greenhouse gases are considered consistent with the Kyoto Protocol.

## Operations

### During 2025, we focused on the following key areas

**Carbon emissions reduction through the Energy Saving Opportunities Scheme (ESOS)** - We have been using 100% renewable electricity since 2021. This reduces our Scope 2 emissions to nil. To reach operational net zero, we must further reduce emissions from the heating and cooling of our offices. We have invested in making improvements to our energy efficiency throughout the year, implementing actions to reduce our carbon emissions against our 2021 baseline.

#### Projects implemented have included:

- lighting upgrades including the installation of energy efficient LED lights controlled by passive infrared sensors at our Bournemouth and Hitchin offices.
- tighter parameters on office temperatures and changes to server room temperatures.
- adjustments to water and heating system timers.

Alongside the savings made from the implementation of these ESOS actions, the exit of a tenant from the first and second floor of our Bournemouth office, has generated a significant reduction in the amount of electricity used at that location.

**Paper usage** - We have a number of work streams in place to minimise our paper usage. This includes giving our members the opportunity to receive communications digitally or use digital payments rather than cheques. For example, thousands of our members now receive their Annual General Meeting notification via email instead of in the post.

**Supplier management** - Our Third-Party Management team continue to support the purchase of goods and services through its framework and practices, in such a way as to maximise value for the business, our members and customers while identifying and mitigating risk.

## Metrics and targets - operations

For 2025, our Scope 1 and 2 energy consumption totalled 1,747,350 kWh (2024: 1,730,350 kWh), while our greenhouse gas emissions totalled 180 tCO<sub>2</sub>e (2024: 100 tCO<sub>2</sub>e). This usage has generated reported intensity ratios for the year of:

**Annual kWh per No. of FTE Employees 1,471 kWh (2024: 1,500)**

**Annual tCO<sub>2</sub>e per No. of FTE Employees 0.15 (2024: 0.09)**

We monitor annual tCO<sub>2</sub>e per No. of FTE Employees for Scope 1 and 2 emissions as one of our key indicators of operational impact. Increases above our appetite are escalated to our Board Risk Committee. Emissions have increased compared to 2024 due to the exit of a tenant in our Bournemouth office with Scope 3 (downstream emissions) becoming Scope 1 emissions.

Over the year our supply chain emissions have fallen relative to our restated 2024 position. We are engaged with our supply chain and have benchmarked 2024 emissions as a means to drive improvements in our supply chain emissions. Suppliers will continue to be engaged throughout 2026 to verify their 2025 data and assess their progress towards planned reductions. Further details relating to the sources of our energy consumption and greenhouse gas emissions are detailed below.

### Definition

#### kWh: Kilowatt hour

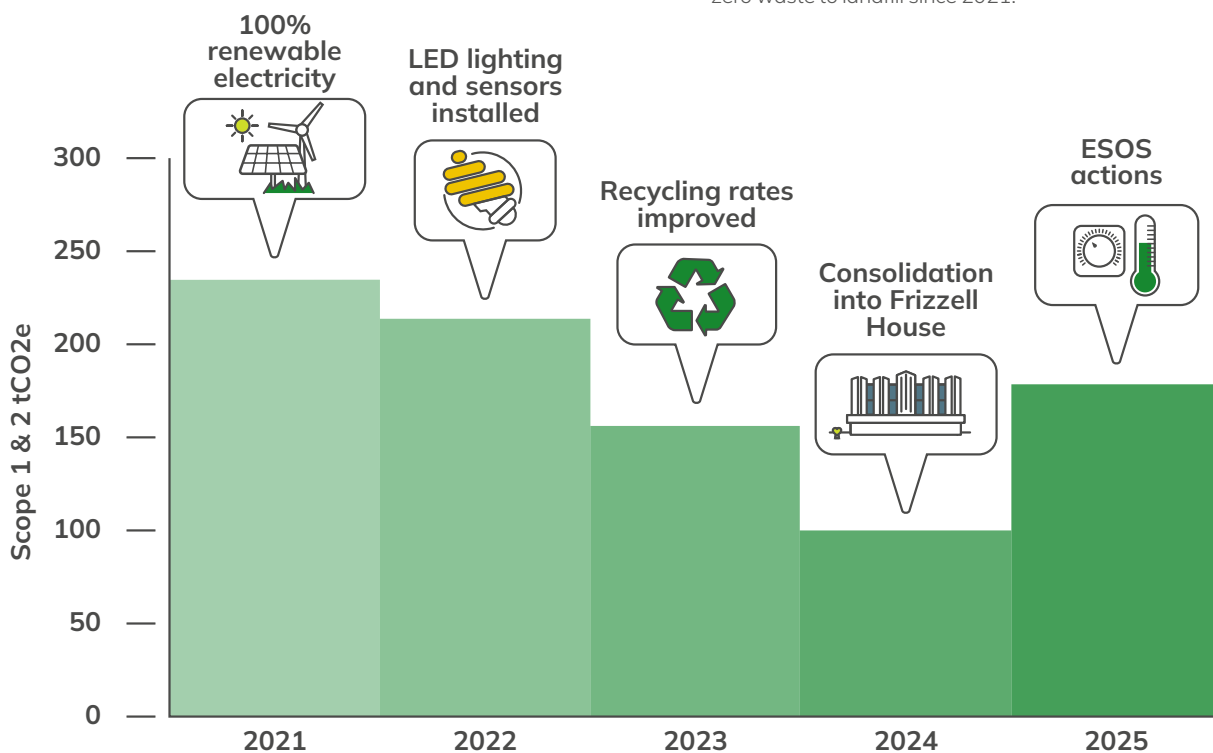
We report our energy consumption using kWh, a standard measure of energy.

#### tCO<sub>2</sub>e: Tonnes carbon dioxide equivalent

We report our greenhouse gas emissions using tCO<sub>2</sub>e, a standard measure of greenhouse gas emissions.

In addition to energy and emissions, we also monitor waste across our offices. As a UK life and pensions mutual insurer, the amount of waste we produce is small in comparison to many other more resource intensive sectors. However, our aim is to further minimise our impact on the environment and we have a target to recycle 60% of our waste. Continued employee engagement and effective waste segregation has resulted in our recycling rate increasing to an annual average of 70% during 2025.

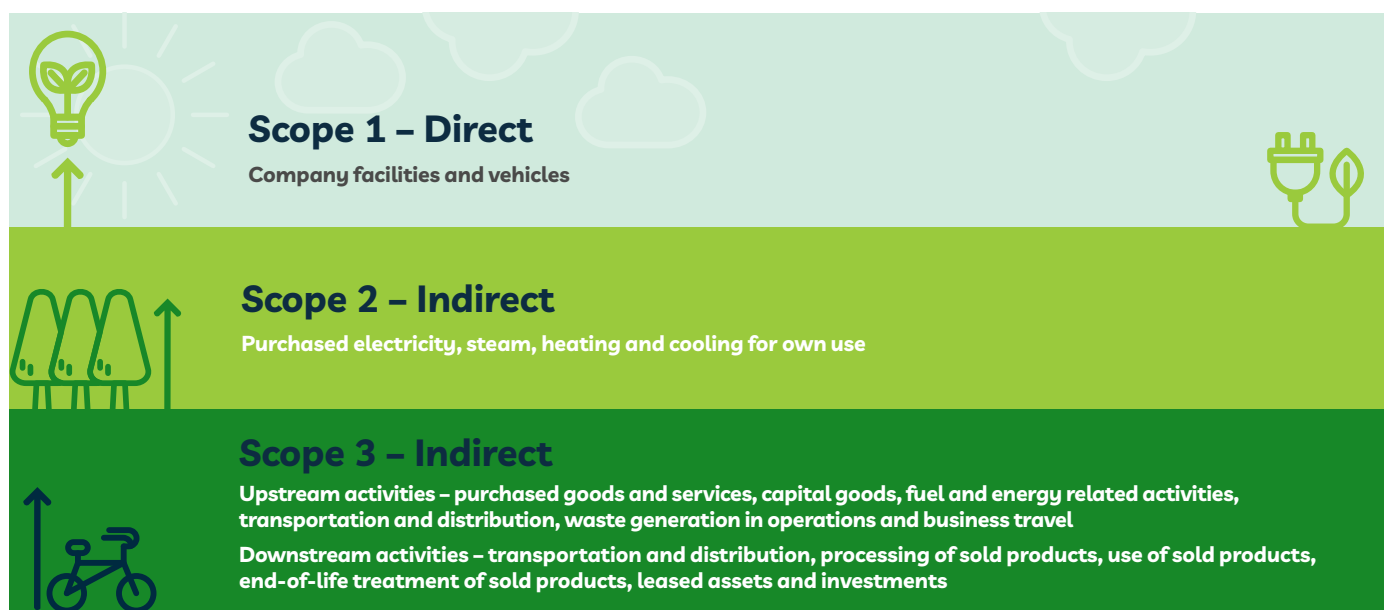
All our waste is either recycled, incinerated to produce electricity, used to produce gas via anaerobic digestion or reused as compost. We've sent zero waste to landfill since 2021.



Source of energy and emissions (tCO <sub>2</sub> e)*	2025	2024
Combustion of natural gas	179	100
Combustion of other fuels	1	0
<b>Scope 1 total (tCO<sub>2</sub>e)</b>	<b>180</b>	<b>100</b>
Generation of purchased electricity	136	243
Renewable electricity	(136)	(243)
<b>Scope 2 total</b>	<b>0</b>	<b>0</b>
<b>Scope 1 and 2 total</b>	<b>180</b>	<b>100</b>
<i>Intensity per number of full-time equivalent employees</i>	<i>0.15</i>	<i>0.09</i>
Carbon offsets purchased	(1,046)	(1,145)
Purchased goods and services**	16,210	16,305
Fuel and energy related activities	113	128
Waste generated in operations	1	1
Downstream leased assets	208	376
Renewable electricity (from leased assets)	(166)	(265)
Business travel	119	123
Employee commuting and homeworking	482	460
<b>Scope 3 total (Excluding Investments)</b>	<b>16,967</b>	<b>17,128</b>
<b>Total Scope 1, 2 &amp; 3 (Excluding Investments and Offsets)</b>	<b>17,147</b>	<b>17,228</b>

\* We have used the UK government greenhouse gas conversion factors for company reporting within our methodologies.

\*\* a. The 2024 "purchased goods and services" emissions total has been revised from 9,233 tCO<sub>2</sub>e to 16,305 tCO<sub>2</sub>e because of a change in calculation methodology during 2025. We improved data collection to include (i) Our supplier's Scope 3 data (ii) Actual supplier data where available (removing discrepancies from estimated reporting), as a result the total scope 3 emissions are higher than originally calculated. b. Using spend methodology, we identified 8 suppliers who represent approximately 80% of our Scope 3 emissions. To obtain our total scope 3 carbon emissions (tCO<sub>2</sub>e), we used a hybrid method meaning 77% of our emissions data was calculated from actual supplier data and for the remaining 23% industry carbon factors were applied. c. As our suppliers have not published their 2025 emissions data, our initial emissions calculation for 2025 is based on 2024 actual supplier data applied to our 2025 spend with those suppliers. All new suppliers in 2025 had their emissions calculated on carbon factors creating an estimated total. Where possible, actual data will be sought throughout 2026 to create a more accurate view of our scope 3 emissions in 2025.



# Sustainable Mutual

Our purpose since 1843 is to help people live financially confident lives. Underpinning this purpose is our commitment to supporting communities where we live and work, making a positive and lasting impact. It is important that we are part of a society that works for everyone and our priority is to ensure that we, and the communities that we serve, are here for our members over many more years to come.

## LV= Together

In 2025, we launched a new approach to our social impact work, LV= Together. This programme continues to include our community and charity work such as partnerships, colleague fundraising and volunteering, and corporate donations.

Our passion for helping communities both local to our offices and further afield remains. LV= Together combines our collaborations, partnerships and activity – creating a lasting legacy.

The foundations of LV= Together are backed by direct feedback from our Member Community. Members told us they are in favour of companies striving to have a positive social impact, with 88% agreeing that we should play our part too.

Through colleague fundraising and corporate giving we made charity donations of over

# £89,000

## Social impact through social mobility

Increasing opportunities for all young people, regardless of background, is an important part of our purpose – helping people to live financially confident lives. We want people to flourish from all walks of life.

“ We are at the start of our journey to increase social mobility in our workplace and our communities so that talent can thrive from every background. Through LV= Together, we can play our part to build an LV= that works for everyone. ”

David Hynam, Chief Executive

We are committed to increasing social mobility at work and, during the year, we formed new partnerships to drive more understanding of the challenges that young people face and provide practical ways for them to embark on a career in financial services.

## Partnerships and sponsorships

### Social Mobility Foundation

Together with the Social Mobility Foundation, we published research into barriers to education and work that young people face. We co-hosted a panel discussion at the 2025 Labour Party Conference to explore this research and how young people can be supported to access education and career opportunities.

### The King's Trust

Our colleagues can volunteer for The King's Trust, providing practical support for young people in our local communities through mentoring and job support. In November 2025, we hosted a World at Work Tour and welcomed young people into our Bournemouth office to showcase some of the roles and careers available within financial services to help to inspire their future ambitions. The day included an office tour, a presentation about our business, interactive activities and a meet and greet with our Chief Executive, David Hynam.

## Progress Together

We proudly became a member of Progress Together – a membership body that supports socio-economic diversity at senior levels in the finance industry and improves social mobility in the workplace.

## Trussell

We extended our partnership with Trussell for a second year. We are contributing to the charity's 'Help through hardship helpline' and our local food banks. The helpline, run in partnership with Citizens Advice, supports people with access to free, phone-based advice.

## LV= KidZone

For the 2025 summer season, we sponsored LV= KidZone – a beach safety scheme operating in the Bournemouth, Christchurch and Poole area, local to our Westbourne office. The Kidzone initiative seeks to protect and reunite lost children and vulnerable adults with their families.

## Corporate giving, fundraising and charity initiatives

Through corporate giving and colleague fundraising, we donated over £89,000 to charity in 2025. This included both office-led events, such as bake sales and raffles, and our colleagues' own personal challenges, like marathons, where we support their fundraising via our corporate giving programme.

For a fourth year, our colleagues came together and took part in a charity challenge. The 2025 event supported Julia's House helping to raise important funds for our local children's hospice. We sponsored their Great Tail Trail - an outdoor exhibition across Bournemouth, Christchurch and Poole - with colleagues visiting as many tails as they could in a day, raising over £20,000. Across our four colleague charity challenges since 2022, we have fundraised and donated over £120,000.

We are proud to hold a Platinum Award in recognition of the high number of our colleagues that participate in our Pennies for Charity initiative – a nationwide scheme administered by Microhive. Across 2025, 79% of our colleagues donated the odd pennies in their net salary each month and we donated nearly £6,000 to our nominated charity, Trussell, to support its network of food banks across the UK.

We continue to donate items to support people locally via our office collection points. During the year, we held two dedicated food drives to help stock our local food banks during the school summer holidays and for the festive period in support of families whose children usually receive free school meals. Our colleagues also donated new toys in support of The Salvation Army's Christmas Present Appeal.

## Volunteering

Our colleagues are encouraged to volunteer by using our 'Time off to Volunteer' policy. They can take up to two days each year to volunteer for causes close to their hearts. During 2025, teams across LV= spent time volunteering and supporting initiatives and events, which totalled over 6,000 hours.



## Colleagues and culture

### We believe in a business that's diverse and inclusive

We embrace and celebrate our differences – diversity is our strength. We are committed to creating an inclusive culture and supportive working environment where all colleagues feel welcomed, respected and valued.

A key focus of our diversity, equity, inclusion and wellbeing (DEI&W) strategy is to ensure that everyone understands their role, responsibilities and the part they play in creating an inclusive culture.

Not only do we want our colleagues to have an understanding and awareness of what DEI&W is, we'd also like them to see how they can have an impact personally, act as allies in the workplace and support the integration of our strategy, continuously living our LV= values.

Our strategy is underpinned by our commitment pillars which are fundamental in ensuring DEI&W is here for the long term.

Commitment pillar	2025 actions
Transparency	We continue to encourage our colleagues to confidentially share their diversity data so that we can understand who we are as an organisation. 86% of our colleagues have given us their diversity data. In 2025, we extended our data to include socio-economic data. We set ourselves a target of 40% completion for the year and so far, 57% of our colleagues have shared their data. This data provides us with insight that will help create a more inclusive environment for everyone by identifying and removing barriers in our business.
Accountability	We offer behavioural, diversity and wellbeing training for line managers and colleagues across a number of areas. Colleagues have received 'active bystander' training to encourage them to call out any examples of unacceptable behaviour. We have partnered with Diversity Jobs Group to help us connect and attract diverse talent, and with The Kings Trust to advance our socio-economic equity and inclusion.
Engagement	We are proud to see our colleague-led DEI&W networks continue to grow. These networks play a vital role in shaping policies and processes, driving action on key priorities, celebrating important events and sharing stories throughout the year. Through these efforts, we are able to deepen understanding, inspire learning and create a culture where everyone feels empowered to bring their authentic and whole selves to work.

### Creating a diverse and inclusive culture

Our five diversity, equity, inclusion and wellbeing networks are sponsored by members of our Executive team. Each colleague-led network harnesses a diverse range of thoughts, ideas and perspectives and they're responsible for driving initiatives and activities.

Network
<b>Pride (LGBTQIA+)</b>
<b>Balance (Gender)</b>
<b>Diversability (Disability)</b>
<b>Respect (Multi-cultural)</b>
<b>Wellbeing</b>



During 2025, the networks drove a series of collaborations and initiatives:

- The Pride network sponsored and joined the Bourne Free 2025 Pride parade and raised money to support vulnerable young LGBTQ+ people facing homelessness or unsafe living situations.
- The Balance network drove significant enhancements to our maternity, paternity and adoption leave, and pay policies to better support working parents. It also introduced Parenting Pals, a support network for parents at every stage of their parental journey.
- The Diversability network introduced a reasonable adjustments guide for line managers to aid understanding and support for seen and unseen disabilities and launched a new support group for neurodivergent colleagues, to share experiences, discuss challenges and share strategies.
- The Respect network supported our drive for socio-economic equity and inclusion. It ran a series of events and fundraisers with The King's Trust and continues to lead the collection of our socio-economic personal data, which will help us identify and remove barriers in our business.
- The Wellbeing network ran mental health face-to-face training for all line managers and created Crisis Support Guidance for colleagues handling calls from customers in crisis.

## Gender pay gap

We are confident that pay and reward at LV= is fair and unbiased. We believe that our gender pay gap is primarily driven by the structure of our workforce, with a greater representation of men in senior and specialist roles along with a higher representation of women in more junior roles. We are pleased that our latest 2024/25 data shows that our gender pay gap metrics have continued to reduce.

	2024-2025	2023-2024
Mean Gender Pay Gap	27.5%	28.4%
Median Gender Pay Gap	22.3%	28.4%

We are committed to improving gender balance across LV= and will continue to ensure that all colleagues have access to the same opportunities. More information can be found on [LV.com](#)

## Women in Finance

Since 2016, we have been signed up to the Women in Finance Charter – another way we are supporting gender diversity. Board-endorsed and supported by our Executive team, our aim continues to focus on increasing the proportion of women in senior positions.

Our pledge under the Women in Finance Charter was to reach an ambitious target of 43% for female representation in senior roles by the end of 2025. We are pleased to have achieved that target and believe that this demonstrates our commitment to producing a diverse pool of leaders and senior managers.

## Disability Confident Leader

In 2025, we achieved Disability Confident Leader status (Level 3) demonstrating that we meet the UK government's highest standards for inclusive employers. This is a significant milestone that reflects our ongoing commitment to inclusion, accessibility and equity for all.

Becoming a Disability Confident Leader means we are now recognised not only for our inclusive practices, but also for our role in influencing and supporting other organisations to improve their own disability confidence. It is a powerful endorsement of our culture and a call to continue leading by example. This accolade puts us in the top 4% of companies that have joined the scheme.

## Race at Work Charter

In 2024, we became a signatory of the Business in the Community Race at Work Charter, reinforcing our public commitment to advancing ethnic equality in the workplace. We have already taken significant steps to embed the Charter's seven calls to action, including appointing an executive sponsor for race and collecting ethnicity data from our colleagues. As of the end of 2025, 83% of our colleagues have shared their ethnicity data and, of those, 12.5% have shared that they are ethnically diverse. When compared to the 2021 England and Wales census, our data shows a lower proportion of colleagues from ethnic minority backgrounds than the national average. However, when we look at the regions where our offices are located, our representation more closely aligns with local demographics.

We are committed to improving this further and have introduced appropriate actions, such as mandatory inclusive recruitment training for all line managers and partnering with Diversity Jobs Group to attract diverse talent through its Jobs4Ethnicity platform. Our focus remains on driving meaningful change and ensuring ethnic minority representation at every level of our organisation.

## Wellbeing initiatives

To support our wellbeing agenda, we delivered a mix of interventions throughout 2025. All colleagues have access to our Employee Assistance Programme (EAP) and LV= Doctors Services, and we have made flu vaccinations available to everyone. We also launched communities of interest – groups which aim to bring colleagues together to enjoy meaningful moments that benefit both body and mind. For financial wellbeing, colleagues can access webinars and health checks, and we regularly share ways to save through our MyDiscounts scheme.

## Colleague engagement

Listening to our colleagues is something we care deeply about. Through our engagement platform, BeMe at LV=, we regularly check in to see how things are going. The interactive features make it easy for colleagues to share what is important to them and allows our leaders to directly respond and acknowledge comments and feedback. This open exchange helps us to truly understand the feedback and strengthens genuine two-way dialogue across our business.

Through BeMe at LV=, we monitor colleague engagement as a key non-financial metric within our balanced scorecard. Across 2025, our average total engagement score, measured using the employee net promoter score methodology, was +54. This score reflects responses to four core questions focused on engagement, loyalty, belief and satisfaction. We have seen good improvements with each survey during the year and we are delighted that our average total engagement score is 16 points higher than in 2024. Additionally, on average, 90% of our colleagues shared their views and gave us feedback on each survey.

In terms of survey themes, we have received positive feedback in the areas of colleague and management support and taking the right action to improve the environment. Our Executive and Senior Leadership teams use survey feedback to develop local action plans that focus on the areas that will have the greatest positive impact for their teams.

## Reward and recognition

To ensure our pay is competitive, salary levels are regularly benchmarked and assessed against reputable market data, while taking into account wider economic factors and pay trends. We also ensure remuneration is appropriate for the scope and responsibility of each role. Colleagues are eligible to receive a bonus, based on group and individual performance, enabling them to share in the success of LV=.

We also recognise the growing importance of a comprehensive benefits offering. Our package is designed to support the physical, mental and financial wellbeing of all our colleagues, helping them thrive both in and outside of work. Core benefits available to all colleagues include life assurance, a virtual GP service, an Employee Assistance Programme and a competitive holiday entitlement. Colleagues can also select flexible benefits to suit their individual needs, with options such as buying and selling holiday, private medical insurance, health assessments, dental cover, critical illness, personal accident insurance, and our cycle to work scheme. A wide range of retail discounts are also available.

As a business specialising in retirement solutions, we are proud to offer a competitive pension for our colleagues. Subject to National Minimum wage requirements, we double-match employee contributions up to a maximum of 14% of their salary (with a minimum employee contribution of 3%). Colleagues also have a range of tools and resources to help track their savings and plan for the future.

In 2025 we were ranked in the Financial Times top 25 UK Best Employers. This recognition is based on an independent survey of over 20,000 employees across the UK, looking at elements such as working conditions, pay, development opportunities and company image. In addition, we were named as one of the Financial Times' European Diversity Leaders.

# Trusted and Thoughtful Provider

The way we deliver our business is of equal importance to the products, services and advice that we offer. Through our values, we foster a culture that delivers positive outcomes for our members, customers and wider stakeholders.



## Supporting members and customers

### Customer satisfaction

Our commitment to strong governance and a values-led culture that goes above and beyond what is required is at the core of our work as a trusted and thoughtful provider. Our members and customers rely on us to ensure they're protected from the unexpected. We believe it's important to look after our members and customers at all stages in their journey with us. This means we focus on providing great experiences in all the interactions we have, both directly and indirectly.

### Our customer and adviser ambitions and objective

As we continue to develop our customer and adviser experience (CAEXP), we've made sure that we focus on the areas that mean the most to them.

We are committed to ensuring that the interactions customers have with us directly, or indirectly through their adviser, are those which would be expected from a trusted and thoughtful provider. Our customer and adviser ambitions support this.

### Our Customer Ambition

To treat our customers fairly, consistently meeting their expectations and shining at the times it matters most.

### Our Adviser Ambition

Build trust and confidence with advisers, provide a reliable experience and work in partnership with them to deliver good customer outcomes.



## Customer and adviser net promoter scores

One of our five KPIs is 'Best Loved'. This means we assess our success on our ability to deliver excellent customer experiences while consistently treating customers fairly.

We measure this KPI through our customer and adviser Net Promoter Scores (NPS), which separates our members, customers and advisers into a proportion of 'promoters' and 'detractors'.

Our promoters are defined as those that give us a score of at least 9 out of 10.

Through our customer insights, we know that easily obtaining accurate information matters as does their experience when interacting with our colleagues. That's why our customer experience ambitions target the service we give and the feedback from our customers and advisers.

Customer NPS

58

Adviser NPS

33

“ We are so pleased and relieved to receive this news, and because of it, we can now breathe a little more easily. From the very first day of my initial instruction to LV=, all the people that I have spoken to have been so very polite and helpful to us, giving straight answers and good information, for which we are so grateful.

Since our very first point of contact, you have proved to be very honest, enthusiastic and very professional. It is very clear to us both that during this whole process, you have always had our best interest at heart, and we thank you for that.

There is no doubt that we chose the right company to look after our money in retirement. ”

## Customer complaints resolution

Our colleagues across every office are committed to delivering great outcomes for all our members and customers. We want everyone to be happy with the interactions that they have with us and the service they receive. However, we realise we don't always get things right. That's why it's important that we fix any issues that arise and learn from them.

In 2025, the Financial Ombudsman Service agreed with over 86% of the decisions we made on complaints referred to them. Any dissatisfaction that we are made aware of is addressed as quickly as possible, with 61% of complaints we received being resolved within three working days.

We also offer additional support to vulnerable members and customers. On an individual basis, and where appropriate, we will tailor our services and signpost to our member benefits, external charities and organisations that may be able to help. In 2025, we assisted 378 members through our member support programme. This ranged from individually tailored financial support to support services for their specific situation.

You can view our full complaints summary for 2025 on our website at [LV.com](https://www.lv.com)

## Engaging with our members

As a mutual, we are run for the benefit of our members today and for generations to come. Our member-first philosophy drives everything we do. Over one million members trust us to look after their futures, families and finances and we do this through our range of products, services and advice. It is important to us that we provide our members with a variety of ways and opportunities to have a say, engage with us and stay informed, and we are dedicated to seeing this continue.

Our members are invited to have their say each year on how their mutual is run and vote on our Resolutions, including the re-appointment of directors to the LV= Board. Members do this through our Annual General Meeting (AGM) where they can also hear directly from the Board. In 2025, based on feedback from our Member Community, two of our senior leaders presented additional sessions at the AGM. Our Chief Investment Officer talked about investments and fund performance, and our Director of Customer and Adviser Experience shared how we support our members and customers.

Mutuality is about shared ownership and being part of something meaningful. Our LV= Member Community is a vibrant online space where members can share their thoughts, opinions and feedback via regular research, surveys and discussions. Our members have a vital role to play in helping to drive positive changes across LV=.

We want our members to help shape the running and future direction of LV=. Through the AGM and our Member Community, members can do just that and keep up to date with the business at the same time.

## Financial crime

The robust systems and controls that we have in place via our financial crime policy continues to effectively prevent financial crime and losses across LV=. Over 2025, we successfully prevented financial losses of £13.3m through protecting our members, customers and the wider business from potential financial crime. We continue to do this by, for example:

- carrying out verification checks to ensure we are dealing with the appropriate individual and we know where funds are transferring from and to.
- carrying out enhanced due diligence on higher risk customers.
- investigating suspicious policy applications and insurance claims.
- reviewing pension transfers to protect our members from potential pension scams.

The Failure to Prevent Fraud offence came into force in September 2025 as part of the Economic Crime and Corporate Transparency Act 2023. In preparation for the changes, we carried out a gap analysis to ensure that we were compliant with the requirements.

## Bribery and fraud

Our financial crime policy includes a framework for mitigating crime that may arise from bribery and corruption, fraud, money laundering, terrorism proliferation financing, facilitation of tax evasion, failure to prevent fraud and financial and market abuse. Our Financial Crime team monitors adherence to this policy across the business.

To help detect and prevent bribery and fraud, our colleagues can report any suspicious activity or wrong doings via our confidential Speak Up service.

## Human rights and modern slavery

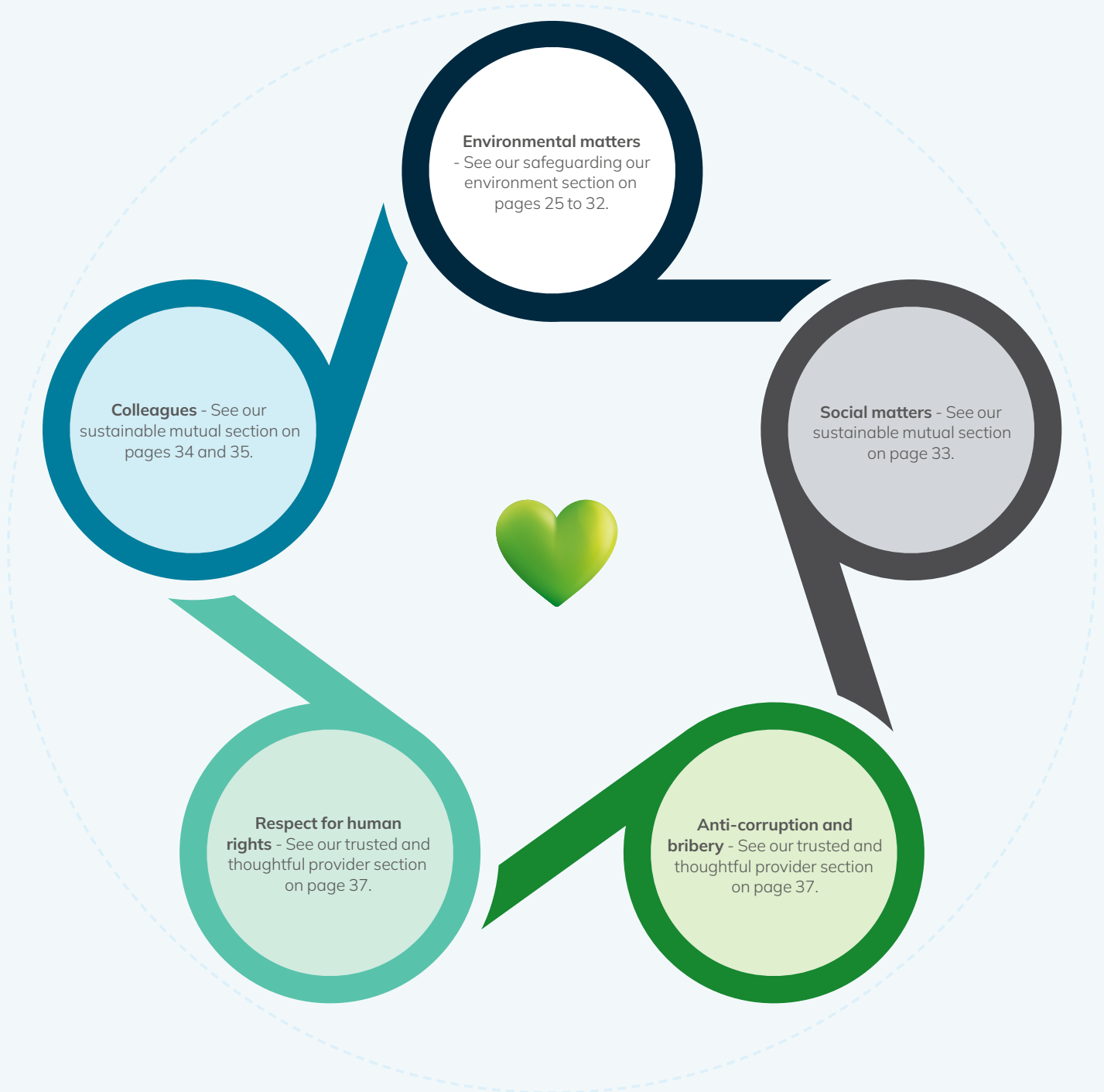
We understand the importance of human rights and, as a responsible business, we have fair and transparent employment and supply chain practices in place. We have no tolerance of slavery and human trafficking and have continued to consider ways to minimise the risk of modern slavery in our business and our supply chain. To support us in meeting our modern slavery responsibilities, we developed a third-party code of conduct for our suppliers and ensure colleagues are appropriately trained, and supported via our Employee Assistance Programme and Speak Up service.

You can read our full Modern Slavery Statement on our website at [LV.com](https://www.lv.com)

# Non-financial and sustainability information statement

Under sections 414CA and 414CB of the Companies Act 2006, we are required to include in our strategic report a non-financial and sustainability information statement.

This sustainable business review section of the strategic report provides the following information required to be included in the non-financial and sustainability information statement:



Specific risks relating to non-financial information are discussed further in the Sustainability Report, the risk management section on pages 20 and 21 and also within note 3 in the financial statements. It should be noted that we will always seek to uphold our brand image with members, customers, colleagues and other external parties and that we have no appetite whatsoever for regulatory weakness or failings that lead to censure actions.

In addition to the above, further information required by these regulations can be found on pages 10 to 12 in our business strategy and mutual model section and on page 13 in our key performance indicators section.

# Section 172 Statement

Directors are bound by Section 172 of the Companies Act 2006, which requires each director and the Board as a whole to have regard, among other matters to the:

- █ likely consequences of any decision in the long term,
- █ interests of the company's employees,
- █ need to foster the company's business relationships with suppliers, customers and others,
- █ impact of the company's operations on the community and the environment,
- █ desirability of the company maintaining a reputation for high standards of business conduct,
- █ need to act fairly between members of the company.

When making decisions, the directors recognise the importance of considering the views and interests of its stakeholders, which include our members, customers, colleagues, regulators, suppliers, the communities we work in and the wider environment.

The directors acknowledge that a decision will not necessarily have a positive outcome for all stakeholders. However, through wide-ranging engagement, listening to their views, and assessing the impact of decisions, our stakeholders' views are incorporated into our decision-making process.

In accordance with our governance framework, the Board has delegated some of its responsibilities to various Board committees, but the Board retains responsibility for all final decisions. You can find more information about our governance structure and the Board and Board committees' role and responsibilities in the governance report on pages 47 to 59.

## Case study: Member distributions through the exit bonus

Following the sale of the LV= General Insurance (GI) business at the end of 2019, part of the proceeds of the sale have been distributed to members through an exit bonus which was introduced in 2020. Through this, eligible long-standing members were given a percentage uplift when their policy matured, was cashed in, paid out a death claim or when they started to receive money from the policy.

In 2023, the Board agreed in principle to convert the exit bonus to a one-off member bonus that would be added to policy values for eligible with-profits policies. A robust governance process was undertaken to ensure that the decision appropriately considered the impact on all relevant stakeholders, and that it was consistent with the original aims and to ensure the long-term success and security of LV=.

During 2025, and following a detailed financial review and governance process, the Board gave final approval for the conversion of the exit bonus to a one-off member bonus of £80m to be applied as an uplift to eligible members' asset shares. This means that rather than eligible members waiting until their policy ends to receive their share of the GI business sale proceeds, the percentage uplift was allocated to policyholders at year-end 2025 and will be added to their policies on 1 April 2026. As part of the decision-making process, the fairness and affordability of the proposal, as well as the impact across relevant stakeholders was appropriately considered. A high-level overview of the decision-making process is outlined below and illustrates the oversight and decision making undertaken within our governance framework and how the relevant stakeholders were engaged and considered throughout the process.

## Governance

### Decision-making timeline

As part of the 2020 Annual General Meeting communication, a commitment was given to members regarding the treatment of the GI business sale proceeds. Alongside this, our Principles and Practices of Financial Management (PPFM) was updated. This provided the associated commitments to members regarding the exit bonus and set out the circumstances under which the amount may vary or be ceased. These communications highlighted the responsibility for the Board to meet the commitments that had been previously shared with members.

In 2023, the Board approved an Estate Distribution Policy (EDP) which outlined how the remaining funds from the GI business sale proceeds would be allocated for member distribution. As part of this approval, the approach to setting mutual bonus was updated to set out the ratios of the mutual bonus for different policyholder groups, which was intended to provide very similar outcomes as previously communicated. It was also agreed in principle that the exit bonus would be converted to a one-off member bonus that would be added to policy values, but the implementation of the proposal would be subject to a final affordability and fairness assessment.

In July 2025, the Board was presented with the proposals for allocating the exit bonus proceeds across eligible members. The Board considered each proposal and, in particular, the associated risks and trade-offs. The With-Profits Committee, alongside the With-Profits Actuary, Chief Actuary and the Chief Risk Officer provided their respective views to support the Board's decision making.

The Board debated whether it was in our best interests to retain the proceeds to support the long-term financial security of the business, or to distribute the proceeds to members in line with the original commitments.

The Board concluded that the option to uplift asset shares was affordable and was appropriately supported by the same factors used to set prior exit bonus rates. The option was also in line with the expectations and previous commitments made to members.

Following appropriate challenge and discussion, the Board conditionally approved the implementation to convert the exit bonus to a one-off member bonus that would be added to policy values, subject to the approval of the 2026-2030 business plan. This approval was conditional in order to provide the opportunity for considering whether any new material risks had emerged at the time of the planning process, that would affect the financial outlook of LV=. The Board met in November and approved the 2026-2030 business plan and ratified the decision to convert the exit bonus to a one-off member bonus that would be added to policy values.

## Stakeholders

### Board committees

The Board has delegated its authority to six Board committees, and their scope and responsibilities are outlined in their terms of reference. As part of this decision making process, the committees were important stakeholders for the Board as they provided challenge and advice on specific areas and matters of the process that were within scope of the committee. Examples of the committees' contribution to the decision-making process are outlined below.

#### Risk Committee

The Risk Committee considers the risk implications of various decisions and the possible trade-offs that need to be made across diverse stakeholder groups. In 2024, the With-Profits Committee requested that the affordability of the proposal was supported by both a regulatory and economic view of the financial strength of the business pre and post the distribution. The economic view assessed our financial position but instead of using the assumptions prescribed by regulation, applied assumptions that were more bespoke to our business profile. There were limited differences between the regulatory and our economic view and the output was reviewed and approved by the Board's Risk Committee in May 2025. The assessment evidenced that the proposal to convert the exit bonus to a one-off member bonus that would be added to policy values remained affordable based on both the economic and the regulatory basis.

#### Audit Committee

The committee is responsible for overseeing the year-end reporting process and as part of that, reviewed the external disclosures around the one-off member bonus. The committee also considered the new 'profit before tax and member bonuses' performance measure and agreed that it was a useful metric to demonstrate that bonuses were a distribution of profits. It also provided an equivalent metric to how shareholder owned companies report their comparable profits before dividends.

#### With-Profits Committee

The With-Profits Committee is responsible for considering the rights, interests, and reasonable expectations of with-profits policyholders. The committees are important stakeholders for the Board as they provide advice based on independent judgement and ensure that with-profits policyholders are appropriately considered in all decision making.

The With-Profits Committee was consulted throughout the process and received advice from the With-Profits Actuary. The committee discussed the results of the affordability assessment noted above as well as the benefits and the impact on members of the proposal to convert the exit bonus to an uplift to asset shares, and their views were reported to the Board by the chair of the committee.

The committee also reviewed the proposed changes to the PPFM ahead of these being approved by the Board and published on [LV.com](#)

The draft 2026-2030 business plan was presented to the With-Profits Committee and members of the committee were invited to provide feedback, including on the modelled rates of distribution. The committee's views were considered and reported to the Board as part of the governance process for the business plan approval.

### Members

The benefits, expectations and commitments made to members were significant considerations in the decision-making process.

The commitment regarding the treatment of the GI business sale proceeds that was made to members in the 2020 Annual General Meeting communication was a key driver and consideration for the Board. The commitments within the PPFM regarding the exit bonus and circumstances where the exit bonus would not be paid were also factors debated by the Board. Both matters were considered and the Board recognised and agreed with the strength of the commitment previously made to members.

A number of alternative options were considered by the Board. However, it was agreed that the conversion of the exit bonus to a one-off member bonus was affordable and increased the security of this benefit to eligible members, relative to continuing with the current exit bonus approach. Therefore, the Board agreed that it was in members' best interests for the exit bonus to be converted to an asset share uplift at its current rate, and for eligible members to receive their share of the sales proceeds in this way.

Following the Board's decision, annual statements have been updated to reflect the replacement of the exit bonus with the one-off bonus and to provide further information on these changes. Updates to the PPFM and relevant Customer Friendly PPFMs were also made to reflect that the exit bonus was replaced by a one-off bonus. The updated PPFM and Customer Friendly PPFMs are effective from 1 April 2026 and will be published on [LV.com](#) for members' information.



### Regulators

As a financial services business, we are regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). We have a constructive and open relationship with both regulators and our Board and senior management team meet regularly with the supervisory teams. The regulators also regularly receive Board material and key updates, and management continue to engage on related matters and other queries as appropriate.

At the end of 2022, management discussed the proposal for an Estate Distribution Policy (EDP) with the FCA and PRA and the regulators were kept informed of the development and implementation of the EDP. The EDP was approved by the Board in March 2023 and has been annually reviewed and re-approved by the Board thereafter.

### Bondholders

We have subordinated debt (listed on the London Stock Exchange) and an obligation to our bondholders to repay the debt in line with expectations. Our financial strength is important in determining whether a mutual or exit bonus can be paid to members, and as one of our creditors, if we experienced financial difficulty, payment of the debt would take precedence over further distributions of the Estate.

The Board agreed that due to our strong solvency position, the commitment made to members and the expectations from the 2020 Annual General Meeting communication, the most appropriate way to distribute the proceeds was to convert the exit bonus to an asset share uplift for eligible members and the debt would continue to be serviced and paid in line with current practice.

### External auditors

Our external auditors, Forvis Mazars LLP, were informed of and received all relevant documentation relating to the proposal, to support their work for the year-end audits. Any questions were raised with management and addressed as part of the audit process.

### Others

This decision did not require engagement with, or have an impact on, other stakeholder groups such as colleagues, the environment, the community or suppliers. While these stakeholders were not specifically considered as part of this process, their views are regularly incorporated into Board decisions or discussions.

Our obligation to the defined benefit pension scheme was a consideration in the process, but as this decision does not impact the strength of our commitment to the scheme, the pension scheme was not a material stakeholder in the decision-making process.







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# Board of Directors

## Our Board

Board of Directors - as at 31 December 2025



**Simon Moore**, Chairman



**David Hynam**, Chief Executive (CEO)



**Natalie Ceeney CBE**, Senior Independent Director



**Colin Ledlie**, Non-Executive Director



**Susan McInnes**, Non-Executive Director



**Suzy Neubert**, Non-Executive Director



**David Rogers**, Non-Executive Director



**Stephen Percival**, Chief Financial Officer (CFO)

### Key

<b>B</b>	Board
<b>RN</b>	Remuneration and Nomination Committee
<b>A</b>	Audit Committee
<b>Ri</b>	Risk Committee
<b>I</b>	Investment Committee
<b>W</b>	With-Profits Committee
*	Committee chair

## Simon Moore, Chairman

**B \* RN**

### Appointment:

Simon joined the Board on 17 June 2022 as a Non-Executive Director. He was formally appointed by our members at the 2022 AGM.

### Skills and experience:

Simon has over 30 years' experience in financial services. He began his career as a credit analyst, specialising in insurance at Lloyds Banking Group and went on to join the global insurance team at Chase Manhattan Bank in London and New York in 1994. In 2004, he was appointed regional director for the corporate banking business at Barclays Bank (South-West of England and Wales). He spent three years as the international director of the Confederation of British Industry (CBI) and as a member of its management board. In 2022, Simon completed a ten-year term as a director and chair of Cambridge and Counties Bank and, in 2024, stepped down from his appointments as chair of RCI Bank UK (the UK arm of the French bank RCI Banque Groupe) and PCF Bank Group. He has also been a governor at the University of the West of England, a non-executive board member of the Government Office of the South-West and chair of Pennant International Group PLC. He stepped down as chair of WH Ireland Group plc in 2026. As well as LV= Chair, Simon is also the chair of Principality Building Society.

## David Hynam, Chief Executive (CEO)

**B I**

### Appointment:

David was appointed as CEO on 26 September 2022 and joined the Board on 24 October 2022. He was formally appointed by our members at the 2023 AGM.

### Skills and experience:

David has over 30 years' experience in the financial services and insurance sector. He began his career at Barclays working in a variety of roles before becoming chief operating officer at Barclays' offshore business. He joined AXA UK in 2001 in a senior operations role, ultimately overseeing operations for the UK and Ireland. When Resolution acquired the majority of the UK life business from AXA, merging the business with Friends Provident to create Friends Life, David joined Friends Life as group chief operating officer, leaving as UK chief executive officer in 2013. He joined Bupa UK in 2014 and led the transformation agenda for the UK business as well as running the health clinics division. His most recent role was as chief executive officer of Bupa's UK and Global markets, which included all the UK businesses and international health insurance. As well as LV= Chief Executive, David is chair of HomeServe Membership Limited.

## Natalie Ceeney CBE, Senior Independent Director

**B RN \* A Ri**

### Appointment:

Natalie joined the Board on 1 March 2022 as a Non-Executive Director and Senior Independent Director. She was formally appointed by our members at the 2022 AGM.

### Resignation:

Natalie resigned from the Board on 31 January 2026.

### Skills and experience:

Natalie is an experienced non-executive director with a strong background in financial services and regulation. Natalie's early career was at McKinsey & Company and she subsequently held three chief executive roles, including at the National Archives, HM Courts and Tribunal Service, and the Financial Ombudsman Service. She's also served on the UK executive of HSBC. Natalie's non-executive experience includes Countrywide plc, Innovate Finance, Ford Credit Europe (Bank) and Anglian Water. Her current non-executive commitments include OpenReach, Spire Healthcare and she is chair of Cash Access UK LTD and The Connection Project. Natalie is also a member of the Digital Inclusion Sub-Committee of the HM Treasury Financial Inclusion Committee and a member of the Department for Science, Innovation & Technology's Digital Inclusion Action Committee. She was awarded a CBE in the 2010 New Year Honours.

## Colin Ledlie, Non-Executive Director

**B A Ri \* I W**

### Appointment:

Colin joined the Board on 1 August 2017 as a Non-Executive Director. He was formally appointed by our members at the 2018 AGM.

### Skills and experience:

Colin is an experienced actuary and risk professional with over 30 years' experience in the insurance industry. He has previously held a number of senior executive roles at Standard Life, including as chief actuary and chief risk officer. Colin is a non-executive director of Reclaim Fund Ltd and a trustee of Transition Edinburgh South. His previous non-executive experience includes Bupa, ReAssure and the National Records of Scotland.

## Susan McInnes, Non-Executive Director

**B RN Ri W**

### Appointment:

Susan joined the Board on 1 April 2020 as a Non-Executive Director. She was formally appointed by our members at the 2020 AGM.

### Skills and experience:

Susan has worked in the life and pensions sector for over 40 years. She was at the Phoenix Group for over 12 years, where she was customer director of the life companies and chief risk officer, before being appointed chief executive officer of Standard Life Assurance in September 2018. Susan was previously appointed as a board member of the Association of British Insurers (ABI) and chair of the ABI's Long-Term Savings Committee. Susan's non-executive experience includes Rowanmoor Group and Curtis Banks Group. Susan currently sits on the boards of Royal and Sun Alliance and Diligenta.

## Suzy Neubert, Non-Executive Director

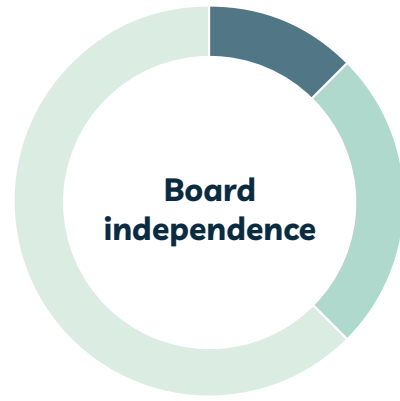
**B RN A I \***

### Appointment:

Suzy joined the Board on 1 March 2022 as a Non-Executive Director. She was formally appointed by our members at the 2022 AGM.

### Skills and experience:

Suzy has deep financial services experience as both an executive and non-executive director. Her executive roles have included managing director of equities at Merrill Lynch followed by 14 years at J O Hambro Capital Management where she was global head of distribution. Suzy sits on the boards as a non-executive director and senior independent director of Jupiter Asset Management and LondonMetric Property PLC and a non-executive director of Howden Joinery Group plc. Suzy is a trustee and the vice chair of the King's Trust. She was previously a non-executive director of Witan Investment Trust plc and ISIO. Suzy is also a qualified barrister.



■ Chair (1) ■ Executive (2) ■ Non-Executive (5)

## David Rogers, Non-Executive Director

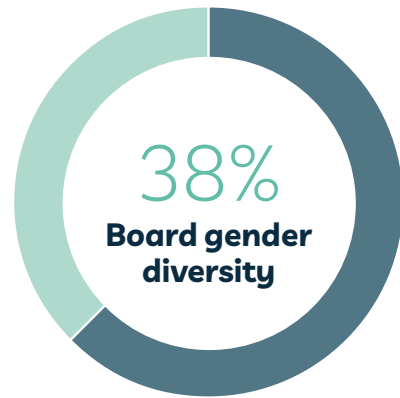
**B A \* Ri I**

### Appointment:

David joined the Board on 1 March 2023 as a Non-Executive Director. He was formally appointed by our members at the 2023 AGM. David was appointed as Senior Independent Director on 1 February 2026.

### Skills and experience:

David has more than 25 years' experience of financial services with a deep knowledge of the insurance and life and pensions industry. He worked at Aviva for more than 20 years in a variety of senior roles including chief finance officer of Aviva's UK Life and Pensions business. David's current non-executive experience includes AA Insurance Services Limited and musical charities Hounslow Music Service, The Vauxhall Band and Fieri Consort.



■ Male (5) ■ Female (3)

## Stephen Percival, Chief Financial Officer (CFO)

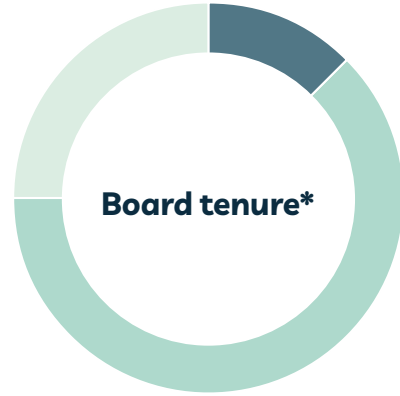
**B I**

### Appointment:

Stephen was appointed as CFO on 15 May 2023 and joined the Board on 22 June 2023 as an Executive Director. He was formally appointed by our members at the 2024 AGM.

### Skills and experience:

Stephen has enjoyed a successful career in financial services and has extensive life insurance experience from 25 years in the industry. He has held a wide range of senior finance roles including CFO of Standard Life's insurance business and CFO of the life businesses within the Phoenix Group. He also has international experience gained from working in China, India and Canada. As well as LV= Chief Financial Officer, Stephen is also a director of The Aquila Foundation.



■ 0-2 years (1) ■ 2-4 years (5) ■ 4+ years (2)



■ White (7) ■ Other ethnic group (1)

\* Tenure is calculated from the date of the director's first appointment at an AGM.

# Corporate Governance Statement

## Our governance

The Board is committed to the highest standards of corporate governance and stewardship. As a mutual, we are owned by our members and strive to provide long-term benefit and confidence through the operation of an effective governance framework, efficient controls and transparent decision making.

To reflect our commitment to mutuality, we are a member of the Association of Financial Mutuals (AFM) and adhere to the principles of the AFM's Corporate Governance Code (AFM Governance Code). The AFM Governance Code supports its members in delivering the highest standards of corporate governance.

The Board fully supports the aims of the AFM Governance Code and believes that effective corporate governance ensures that there is clarity of roles and responsibilities which enhances accountability and transparency. Good governance helps to create a sustainable business and supports the delivery of our long-term strategy.

The AFM Governance Code has six overarching principles. The table below sets out how we have applied each principle.

The AFM Governance Code – six principles		
Principle	Applied	How the principle has been applied
<p><b>Principle one</b> <b>Purpose and leadership</b></p> <p>An effective Board promotes the purpose of an organisation and ensures that its values, strategy and culture align with that purpose.</p>	Yes	<p>The role of the Board is to set the tone from the top for the group's governance, culture and values, and to be collectively responsible for the long-term success of the group. This means running our business with integrity, complying with all relevant laws and regulations and enabling the highest standards of internal control and risk management.</p> <p><b>Our purpose</b> Our purpose is to help people live financially confident lives by protecting their income while they are working and maximising it when they stop. We recognise that the Board and each colleague has a role to play in delivering this purpose. We also have a wider social purpose to be a good corporate citizen and to remember our heritage – we were founded to help people in need.</p> <p>During 2025, the Board continued to develop our business strategy, to deliver our purpose, and the opportunities it presents for our members, customers, advisers and colleagues. The business strategy is clearly articulated and regularly communicated to all colleagues who have the collective responsibility for its implementation. Colleagues are asked to consider their role in delivering our aims and how they can contribute directly and indirectly through their everyday activities. Further details on our strategy can be found on pages 10 to 12.</p> <p><b>Our values</b> We strive to ensure our values are clear and meaningful for colleagues and the Board ensures that we truly live our values every day. We aim to be trusted, courageous, curious and inclusive in all that we do. The Board is proud of the culture we have developed.</p> <p>Throughout the year, regular updates were provided to colleagues outlining our strategic priorities and how they aligned with our vision, mission, purpose, values and business plan. The Executive team regularly gauges colleague understanding and support for the positive culture we have cultivated through our engagement surveys, diversity, equity, inclusion and wellbeing initiatives, exit interviews and learning and development programmes. Regular feedback on the initiatives is reported to the Board.</p>
<p><b>Principle two</b> <b>Board composition</b></p> <p>Effective Board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge with individual directors having sufficient capacity to make a valuable contribution. The size of the Board should be guided by the scale and complexity of the organisation.</p>	Yes	<p>We recognise that the Board is likely to make good decisions if the directors contribute a range of perspectives and experiences. In accordance with good governance, the Board is composed of more Non-Executive Directors than Executive Directors. The Chair was considered independent on appointment, and the role is separate from that of the Chief Executive. Each Board member has a broad range of skills, backgrounds, experience and knowledge appropriate for our purpose and size.</p> <ul style="list-style-type: none"> <li>- Biographies of the Board directors can be found on pages 45 and 46.</li> <li>- A summary of each role on the Board can be found on page 50.</li> </ul> <p><b>Diversity policy</b> The Board is committed to diversity in line with the Board's Diversity Policy. Diversity in the boardroom promotes objective thought and strengthens the quality of decision making. The Board has adopted a Board Diversity Policy and reports its performance against the agreed diversity targets. The Board is mindful of ensuring diversity in all Board succession and recruitment activity. Any new appointments will be made on merit and reflect the skills and experience that the Board as a collective requires to be effective. Information about the Board Diversity Policy can be found on pages 54 and 55.</p> <p><b>Board effectiveness</b> The performance of the Board, its committees, each director and the Chair are appraised annually. In accordance with best practice, an independent external firm led the evaluation of the Board for year-end 2025. The Board committees undertook an internal effectiveness review which assessed each committee's responsibilities, performance and engagement with management. Further details are outlined on page 53.</p> <p>It was agreed that all directors performed effectively during the year.</p>

## The AFM Governance Code – six principles

Principle	Applied	How the principle has been applied
<p><b>Principle three</b> <b>Director responsibilities</b></p> <p>The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making and independent challenge.</p>	<p>Yes</p>	<p>Our governance framework defines the decision-making authorities and responsibilities of the Board, its committees and the Executive team's delegated authorities.</p> <p><b>Terms of reference</b> Where appropriate, the Board delegates some of its responsibilities to Board committees but retains overall responsibility for all matters. The composition of the Board committees is regularly reviewed to ensure that the members continue to have the appropriate skills, professional qualifications and experience to effectively support the committee's role and remit. A full skills gap assessment is undertaken each year and as part of the recruitment process for any new Non-Executive Director.</p> <p>The terms of reference of the Board and its committees are reviewed annually, or more frequently if required, and are publicly available on <a href="http://LV.com">LV.com</a>. Some matters remain reserved for the Board or members in accordance with our Articles of Association and relevant company laws. A copy of our Articles of Association is also available on <a href="http://LV.com">LV.com</a></p> <p><b>Director responsibilities</b> Each director is aware of their responsibility to act in accordance with the duties outlined in the Companies Act 2006. These include a duty to promote the success of the company, consider the long-term consequences of decisions and its impact on stakeholders including colleagues, members and the environment. Our Section 172 statement is available on pages 39 to 41 for more information.</p> <p>As a financial services business, the directors are also bound by the Financial Conduct Authority's (FCA) code of conduct which sets out certain rules to be adhered to. These regulatory responsibilities include acting with integrity, acting with due skill, care and diligence, being open and cooperative with the regulators, paying due regard to the interests of customers and treating them fairly, acting to deliver good outcomes for retail customers and observing proper standards of market conduct. Those holding key roles within our business also have additional responsibilities which are clearly mapped. All of these responsibilities are captured in each director's and approved person's 'statement of responsibilities' which were reviewed and updated during the year and provided to the FCA. Each director has complied with the code of conduct throughout 2025.</p> <p>We have a comprehensive conflicts of interest policy which is updated annually and approved by the Risk Committee. Each director is aware of their obligations and any potential conflicts are identified and mitigations put in place. Directors declare any new conflicts at the start of each Board meeting and all external appointments are approved by the Chair, prior to the Board formally approving the appointment.</p> <p>The Company Secretary and Secretariat team ensure that adequate resources are available to the Board and each committee to enable each director to fulfil their obligations. Regular training is coordinated for the Board throughout the year which covers developments within the market, corporate reporting and regulation, sector trends and best practice, and future areas of concern.</p>
<p><b>Principle four</b> <b>Opportunity and risk</b></p> <p>A Board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.</p>	<p>Yes</p>	<p>The Board is responsible for all strategic decision making. During the year, the Board reviewed and agreed its business plan, held one formal strategy session and identified and assessed opportunities to create greater sustainability and member value.</p> <p><b>Viability statement</b> Our viability statement is available on pages 61 and 62 and sets out our long-term prospects, the factors considered when assessing future viability and the risks that we consider might impact on those prospects.</p> <p><b>Risk assessment</b> The Board has overall responsibility for setting the risk strategy, risk framework and the risk appetite. The risk strategy and principal risks are updated and reviewed by the Risk Committee and the Board through the annual Own Risk and Solvency Assessment (ORSA) process. The principal risks and uncertainties are disclosed in the risk management section on pages 20 and 21.</p> <p>The Risk Committee and Audit Committee have responsibility for overseeing the development, maintenance and effectiveness of a risk management and internal control system. The Risk and Audit Committees consider whether the framework is appropriate to the organisation and test that it is embedded and operating effectively. Further information is detailed on pages 56 to 58.</p>

## The AFM Governance Code – six principles

Principle	Applied	How the principle has been applied
<p><b>Principle five</b> <b>Remuneration</b></p> <p>A Board should promote executive remuneration structures aligned to the long-term success of an organisation, taking into account pay and conditions elsewhere in the organisation.</p>	Yes	<p>The role and activities of the Remuneration and Nomination Committee are outlined on page 70. Our remuneration policy can be found on pages 66 and 67.</p> <p><b>Remuneration and Nomination Committee</b></p> <p>The committee's role is to ensure that there is alignment between executive remuneration and the long-term success of the business. Performance is assessed on a range of financial and non-financial measures that fully align with our strategic aim to deliver value to members. The committee reviews salary and bonus levels, considers gender pay reporting and wider workforce pay trends and policies. We strive to ensure that the highest levels of governance are followed and that the committee's decisions are compliant with best practices, the principles of the AFM Governance Code and Solvency II regulations.</p> <p>The remuneration of the Non-Executive Directors is reviewed by the Board annually and no director is involved in deciding their own remuneration. Non-Executive Directors are paid fees at market-competitive rates and there are no incentivisation or performance-related conditions in their contracts.</p>
<p><b>Principle six</b> <b>Stakeholder relationships and engagement</b></p> <p>Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	Yes	<p>Understanding and maintaining good relationships with our stakeholders is a primary focus of the Board. The Board firmly believes that understanding what is important to our members and customers is key to our long-term success as a company and as a mutual.</p> <p>Details of our engagement with members, colleagues, suppliers, regulators, our community and the wider environment are detailed below and an explanation of how the long-term consequences of Board decisions impact our stakeholders is included within our Section 172 statement on pages 39 to 41.</p>

### Key stakeholders

**Our members:** We regularly engage with our members on a variety of topics through our LV= Member Community. We also engage with our members through our Annual General Meeting. Members have the opportunity to attend either in person or online and can ask questions in advance of the Meeting or directly to the Board during the Meeting.

**Our customers:** In accordance with FCA requirements, Susan McInnes, our Non-Executive Director, was appointed as our Consumer Duty Champion in 2023. We chose to retain the role when the FCA removed this specific requirement in February 2025 to help the Board fulfil its duties to its customers.

The Consumer Duty Champion ensures that the customer's voice is present in decision making and that the Board delivers good outcomes for customers. Susan is a member of the Customer Committee which meets quarterly to receive updates on customer service, complaints and vulnerable customers. Susan is also a member of our Board and our With-Profits Committee which ensures that our customers are considered throughout the decision-making process. The Board receives customer feedback in many forms, whether directly from the customer, as part of our overall customer insight or in the form of results and feedback from customer satisfaction surveys.

**Our colleagues:** The wellbeing and engagement of our colleagues continues to be a key focus for the Board and senior management. We are committed to promoting equality of opportunity for all colleagues, ensuring that they are informed and empowered to make positive choices to maintain their wellbeing. We have several initiatives in place to ensure the right support and information is available. We also gauge the views of our colleagues regularly through engagement surveys or via reports to the Board from our Chief People Officer and Employee Consultative Forum representatives. Further details of these initiatives can be found on pages 34 and 35.

**Our regulators:** As a financial services business, we are regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). We have a constructive and open relationship with both regulators and, as part of the PRA's supervision programme, our senior management team and Board regularly meet with its supervisory teams.

**Our business partners:** We operate and work with a wide range of suppliers to deliver services to our customers. The Board recognises the importance of building and fostering strong working relationships with all our suppliers, advisers and business partners.

**Our community:** We are passionate about helping communities both local to our offices and further afield. During 2025, we launched LV= Together – our approach to social impact. Our activity continues to support a variety of charities through corporate giving, fundraising, sponsorships, partnerships, volunteering and charity initiatives with the help of our colleagues. You can read more about this in our sustainable business review on page 33.

**Our environment:** Sustainability is an integral part of the way we do business, and the Board strives to embed environmental considerations in everything we do. Our 2025 Sustainability Report outlines our aims and core strategies. The Report also shares our net zero targets on decarbonisation, engagement and climate solutions. You can read more about this on pages 25 to 32.

**Our bondholders:** During 2025, we met with several investors and market analysts updating them on business performance in line with our previous Annual Report. We also maintain close relationships with rating agencies such as S&P who improved our rating outlook to positive from stable during 2025.

# Corporate Governance Structure

## Roles and responsibilities

During the year, our Board was comprised of an independent Non-Executive Chair, five independent Non-Executive Directors and two Executive Directors (the CEO and CFO). The directors collectively have the appropriate balance of skills, knowledge and experience in the financial services industry, in particular life insurance, with-profits, investments, risk and governance, to make an effective contribution to the Board's discussions. Throughout 2025, the Non-Executive Directors remained independent and had sufficient capacity to fulfil their role on the Board.

Each role on the Board has a specific responsibility and a summary of each can be found below. The skills and experience that each director brings to the Board is included in their biographies on pages 45 and 46.

Board of Directors - as at 31 December 2025	
<b>Chair</b> Simon Moore	<ul style="list-style-type: none"> <li>Ensures the Board is effective and fosters honest and open debate in the boardroom.</li> <li>Ensures effective decision making and robust challenge of management.</li> <li>Sets the tone from the top both in terms of our culture and in setting the strategic direction.</li> <li>Oversees and supports the CEO.</li> <li>Promotes high standards of corporate governance.</li> </ul>
<b>Senior Independent Director</b> Natalie Ceeney CBE*	<ul style="list-style-type: none"> <li>Acts as a sounding board to the Chair.</li> <li>Leads the annual review of the Chair's performance by the Board.</li> <li>Available to the directors and members when contact through the usual channels (Chair or CEO) may not be appropriate.</li> </ul>
<b>Non-Executive Directors</b> Colin Ledlie Susan McInnes Suzy Neubert David Rogers	<ul style="list-style-type: none"> <li>Contribute to discussions and challenge and hold management to account to ensure transparent decision making and oversight.</li> <li>Contribute to the development of the business plan, strategy and risk appetite.</li> <li>Promote the long-term success of the business.</li> </ul>
<b>Chief Executive (CEO)</b> David Hynam	<ul style="list-style-type: none"> <li>Leads the Executive team in the day-to-day running of the business.</li> <li>Delivers the business strategy and the business plan agreed by the Board.</li> <li>Implements and monitors the controls for best practice, policy and practices to maintain operational efficiency and high standards of business conduct.</li> </ul>
<b>Chief Financial Officer (CFO)</b> Stephen Percival	<ul style="list-style-type: none"> <li>As a member of the Board, collectively with the Non-Executive Directors, sets the business strategy and monitors performance to ensure the long-term success of the business.</li> <li>Provides the Board with additional insight into the operation and performance of the business and its subsidiaries.</li> <li>Leads the Finance function and delivers the financial strategy for the business.</li> </ul>
Supporting the Board	
<b>Chief Legal Officer and Company Secretary</b> Oliver Wilson	<ul style="list-style-type: none"> <li>Ensures the Board has high quality information, adequate time and appropriate resources in order to function effectively and efficiently.</li> <li>Advises and keeps the Board updated on corporate governance matters and developments.</li> <li>Considers Board effectiveness in conjunction with the Chair.</li> <li>Facilitates the directors' induction programmes and assists with professional development.</li> <li>Provides advice, services and support to all directors as and when required. Each director has unrestricted access to the Company Secretary and Secretariat team.</li> </ul>

\*David Rogers was appointed as Senior Independent Director with effect 1 February 2026 following Natalie's resignation on 31 January 2026.

## Board's activities during 2025

The role of the Board is defined in its terms of reference as follows: "The Board must promote the long-term, sustainable success of the Company, generating value for members, having regard to the interests of stakeholders and contribute to the wider community and the environment."

The agenda for each Board meeting is carefully considered in advance by the Chair, CEO and Company Secretary to ensure that the Board fulfils its role and main purpose, and that any standing or situational matters that require consideration follow the correct governance process. The CEO reviews all papers before they are submitted to the Board to provide comfort to the Board of the quality and integrity of the information used for decision making and reporting. The Chair and Company Secretary make certain that all directors have the appropriate information available, in a timely manner, to enable a constructive discussion in the boardroom.

A typical meeting will comprise of reports from:

- the CEO on performance and strategy,
- the CFO and Chief Commercial Officer on trading and financial performance,
- the Chief Risk Officer on risk and regulatory matters.

The remainder of the agenda focuses on member, customer, colleague and governance matters, and topics of current interest. The Board also has an annual learning and development programme and will typically receive training on a relevant topic at each Board meeting.

In addition to seven standard meetings, a formal strategy meeting was held during the year to discuss the purpose, vision and future strategy of the business. During the year, the Board delegated its authority to a sub-committee to approve with-profits bonuses and governance, and the year-end 2024 financial reporting following recommendation from the With-Profits Committee and Audit Committee respectively.

There is a clear list of reserved matters which only the Board can decide on. These are outlined in the Board's terms of reference and summarised below. Other matters are delegated to the CEO or a Board committee. The Board's terms of reference are available on [LV.com](https://www.lv.com)

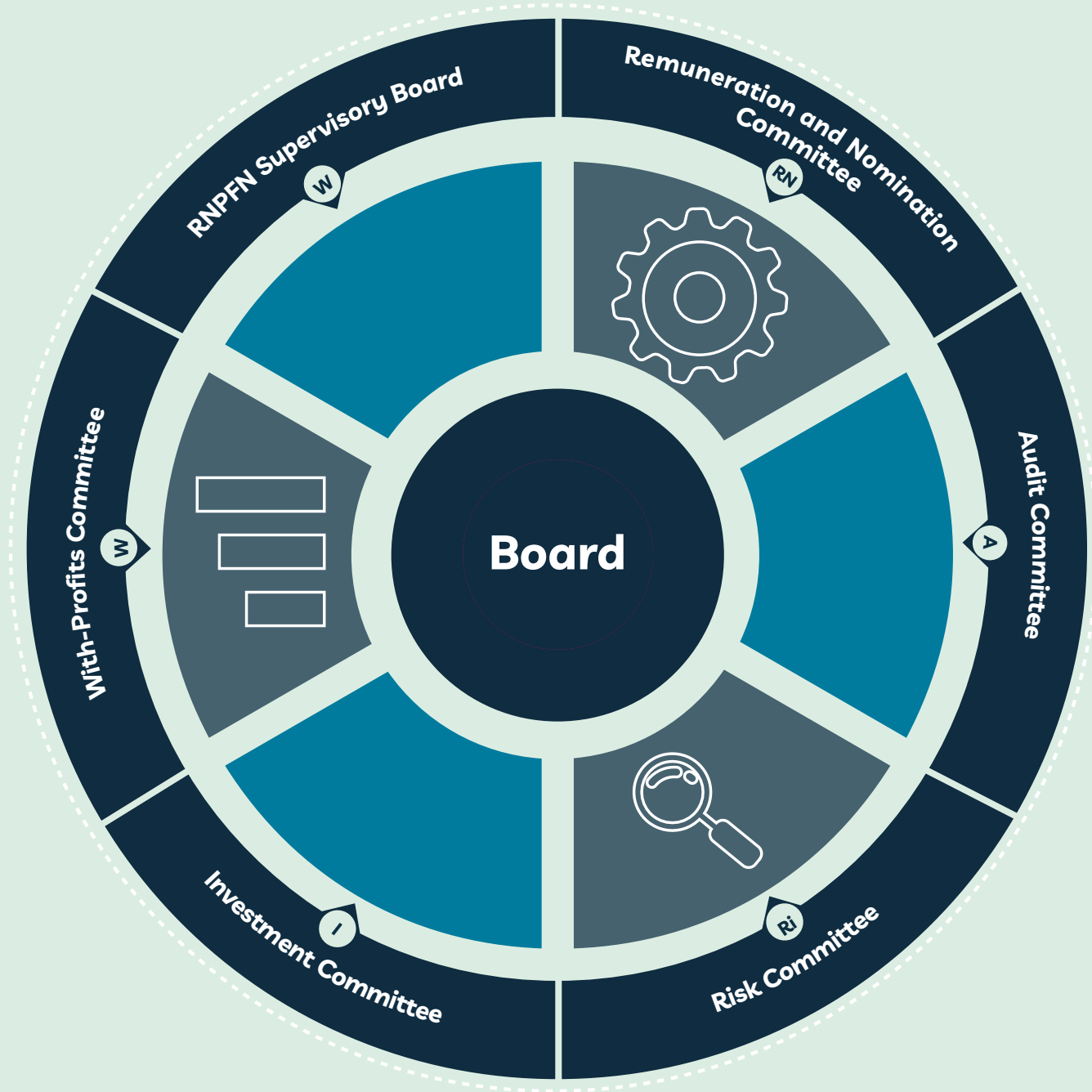
Reserved matter which only the Board can decide on	Specific items contained within such matters
<b>Strategy and planning</b>	The annual business plan, budget and strategic plans for the group.
<b>Financial matters</b>	<ul style="list-style-type: none"> <li>■ Expenditure (whether capital or revenue) greater than £5m, or £2.5m over the agreed budget or outside of the normal course of business.</li> <li>■ The authority limits for the CEO.</li> <li>■ The remuneration of the Non-Executive Directors including the members of the With-Profits Committee and RNPFN Supervisory Board.</li> </ul>
<b>Mergers, acquisitions and disposals</b>	<ul style="list-style-type: none"> <li>■ Changes to the group's legal entity structure, including the incorporation of new entities, mergers, acquisitions and disposals, either by LVFS or its subsidiaries.</li> </ul>
<b>Governance and compliance</b>	<ul style="list-style-type: none"> <li>■ The notice of General Meetings.</li> <li>■ Proposed amendments to the Articles of Association (which would be recommended to members for approval at a General Meeting).</li> <li>■ The terms of reference of the Board, Board committees (including Board sub-committees) and the Subsidiaries' Board.</li> <li>■ Appointment of directors to the Board (subject to approval by members at an Annual General Meeting) and our subsidiaries.</li> <li>■ Changes to the Board or Board committee's composition.</li> </ul>
<b>With-profits</b>	<ul style="list-style-type: none"> <li>■ Annual bonus declaration.</li> <li>■ Membership entitlement.</li> </ul>

## Attendance table for Board members during 2025

Total formal Board meetings held during 2025 - seven			
Board member	No. eligible to attend	No. attended	% of those eligible to attend
Simon Moore	7	7	100%
David Hynam	7	7	100%
Natalie Ceeney CBE	7	7	100%
Colin Ledlie	7	7	100%
Susan McInnes	7	6	86%
Suzy Neubert	7	7	100%
David Rogers	7	7	100%
Stephen Percival	7	7	100%

## Board Committees

The Board has delegated its authority to six committees that each have a specific role and remit. Each is chaired by an independent Non-Executive, with terms of reference available on [LV.com](http://LV.com)



### Board

- █ The Board has oversight of all matters delegated to its committees and retains responsibility for any final decisions.

### Remuneration and Nomination Committee (see page 53)

- █ The remuneration policies and practices of the Executive team and wider workforce.
- █ Succession planning, appointment process, diversity and governance.

### Audit Committee (see page 56)

- █ The financial reporting process.
- █ The internal control framework and risk management systems relating to financial controls.
- █ The effectiveness of the internal and external audit functions.

### Risk Committee (see page 58)

- █ Risk strategy, appetite and tolerances.
- █ The oversight of emerging and principal risks.
- █ Identify and oversee the risk management culture.

### Investment Committee (see page 58)

- █ The investment strategy and responsible investing framework.
- █ The performance of the investment funds and the asset managers.

### With-Profits Committee and RNPFN Supervisory Board (see page 59)

- █ Overseeing the interests of our with-profits policyholders.
- █ Adhering to the Principles and Practices of Financial Management and ensuring customers are treated fairly.

## RN Remuneration and Nomination Committee

Membership during 2025	Attendance
Natalie Ceeney CBE (Chair)	5/5
Susan McInnes*	5/5
Simon Moore	5/5
Suzy Neubert	5/5

\*Susan was appointed as Chair of the committee with effect 1 February 2026 following Natalie's resignation on 31 January 2026. David Rogers joined the committee with effect 1 February 2026.

We operate a combined Remuneration and Nomination Committee as it allows cohesive oversight of talent, succession and remuneration. We believe that it is critical to the success of the company that we have the right expertise in the right places, a strong pipeline of talent, an inclusive culture aligned to the values of a mutual and with incentives (financial and non-financial) which drive the right behaviour and performance.

The main focus of the committee is to consider the overall remuneration structure of the organisation, to review salary and bonus levels and metrics, to have oversight of the wider workforce's wellbeing and culture (including diversity, equity and inclusion, remuneration and any gender pay analysis), and to ensure that we have appropriate succession and retention strategies in place. It also ensures that the highest levels of governance are followed and that its decisions are compliant with the Solvency II regulations and relevant legislation.

During 2025, the committee determined the remuneration packages for joiners, promotions and leavers for senior management and the Executive team. The committee reviewed the annual bonus and Long-Term Incentive Plan (LTIP) measures for the group. Further information regarding the committee's role in relation to remuneration matters and the group's policy on executive and senior management remuneration during 2025 is set out in the report on directors' remuneration on page 70.

In its nomination role, the committee has responsibility for reviewing and evaluating the size, structure and composition of the Board and its committees. Working with the Company Secretary, the committee ensures that robust succession plans are in place for the Board. The committee also leads the annual review process of the Board and its committees' effectiveness.

Led by the Chief People Officer, the committee discussed the succession plans for the Executive team, senior management and our key people in each business unit to ensure appropriate contingency arrangements and development opportunities were in place for individuals and the wider business.

The committee also had oversight of the diversity, equity and inclusion (DEI) strategy and the plans for developing and embedding DEI into the heart of our culture.

## Performance evaluations

The Remuneration and Nomination Committee oversees the annual effectiveness reviews of the Board as a collective, its committees, individual directors and the Chair.

### Board and committee evaluation

In accordance with the AFM Governance code and best practice, the Board and each committee considers its effectiveness and performance during the year and, at least every three years, the Board invites an independent third party to assist with the review.

In 2025, the committee appointed, following a comprehensive tender process, Socia Associates (Socia) to undertake a review of the Board. Socia is independent and does not have any connection with LV= or any director.

The review, which started in the third quarter of 2025, focused on the operation of the Board, dynamics within the boardroom, among Board members and with management, engagement and relationships with stakeholders, succession planning and the quality of information. Socia undertook a detailed review of a broad range of documentation before observing a meeting of the Board. Individual interviews were held between Socia and all Board members, the Company Secretary and members of the Executive team.

### Outcome

The review confirmed that the Board operates effectively and has a comprehensive and professional system of governance in place. The Board, and each director, is actively committed to the aims and values of our mutual business. Socia acknowledged that the current non-executive membership was aligned to the requirements of the business, and that the Non-Executive Directors possessed the appropriate Board experience, independence, and confidence to execute their responsibilities effectively.

The meeting papers and management information provided to assist the Board with its decision making were noted as being of a high quality and meetings were structured to allow robust conversations.

Socia made a number of helpful recommendations to improve the Board's and Chair's effectiveness which were discussed and supported by the Board in January 2026.

The recommendations have been developed into an action plan. Progress on the actions will be monitored regularly throughout 2026 by the Board and overseen by the Company Secretary.

### The Chair

Socia collated the views of the Chair's performance from the Non-Executive Directors and Executive team during the one-to-one interviews held as part of the wider Board effectiveness review. The findings were shared with the Senior Independent Director and Company Secretary following discussion with the Chair.

### Outcome

The feedback received through the interviews indicates that the Chair's approach is inclusive and practical. His open, polite and engaging style ensures that all voices are heard and the dynamics in the Boardroom are well managed. The Chair maintains effective and regular communication with the CEO and Company Secretary. Areas for further enhancement were discussed with the Chair.

### Non-Executive Directors

Throughout the year, the Chair held individual meetings with each Non-Executive Director. The Chair discussed the director's role and their views on the Board's performance and areas for development.

### Outcome

These conversations identified the strong, positive and diverse contribution being made by the directors collectively and individually. Individual development areas were discussed.

## External appointments, time commitment and training

The AFM Governance Code requires that Non-Executive Directors have sufficient time available to meet their responsibilities. The committee reviews each director's time commitment, both annually and throughout the year following any changes to external appointments or the membership of Board committees. The outcomes of these reviews are incorporated within the Board committee and individual director effectiveness reviews.

It is recognised that additional external appointments provide an opportunity for the director to gain broader experience outside of LV= and can be a benefit and advantage to the Board and the business as a whole. All external appointments are subject to approval by the Board prior to acceptance of the role, on the condition that the appointment is not likely to lead to a conflict of interest and the director continues to be able to dedicate sufficient time to their current role.

At each Board and committee meeting, any material or situational conflicts relating to the matters of the meeting are considered. Any such conflicts are disclosed and recorded in the minutes with appropriate approval and/or mitigation agreed and taken at each meeting. The agreed mitigation for standing conflicts is reviewed annually and also reviewed as part of the annual fitness and propriety exercise overseen by the committee.

During 2025, the committee assessed the fitness and propriety, and time commitment of each of the Non-Executive Directors to ensure that they remained independent, fit and proper, and able to dedicate sufficient time to their roles. The committee is satisfied that all directors can commit the necessary time to fulfil their roles and responsibilities and that no external appointments are considered significant or a conflict requiring mitigation.

The Board has established a training schedule to align with the business plan, future strategic direction, and market trends. Throughout the year, the Board completed training on a wide selection of topics, including (but not limited to) customer service and engagement, Solvency II transition to Solvency UK, artificial intelligence opportunities and strategic regulatory themes.

Each director is also encouraged to undertake their own personal continuous professional development.

## Succession planning and recruitment

Succession planning was a key focus for the committee during the year. As our business strategy continues to evolve, so does the need to shape our organisation to ensure our leadership aligns with our strategic goals. While considering succession, the committee was mindful of ensuring the Board had the collective skills, experience and characteristics to meet today's challenges and opportunities and those of the future.

At the end of 2025, two Non-Executive Directors (Natalie Ceeney and Suzy Neubert) confirmed their intention to resign from the Board. Both Non-Executive Directors joined in 2022 with the intention of progressing our mutual business. Having achieved this aim, Natalie resigned on 31 January 2026 and Suzy will step down on 26 March 2026.

Natalie held the role of Senior Independent Director and chair of the Remuneration and Nomination Committee during the term of her appointment. Following an evaluation of the skills, experience and time commitment of the current Non-Executive Directors, Susan McInnes was recommended to the Board as the most suitable candidate to replace Natalie as chair of the committee. In addition to possessing the key personal attributes required for the role, Susan has been a member of the committee since 1 April 2020 and has previously held the position of chair of the committee between 1 January 2022 and April 2022. David Rogers, the chair of the Audit Committee, was considered the most suitable candidate for the role of Senior Independent Director as he possesses the skills and attributes to act as a confidential advisor and sounding board to the Chair and serve as an alternative contact for our members.

In accordance with good governance, a Non-Executive Director will serve a maximum term of nine years to ensure they remain independent. Colin Ledlie was appointed to the Board on 1 August 2017 and was formally appointed by our members at the 2018 AGM. Colin, mindful that he has nearly completed his maximum term, confirmed his intention to resign from the Board once a suitable successor had been identified. Colin will offer himself for re-appointment at the 2026 Annual General Meeting in order to ensure the completion of a handover to his successor.

Led by the Company Secretary, the committee has undertaken a thorough skills-gap analysis during the year in anticipation of the director changes in 2026. As part of the succession planning process, the committee considered the current skills, experience, tenure and characteristics of the directors against the future needs and longer-term strategy of the company. As part of this review, the composition of the Board committees was also discussed to ensure they aligned with the skills and experience of the non-executives.

The committee agreed that two Non-Executive Directors would be appointed to the Board in 2026 and Russell Reynolds Associates, an external recruitment consultant with no connection to LV= or any director, was appointed to lead the process. The recruitment search focused on finding candidates who had actuarial, risk, and commercial experience with practical knowledge of the life insurance industry and distribution of life insurance products. It was desirable that the successful candidates had the skills and experience to chair the Investment Committee and Risk Committee.

During the year, the Board also considered the composition of the With-Profits Committee (WPC). Ian Blanchard stepped down from the role as chair after serving nine years on the committee and Gordon Wood, an existing WPC member, was appointed as chair of the committee following a thorough recruitment process led by Teneo (an external recruitment firm with no connection to the directors or LV=). A recruitment process, led by Russell Reynolds Associates, is ongoing to appoint a new independent WPC member in 2026.

## Diversity, equity and inclusion

We are committed to equality of opportunity and treatment for all those who work for us, at all levels throughout the business. In line with our values, we agree to treat all colleagues, workers and applicants with dignity, fairness, respect and consideration.

The Board is committed to diversity, equity, inclusion and wellbeing ensuring it remains well informed, balanced, innovative and open-minded to continue to drive the business forward. The Board has adopted a Board Diversity Policy which was reviewed and revised by the committee during the year.

## Board Diversity Policy

### The Board has adopted the following diversity policy:

LV= recognises and embraces the benefits of having a diverse Board. We see it as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in skills, regional and industry experience, education and professional background, race, ethnicity and gender. Other personal attributes of the directors which are likely to support high performance, such as courage, openness, honesty, tact, ability to listen, strength of character and judgement are also considered beneficial in developing a truly diverse Board. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

All Board appointments will be made on merit and reflect the skills and experience the Board as a whole requires to be effective. The Remuneration and Nomination Committee (Rem&NomCo) reviews and assesses the Board's composition to ensure that, between them, the directors have sufficient current and relevant knowledge and experience to understand the key activities and risks in the business. In reviewing Board composition, Rem&NomCo will consider the benefits of all aspects of diversity to reduce groupthink, while maintaining an appropriate range and balance of skills, experience and background on the Board.

The Board supports ethnic and gender diversity and is aware of the target for women to represent 40% of Board membership and to have one senior Board position held by a female. The Board also supports the Parker Review recommendation to have at least one director from an ethnic minority background by 2024. However, in identifying suitable candidates for appointment to the Board, Rem&NomCo will consider candidates on merit against objective criteria as well as having due regard for the benefits of diversity on the Board.

The Board is committed to ensuring continued focus on the diversity of its membership and our colleagues, with the aim of better reflecting the demographics of our members and customers. We are a signatory of the Women in Finance Charter and remain committed to increasing the proportion of women in senior roles. The Rem&NomCo will continue to challenge management to improve policies and processes to ensure diversity remains a key focus and targets are progressed and achieved.

## Application and performance against the Board Diversity Policy

Throughout 2025, the committee evaluated the Board and its committees' composition and considered the benefits of all aspects of diversity to maintain an appropriate range and balance of skills, experience and knowledge.

The Board supports the recommendations set out in the FTSE Women Leaders Review (previously Hampton-Alexander Reviews and Davies Reviews) and the Parker Review on ethnic diversity. The Board therefore endeavours to have at least 40% female representation in its membership and at least one Board member from a Black, Asian and Minority Ethnic (BAME) background.

As at year end, the Board was comprised of two Executive Directors and six Non-Executive Directors. Three of our Non-Executive Directors were female which resulted in 38% female representation overall and we are proud that during 2025 we had a 50:50 gender ratio within our Non-Executive Directors. As at the date of signing this Report, our Board comprised of five males and two females which resulted in 29% female representation. Recruitment for two new Non-Executive Directors is ongoing, and the merits of a diverse Board is acknowledged when considering candidates for the roles.

The role of Senior Independent Director was held by a female Non-Executive Director during 2025 and our Board also includes one Non-Executive Director from a BAME background. Each Non-Executive Director has a different area of expertise and professional background which balances the skills and experience of the Board. For more details of the composition of the Board see pages 44 to 46.

## Senior management

The Board is committed to developing a diverse workforce and is dedicated to promoting women in leadership. The FTSE Women Leaders Review set the target to have 40% of women not just appointed to the main board of directors, but also a 40% representation on executive committees and their direct reports.

As at 31 December 2025, we were above this target for senior management (the Executive team and direct reports) at 41%.

Our pledge under the Women in Finance Charter was to reach an ambitious target of 43% female representation in senior roles by the end of 2025. We achieved the target of 43% throughout the management bands C-E, which demonstrates our continuing commitment to producing a diverse pool and pipeline of leaders and senior managers. In accordance with our commitments, we pledge to continue to target female representation at senior levels and to publish our progress against our targets. A member of our Executive team is responsible and accountable for gender diversity, equity and inclusion.

## Looking ahead

Over 2026, the committee will continue to fulfil its remuneration and nomination responsibilities. The balance of skills, experience, gender and diversity of the Board, its committees and senior management will continue to be monitored to ensure an adequate talent pipeline and succession plans are in place. The time commitments of each Non-Executive Director, and their training, will be monitored to ensure the Board has the sufficient scope of skills and expertise to effectively challenge management.

The committee will also continue to focus on diversity, equity and inclusion to harness a diverse range of thoughts, ideas and perspectives in the boardroom and the wider business.

A key focus for the Board in 2026 will be the appointment of two new Non-Executive Directors. A sub-committee of the Board has been appointed to oversee the recruitment process and ensure that the right candidates are selected. The committee will also oversee the recruitment to ensure that the Board continues to maintain the appropriate balance of skills, experience and personal characteristics to be effective. The selection process will be thorough and will comprise interviews with members of the Board and Executive team. The Chair and Company Secretary will ensure each newly appointed director receives a comprehensive induction and all the resources required to fulfil their responsibilities.

## A Audit Committee

Membership during 2025	Attendance
David Rogers (Chair)	6/6
Colin Ledlie	6/6
Natalie Ceeney CBE*	6/6
Suzy Neubert	6/6

\*Natalie Ceeney resigned from the committee with effect 31 January 2026 and Susan McInnes joined the committee with effect 1 February 2026.

The role of the committee is to oversee and challenge the integrity of the group's financial reports and the robustness of the financial internal controls. It also maintains oversight of the external and internal auditors, and monitors their objectivity, independence and operation. The main issues considered by the committee in relation to the 2025 Annual Report, along with the work that the committee has carried out during the year in relation to the group's internal control and external auditors, are set out in this Report.

The committee received all the assurances required from management to conclude satisfactorily on the robustness of the Annual Report.

### Significant matters considered in relation to financial reporting

In fulfilling its duties to ensure the integrity of financial reporting across the group, the committee focused on the following significant matters during the year.

#### External reporting

The committee reviewed and challenged the financial reporting documents, including the 2025 Annual Report and associated press release, considering both financial and non-financial disclosures as part of these reviews. In performing their reviews, the committee considered the balance of good and bad news, and the explanations included regarding one-off items impacting the results, ensuring that our reporting complied with the fair, balanced and understandable criteria. The committee reviewed the report of the external auditors on the Annual Report and noted that there were no significant findings to report.

Reviewing and recommending the 2024 Single Group Solvency and Financial Condition Report, released in April 2025, was also part of the committee's responsibilities during 2025. Meetings were held for the committee to discuss and challenge the Solvency II results and their presentation within the Solvency and Financial Condition Report, before recommendations for approval were made to the Board.

During the year, the committee received training covering financial reporting and regulatory developments relevant to the group. This included sessions covering proposed changes to UK GAAP accounting standards and potential future developments arising from recent audit and corporate governance reforms.

Areas of reporting which required specific focus for the 2025 year-end included the use of significant accounting estimates and judgements, and disclosures made in the Annual Report in relation to these. The key items discussed are set out below.

#### Long-term insurance and investment contract liabilities

The valuation of long-term insurance and investment contract liabilities is an area of significant estimation requiring management judgement. The methodology and assumptions used for UK GAAP and Solvency II reserving were assessed by management and the Chief Actuary and recommended to the committee.

The key assumptions discussed were:

- persistency assumptions, including gone-aways, cash and guaranteed annuity option take-up rates and early and late retirement rates,
- expense assumptions, reflecting the group's long-term cost base and the allocation of these costs between acquisition and maintenance related activities,

- longevity, mortality and morbidity assumptions, including mortality improvements,
- economic assumptions including future investment returns and discount rates.

The committee reviewed and challenged the reports from management and the Chief Actuary and considered feedback from the external auditors in order to satisfy itself that the reserving methodology and assumptions were appropriate.

#### Pensions

The valuation of the pension benefit obligations for the group's defined benefit schemes requires judgement, particularly in relation to discount rates, inflation and longevity assumptions used when calculating the present value of the scheme obligations. The committee is satisfied that the measurement of the liabilities of the defined benefit pension schemes have been calculated using appropriate assumptions.

#### Fair value of financial assets

The committee received information on the carrying value of investments, including property investments, in the group's balance sheet. Discussions focused on how those values were calculated for investments which require more judgement. In particular, the discount rate used when calculating the fair value of loans secured on residential property and loans secured on commercial property. The committee was satisfied that investments were valued appropriately.

#### Going concern assumption and the longer-term viability statement

The committee reviewed and challenged the principles underpinning the longer-term viability statement for 2025 and concluded that the group will be able to continue in operation and meet its liabilities as they become due. The committee considered information on the risks to the group's liquidity and capital when making this assessment.

In assessing viability, the committee considered the group's position presented in the Board approved business plan. The committee confirmed the appropriateness of a three-year assessment period for the longer-term viability statement.

#### Internal control

The Board has overall responsibility for the group's internal control systems and for monitoring the effectiveness of these. The Audit Committee facilitates the Board in executing this responsibility by ensuring that the internal control environment and risk management across the organisation is sufficiently robust. The group's internal control systems are designed to manage, rather than eliminate, the risk of failure to meet business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. Implementation and maintenance of the internal control systems are the responsibility of the Executive Directors and senior management.

#### Internal control and risk management in relation to financial reporting

Internal control and risk management systems are used to ensure the accuracy and robustness of financial reporting. Key controls which mitigate risks are identified across the processes that impact financial reporting. The design and operation of these controls is monitored by process and control owners with regular risk and control assessment and reporting.

## Oversight of the internal control framework

The Audit Committee assesses the performance of the internal control systems through review of reports from the Internal Audit and Risk functions. Annually, the committee receives an attestation and exception report regarding the effectiveness of internal controls and the risk management system. The committee also seeks the opinion of Internal Audit which provides objective assurance on the internal control environment. The regular review of the effectiveness of the system of risk management and internal control concluded that these systems remain effective and there were no significant failings or weaknesses to report.

## Oversight of the Internal Audit function

The committee approves the scope of Internal Audit's plan, including the activities and controls subject to review, and monitors the work performed through:

- review of key findings and emerging themes,
- challenge of management's response to control weaknesses identified,
- oversight of the resolution of action plans.

The committee evaluates the effectiveness and independence of Internal Audit on an annual basis to ensure that the function has the relevant experience, expertise, objectivity and quality to add value to the business. In addition, the Internal Audit function was subject to an External Quality Assessment (EQA) review in 2025 and received a rating of 'General Conformance'. This effectiveness of the Internal Audit function was assessed against stakeholder expectations, the Global Internal Audit Standards issued by the Global Institute of Internal Auditors, and the principles set out in the Chartered Institute of Internal Auditors' Internal Audit Code of Practice. An action plan has been developed to address the recommendations arising from the review.

Following a handover period spanning several months, the Chief Internal Auditor left LV= in October 2025 and the two Heads of Audit assumed joint responsibility for overseeing the Internal Audit function, including the successful completion of the 2025 audit plan. One Head of Audit assumed the SMF5 role on an interim basis from October in order to fulfil the requirements of the UK's Senior Managers and Certification Regime. The appointment of a new Chief Audit Officer was confirmed in February 2026.

## Finance Transformation Programme

During 2025, the Finance Transformation Programme has provided six-monthly updates to the committee. The committee reviewed and provided input to ensure that key milestones continued to be met and to monitor progress against the benefit case. This oversight has ensured the programme has remained on target to deliver the benefits which will enable the Finance function to create value for members and support the business into the future. In addition, the committee provided challenge to ensure that the programme will strengthen the control environment across the finance function.

## External audit

### Effectiveness

The committee reviewed a report evaluating the effectiveness of our external auditor, Forvis Mazars LLP. Key stakeholders involved in the 2024 year-end audit process completed a questionnaire and a number of them were also interviewed to evaluate the effectiveness of the external audit processes. Areas assessed were expertise, communication, team, delivery and value for money. The committee concluded that the external audit was effective.

The committee also reviewed the Financial Reporting Council's (FRC's) Forvis Mazars Audit Quality Inspection and Supervision report (their annual assessment of Forvis Mazars' audit quality, published in July 2025). The FRC reviewed ten individual Forvis Mazars audits as part of their overall inspection and assessed nine as requiring no more than limited improvements and one audit as requiring significant improvements. The committee is content that the results published by the FRC in July 2025 do not give it concerns over the quality, objectivity or independence of the 2024 audit.

The committee will continue to monitor Forvis Mazars' progress on actions to address previous findings in relation to its firm-wide procedures and the results of any further inspections of Forvis Mazars' firm-wide audit quality.

## Independence

The committee reviewed the policy for, and monitored the use of, the external auditors for any non-audit related work. The policy clearly identifies permitted services for which it is appropriate to use the external auditors, where the independence of the external auditors would not be threatened. The policy also regulates the appointment of former audit employees to senior positions in the group.

The committee ensured that the external auditors have reviewed their own independence in line with these criteria and their own ethical guidance standards and have confirmed to the committee that following their review they are satisfied that they have acted in accordance with relevant regulatory and professional requirements and that their objectivity is not impaired.

Fees for non-audit services in 2025 were negligible. See note 10 of our accounts for details of fees incurred.

Having considered compliance with our policy and the fees paid to the external auditors, the committee is satisfied as to the continued independence and objectivity of the external auditors.

## Looking ahead

Over 2026, the committee intends to meet to review, challenge and, if appropriate, recommend to the Board the 2025 Single Group Solvency and Financial Condition Report.

The committee will continue to meet regularly to oversee and, as appropriate, challenge the integrity and development of the group's financial reports.

In addition, the committee will continue to monitor the work of the Internal Audit function and the effectiveness of the group's internal control systems and external auditors. The committee will also continue to monitor the delivery of the Finance Transformation Programme.

## Ri Risk Committee

Membership during 2025	Attendance
Colin Ledlie (Chair)	5/5
Susan McInnes	5/5
Natalie Ceeney CBE*	5/5
David Rogers	5/5

\*Natalie Ceeney resigned from the committee with effect 31 January 2026.

Throughout the year, the committee considered the group's risk profile including current and emerging risks, and any business developments. A continued area of focus was operational and conduct risk, including oversight of significant business change programmes. In particular, the committee monitored the modernisation of systems across the Protection business alongside developments to address IT sustainability and security, and data management.

There was significant focus on financial risk, including developments in the capital management framework, liquidity management and counterparty risk. During the year, the committee also reviewed the group's reinsurance exposures and strategy including associated transactions such as the mass lapse reinsurance treaty implemented towards the end of the year.

The committee provided substantial input into the ORSA process, including steering the key areas of focus for the year and providing challenge and oversight of management's analysis, assumptions and recommendations.

The committee closely monitored uncertainty in the external economic environment, including through regular review of stress and scenario testing. It also provided oversight of management's contingency planning, including preparations for the implementation of new PRA requirements on solvent exit planning.

The committee continued to support the embedding of operational resilience and consumer duty principles and received regular updates on the delivery of customer outcomes to ensure consistency with regulatory expectations. Updates on wider regulatory proposals and initiatives were also received to consider the potential implications for members, customers and advisers.

The Chief Risk Officer provided ongoing updates on the regulatory and external landscape, including developments aligned to the FCA and PRA priorities and wider industry trends.

Looking forward, the committee will continue to review and assess the group's risk profile, risk management framework and principal and emerging risks, together with the effectiveness of associated risk management responses. The committee will also provide oversight of key strategic developments and the secure delivery of major change initiatives including the implementation of new regulatory requirements.

More details of the risk management framework, appetite and strategy are set out in the risk management section on pages 22 and 23.

## I Investment Committee

Membership during 2025	Attendance
<b>Non-Executive Members</b>	
Suzy Neubert (Chair)	4/4
Colin Ledlie	4/4
David Rogers	4/4
<b>Executive Members</b>	
David Hynam	4/4
Stephen Percival	4/4

\* Simon Moore joined the committee with effect 1 February 2026 with the intention of assuming the role of chair when Suzy Neubert resigns on 26 March.

The committee's role is to act for the group by ensuring that assets are prudently and appropriately invested to meet the needs and expectations of our members and customers. This is achieved by designing, developing and overseeing the various investment strategies for the group on behalf of the Board. The committee ensures each strategy is within risk appetite and is in line with our Principles and Practices of Financial Management (PPFM), which is a document that outlines our approach to the financial management of with-profits investments to make sure that customers are treated fairly.

Throughout the year, the committee reviewed investment performance which included receiving updates and presentations on the investment portfolio performance at each meeting from BlackRock, our primary asset manager. The committee also scrutinised the performance of our commercial mortgage lenders and appointed a third asset manager during the year to originate commercial mortgage loans. The committee considered each asset manager's compliance with delegated authorities approved by the committee. During the year, the committee also considered new asset classes and asset allocations across our portfolios.

The committee regularly discussed updates on environmental, social and governance (ESG) metrics and initiatives, and provided support and challenged management's efforts to continue to enhance responsible investing as part of our sustainability strategy. The committee supports our ambition to become net zero by 2050 and reviewed the 2025 Sustainability Report. Further information on our approach to responsible investing and our net zero ambitions is available on pages 29 and 30.

The committee undertook a number of deep dives into our investments to ensure the investment strategy was aligned to our business strategy and risk appetites and challenged management where necessary. BlackRock also provided training to the committee and the Board during the year covering relevant topics to our business, our products and the industry we operate in.

During 2026, the committee will continue to monitor all our assets under management and advise the Board on the investment options available to ensure that investment objectives align with the prudent person principle and policyholder expectations. The committee will continue to monitor the regulatory landscape which we operate in and develop its approach to responsible investing, sustainability strategy and net zero targets.

## w With-Profits Committee (WPC)

Membership during 2025	Attendance
Gordon Wood (Chair)	6/6
Ian Blanchard*	5/5
Colin Ledlie	6/6
Susan McInnes	6/6
Veronica Oak	6/6

\* Ian Blanchard resigned from the committee on 3rd November 2025 and was replaced as Chair of the committee by Gordon Wood.

The WPC membership currently comprises an independent chair (Gordon Wood), one independent member (Veronica Oak), and two Non-Executive Directors who sit on the LV= Board (Susan McInnes and Colin Ledlie). All four members are experienced financial services professionals, with substantial experience of with-profits business.

Ian Blanchard stepped down from the role as chair after serving nine years on the committee. Following a thorough recruitment process, led by Teneo (an external recruitment firm with no connection to the directors or LV=), Gordon was appointed by the Board in accordance with the committee's terms of reference as chair of the WPC. Gordon has served on the committee as a member since 2023. To retain the committee's independence, a new independent member will be appointed to the committee in 2026. Russell Reynolds Associates has been selected to lead the recruitment process alongside the recruitment of two Non-Executive Directors to the Board.

The WPC has two primary roles.

- Act in an advisory capacity to inform the decision-making of the Board.
- Act as a means by which the interests of with-profits policyholders are appropriately considered within an insurer's governance structures.

The terms of reference (ToR) cover all regulatory requirements of a with-profits committee. In addition, the ToR outlines several responsibilities specific to the Instrument of Transfer that moved the business of Teachers Provident Society Limited to LV=. The ToR is reviewed annually by both the WPC and Board.

The WPC met six times in 2025 to cover its business as usual responsibilities. It reviewed, for example, proposed bonus declarations and payout-setting approaches, investment strategy and performance, customer service levels, policyholder communications and ongoing compliance with the Principles and Practices of Financial Management (PPFM), all while taking into consideration and applying the Consumer Duty regulations. In addition to the business as usual meetings, the committee met a further two times to discuss key matters.

The committee's key focus for 2026 and beyond will be to continue to protect the interests of with-profits policyholders and to advise the Board on areas where the interest of with-profits policyholders may be affected.

## w RNPfN Supervisory Board

Membership during 2025	Attendance
Mike Kipling (Chair)	6/6
Ian Blanchard *	5/5
Veronica Oak	6/6
Colin Ledlie	6/6
Susan McInnes	6/6
Gordon Wood	1/1

\* Ian Blanchard resigned from the RNPfN Supervisory Board and Gordon Wood was appointed on 31 October 2025.

The RNPfN fund is a ring-fenced sub-fund within LVFS which holds the remaining business transferred from the Royal National Pension Fund for Nurses on 31 December 2001. The RNPfN Supervisory Board, established in accordance with the Scheme of Transfer and at the request of the LV= Board, also fulfils the function of the RNPfN With-Profits Committee.

The Supervisory Board is made up of three independent members, comprising the chair (Mike Kipling) and two LV= nominated members (Veronica Oak and Gordon Wood), along with two Non-Executive Directors who sit on the LV= Board (Susan McInnes and Colin Ledlie). In 2025, Ian Blanchard stepped down and Gordon Wood was appointed to the Supervisory Board.

During 2025, the Supervisory Board continued to monitor the changing balance of the fund and any actions required to ensure its smooth operation, while maintaining compliance with the scheme documents. Acting as a with-profits committee, the Supervisory Board continued to consider and advise on the interests and views of RNPfN policyholders and brought independent judgement of the assessment of compliance with the statement of Principles and Practices of Financial Management (PPFM) and the Scheme of Transfer, additionally taking into consideration and applying the Consumer Duty regulations in all aspects of its activities.

Looking ahead to 2026, the Supervisory Board will continue to monitor the run-off of the fund to ensure a fair distribution of the available surplus to with-profits policyholders over time. It will review and comment on strategic proposals from LV= where these may affect RNPfN policyholders.



# Directors' Report

**Oliver Wilson** Chief Legal Officer and Company Secretary



The directors consider that all the activities undertaken by the group during the year were within the company's rules and relevant regulatory permissions.

## Business strategy

The Board has chosen to set out the group's full strategic report, required under applicable law and regulations, in this Report which can be found on pages 6 to 41.

The Board sets objectives and priorities which are supported by key performance indicators and targets. These are monitored by the Board on an ongoing basis throughout the year. The key objectives and priorities align to our business strategy which you can read more about on pages 10 to 12. We have also included our strategy for the current year and the years ahead.

## Going concern and longer-term viability statement

Under the Association for Financial Mutuals (AFM) Corporate Governance Code, the Board is required to present a fair, balanced and understandable assessment of the company and group's position and prospects to members and make this available to them on an annual basis. The Board has decided that the most appropriate way to do this is by disclosing an annual going concern and longer-term viability statement as part of this Directors' Report.

### Going concern

In considering this requirement, the directors have considered the following:

- The Board approved the group's financial plan and in particular the forecast regulatory solvency position. Sensitivity analysis is included within this forecast. For the group, regulatory solvency is given more attention than liquidity. This is because, by the nature of our business, the group holds very substantial liquid assets on its balance sheet which would enable us to pay claims and expenses as they fall due for at least a 12-month period.
- The principal risks and uncertainties that could impact the group's solvency and liquidity over the next 12 months, including stress and scenario testing focused on the main risks to future trading such as the ongoing uncertainty over global macroeconomic growth.

Having due regard to these matters and after making appropriate enquiries, the directors have a reasonable expectation that both the company and the group have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements, including when considering a range of reasonably plausible downside scenarios. For this reason, they consider it appropriate to prepare the financial statements on a going concern basis.

## Longer-term viability statement

Our members and customers rely on the sustainability of the group over the longer term, and this is reflected in our business strategy, mutual model and management of risk. An assessment of viability is integral to our strategic planning and decision-making process so that we can continue in operation and meet our obligations to our members and customers. Our strategy is developed considering members' best interests, value accretion, solvency and liquidity. The principal risks and uncertainties that the group is exposed to underpin the strategic planning process and are outlined in further detail on pages 20 and 21.

### Period of assessment

In the Board's assessment of viability, a three-year period has been used. Each year a financial plan is developed and is subject to robust review and challenge by the Board. This plan is over a five-year horizon, with greater certainty associated with the first three years. The further two years are included to provide the Board with an extended plan for strategic decision making. The Board recognises that uncertainty increases over time, and this is reflected in the period used in the assessment of viability. The Board has reviewed the outer two years of the plan and assessed they do not contain any information which would impact the conclusion reached regarding the longer-term viability of the group. By restricting the period of assessment to the first three years of the plan, this takes into account the uncertainty of future internal and external developments and the typical timescale over which changes to major regulations tend to take place. Future internal developments may include trading mix and volumes, new business profitability and future levels of expenses. Future external developments may include longer-term socioeconomic changes, increasing impacts relating to climate change and other changes in the economic, political and regulatory environment in which we operate.

### Summary of capital position

The capital position has remained above our minimum risk appetite (Capital Coverage Ratio (CCR) of 140%) throughout 2025. At the end of 2025, the capital position was well above this level with a CCR of 202%, reflecting the strength of our balance sheet. The capital position and ongoing operating capital generation are a priority for the group and are monitored as key performance indicators (see page 13), ensuring an appropriate level of focus on the continued sustainability of the group.

### Strategic planning process

The strategic plan aligns to our strategic agenda which you can read more about on pages 10 to 12. The strategic planning process includes an assessment of the sustainability and resilience of our business strategy and an in-depth analysis of the group's forecast risk profile, capital, solvency and liquidity.

The validity of the planning process is assessed by reconciling the projections to actual business outcomes over the past planning cycle and understanding differences that are identified in order to continually improve the process going forward. The plan provides a road map for implementing the group's strategic objectives and is underpinned by a series of economic and other assumptions which are subject to stress and scenario testing.

## Stress and scenario testing

An integral part of the planning process is an assessment of the risks to achieving our projected performance. As part of the Own Risk and Solvency Assessment (ORSA) process, we perform stress tests to assess the capital resilience of the group to a range of severe, but plausible, scenarios (see page 23 for more information). As part of this process, the ORSA considers scenarios that include the potential effects of climate change on economic and insurance risks. This is outlined in more detail on page 27.

In addition to this, we conduct stress tests which gives the Board an understanding of the maximum resilience of the group to extremely severe adverse scenarios. In considering these scenarios the impacts of mitigating management actions designed to maintain or restore capital, solvency and liquidity to within risk appetite are taken into account. These tests allow the Board to review and challenge the strategic plan and risk management strategy. The results of stress tests form part of the process to set the group's minimum risk appetite CCR of 140%, equivalent to a buffer of £145m above the solvency capital requirement at 31 December 2025. Our risk appetite is set to above the regulatory capital requirement to protect us against any shocks and stresses.

The updated strategic plan for 2026 to 2030 was approved by the Board in November 2025. As in previous years, the plan's resilience was tested by applying a number of adverse stress tests and scenarios. These included:

- a range of stresses to our existing and future potential propositions,
- an increase to the planned level of costs in isolation, and alongside adverse propositional impacts,
- a sustained period of poor fund returns and policy lapses with associated reduction in sales potential,
- a combined scenario including new business stresses and higher expenses.

The plan concluded that the financial metrics were resilient to these scenarios with none reducing the CCR to below the minimum risk appetite level of 140% over both the going concern and viability period. Although all these stresses and scenarios negatively impacted the profitability assessment of new business, the most onerous impacts on solvency were from the severe combined stress incorporating new business stresses and higher expenses. The scenario results were presented before the impact of mitigating actions to improve the capital position.

Overall, under the central plan assumptions, headline financial metrics of solvency and liquidity consumption were maintained within risk appetite.

## Formal viability statement

The directors make this viability statement based on a robust assessment of those risks that could threaten the business strategy, future profitability, capital adequacy, solvency or liquidity of the group. Based on this assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2028.

## Margin of solvency

Throughout the year, and as at 31 December 2025, we held the required capital resources for each business class as prescribed by the Prudential Regulation Authority (PRA).

## Assessment of risk

We look to create value for members by maintaining an appropriate balance between the returns that we seek and the level and type of risk we take on to achieve these returns.

In accordance with the AFM Corporate Governance Code, the Board has responsibility for LV's overall approach to strategic decision making and risk management. This requires oversight of risk and how it is managed and ensuring that there is appropriate accountability. The directors have carried out a robust assessment of our principal risks, including those which would threaten the business strategy, future performance, solvency or liquidity of the group.

A full overview of our risk management can be found on pages 20 to 23. In the Audit Committee report on pages 56 and 57, you can find further details of the ongoing monitoring and the annual review of the effectiveness of our risk management systems. See note 3 of our accounts for further detail about our risk management and control.

## Internal control

The Board has overall responsibility for the group's internal control systems and for monitoring the effectiveness of these. Implementation and maintenance of the internal control systems are the responsibility of the Executive Directors and senior management. The performance of the internal control systems is reviewed by the relevant Board committees, principally the Risk Committee and Audit Committee which receive reports on the internal control environment. The Audit Committee report on pages 56 and 57 describes the main features of the internal control and risk management systems in relation to the financial reporting process and the process for preparing consolidated accounts. These are a subset of the internal control systems under the supervision of the Board's committees.

The group's internal control systems are designed to manage, rather than eliminate, the risk of failure to meet business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board has regard to materiality and to the relationship between the cost of, and benefit from, internal control systems. The regular review of the effectiveness of our risk management and internal controls concluded that these systems remain effective and there were no significant failings or weaknesses to report.

## Independent auditors

At the 2026 Annual General Meeting (AGM) we will propose a Resolution for the re-appointment of Forvis Mazars LLP as our auditors.

Legislation regarding audit firm rotation requires the external audit contract to be tendered at least every ten years. Forvis Mazars LLP have been our auditors since 2021 and were formally appointed at the 2021 AGM following a competitive tender in 2020.

## Board directors and interests

The current members of the Board and details of its various committees are shown on pages 44 to 59.

The directors have the benefit of a qualifying third-party indemnity provision, as defined in Section 234 of the Companies Act 2006.

The group also maintains directors' and officers' liability insurance in respect of itself and its directors and officers.

## Our colleagues

Our colleagues are key to the success of our business. We are committed to creating an inclusive culture and supportive working environment where all colleagues feel welcome, respected and valued. This is reflected in our employment policies and reward and recognition schemes. You can find out more about our policies and action taken on employment, development and incentivisation of our colleagues, including colleagues with disabilities, in our sustainable business review on pages 34 and 35. We actively create talent pipelines that promote a diverse and inclusive workforce and offer a range of development opportunities for further growth.

Through a well-developed range of colleague communication channels, including working groups, networks, forums and our engagement survey (BeMe at LV=), colleagues have opportunities to share their views on matters that are really important to them. We are fully committed to equal opportunities in our human resources practices, regardless of age, sex, ethnic origin, religion or disability.

Our recruitment policy gives full consideration to suitable applications for employment by people with disabilities. Opportunities also exist for our colleagues who become disabled while in service to continue in their employment, or to be offered training for other more suitable positions within LV=.

## Sustainability

Our environmental, social and governance activities are set out in the sustainable business review on pages 24 to 37. Also included on these pages are details of our greenhouse gas emissions, in line with the requirements of the streamlined energy and carbon reporting framework.

## Customers, suppliers and others

Our directors engage with and consider the needs of wider stakeholders when making principal business decisions as described in the Section 172 statement on pages 39 to 41. The responsible business practices employed in the way we work with members, customers, advisers, suppliers and others is part of our culture. Find out more about this in the sustainable business review on pages 36 and 37.

## Financial instruments

The group uses financial instruments to manage certain types of risks. The group's financial risk management objectives and exposure to risks arising from its investments in financial instruments including price risk, credit risk and liquidity risk are described in note 3 of our accounts. Derivative contracts are entered into for financial risk management purposes as described in note 17. There are no designated hedging relationships within the group.

## Political donations

The group made no political donations in 2025 (2024: £nil).

## Statement of disclosure of information to the auditors

As at the date of this Report each director confirms that:

- so far as they are each aware, there is no information relevant to the audit of the company's and the group's financial statements for the year ended 31 December 2025 that the auditors are unaware of,
- each director has taken all steps they ought to have taken in their duty as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Directors' statement of responsibility

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the company and group's financial statements in accordance with UK Generally Accepted Accounting Practice (UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', FRS 103, 'Insurance contracts') and applicable law. Under company law, the directors must not approve the Annual Report unless they are satisfied that it provides a true and fair view of the state of affairs of the company and the group, and of the profit or loss of the group for that period. In preparing the Annual Report, the directors are required to:

- select suitable accounting policies and ensure they are applied consistently,
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business,
- make judgements and accounting estimates that are reasonable and prudent,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- state that the company and the group have complied with applicable UK accounting standards, subject to any material departures disclosed and explained in the accounts.

The directors are also responsible for maintaining:

- proper accounting records which are intended to disclose with reasonable accuracy, at any time, the financial position of the company and the group,
- appropriate internal control systems to safeguard our assets and to prevent and detect fraud and other irregularities,
- the integrity of the corporate and financial information included on our website.

Each of the directors, whose names and functions are shown on page 44, confirm that to the best of their knowledge and belief:

- the company and the group's financial statements, which have been prepared in accordance with UK accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the company and the group,
- the financial review on pages 14 to 19 of the Annual Report includes a fair review of the development and performance of the business during the financial year and the financial position of the group at the end of 2025,
- a description of the group's principal risks and details of the group's risk governance structure are provided on pages 20 to 23.

The directors are satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for our members, customers and investors to assess the company's and the group's position and performance, business strategy and mutual model.

By order of the Board of Directors



Oliver Wilson

Chief Legal Officer and Company Secretary 26 March 2026

# Report on Directors' Remuneration

**Susan McInnes**

Chair of the Remuneration and Nomination Committee



## Annual statement

As the new Remuneration and Nomination Committee Chair, I am pleased to present the Directors' Remuneration Report for 2025. Having served on the committee since joining the Board in 2020, including a period as Interim Chair, I recognise the important role that effective reward practices play in supporting strong performance and member outcomes for LV=. Our remuneration structures and policies are designed to incentivise our colleagues to deliver for our members over the short, medium and longer term – while also protecting member interests.

Set against a difficult economic backdrop, 2025 saw a combination of meaningful successes alongside some challenges. Looking ahead, incentivising and rewarding the key measures that ensure good outcomes for our members and customers (such as financial stability, sustainable growth, cost management, capital generation and strong service delivery) remain central to our reward strategy and the long-term health of LV=.

### 2025 business performance and remuneration outcomes

In what continues to be a challenging financial climate, we were pleased to deliver £100m in member bonuses to eligible policies (£20m in mutual bonuses and £80m in one-off bonuses). The one-off bonus is being awarded in respect of a final distribution of proceeds from the 2019 sale of the General Insurance business. Together, these distributions reinforce our commitment to delivering fair and strong returns for our members.

When determining the bonus pool and individual awards, the committee will continue to consider mutual bonuses allocated to eligible members' policies and our overall performance in the round. As a mutual, we believe it is essential that the rewards provided to colleagues remain aligned with the value delivered to our members.

In addition to delivering strong financial returns, we believe that providing an appropriate, timely and fair service to our members and customers needs to be in the DNA of LV= and front and centre for all colleagues. In recent years, we have continued to enhance service levels and reduce end-to-end processing times, providing assurance and prompt payments at critical moments in the customer life cycle. We also maintain a strong focus on the timely resolution of risk and audit actions, risk events and any complaints.

Regardless of role or seniority, almost all colleagues participate in the same group bonus scheme and are assessed against the company-wide targets set out in our balanced scorecard. This framework brings together a blend of performance measures aligned to strategic priorities that are key to driving our success.

For 2025, the balanced scorecard maintained a 60% weighting towards financial measures, reflecting the importance of delivering financial stability and sustainable growth. The remaining 40% comprised non-financial metrics that measured the delivery of successful outcomes for our members and protecting their interests, while providing an excellent level of service and customer experience. Our scorecard also ensures that all the above is delivered by an engaged, diverse and talented colleague base.

The balanced scorecard outcome for 2025 was 71% of maximum. This result reflects the delivery against our cost and operating capital generation targets, though falling short of our Economic Value of New Business (EVNB) goal. This was due to a lower level of new business contribution from annuities in an increasingly competitive market, partly offset by an increased contribution from Smoothed Managed Funds and Equity Release products. Sales of new Protection policies remained strong though price competition had an adverse impact on our overall trading contribution.

Our risk measures performed slightly above plan and we were pleased to achieve above plan outcomes in both the member and people elements of the scorecard. In 2025, we focused on improving some key measures and made a tangible difference to customer experience such as the speed of claims payments and ensuring a smooth retirement journey for our customers.

Bonus outcomes for our Executive Directors, David Hynam (CEO) and Stephen Percival (CFO), are detailed on pages 71 and 72. Consistent with all colleagues, their awards are determined against the same company-wide scorecard and their individual objectives.

Our Solvency II capital position remains robust with a capital surplus of £370m and a Capital Coverage Ratio of 202%, comfortably above our minimum risk appetite.

### Remuneration policy

This report sets out our new three-year remuneration policy for Executive Directors, which will be put to members for approval at the 2026 Annual General Meeting. This new policy is largely unchanged and is designed to provide the right balance of flexibility and market practice to attract, retain and engage top talent through competitive and fair remuneration. It also ensures alignment between the interests of Executive Directors and our members, incentivising the successful delivery of our business plan while applying the appropriate level of governance to drive the right behaviours.

## Our colleagues

As well as our members and customers, the committee continues to recognise that our colleagues are also at the heart of LV= and everything we do. Over the past few years, we have seen significant progress in our colleague engagement scores and in 2025, we were delighted that these remained materially above market benchmarks. Colleague engagement continued to be a component of our balanced scorecard, and we were very pleased to have exceeded the challenging targets we set ourselves internally. We also introduced measurable initiatives to support managers in strengthening engagement in key focus areas and again we were pleased to deliver against these actions.

External recognition is a helpful indicator that we are doing the right things, and we were proud to win awards for employee experience and organisational culture as well as featuring in the Financial Times UK's Best Employers list for 2025.

Our reward principles are based on providing fair, market competitive pay to help us attract and retain talent – supported by a comprehensive benefits package that promotes the physical, mental and financial wellbeing of all our colleagues. Our group annual bonus scheme is linked to both group and personal performance, enabling colleagues to share in our success.

## An inclusive workplace

Our commitment is to create an environment where colleagues can thrive and feel empowered to bring their whole selves to work. As we continue to make headway in this area, we ensure all colleagues have the same opportunities to grow, develop and progress.

Through our diverse talent pipelines, we have a particular focus on increasing female representation in senior roles. In 2025, we were proud to maintain our stretching Women in Finance Charter target with female colleagues making up 43% of our more senior level roles. Our annual UK gender pay gap report for 2025 is available on [LV.com](https://www.lv.com) and we are pleased to note some improvement in our median hourly pay gap. We will continue to focus on improving gender representation at all levels of our organisation.

Throughout 2025, we made strong progress in collecting our socioeconomic data to better understand any barriers that may affect career progression, pay equity and wellbeing. Strengthening this dataset remains key and enables us to make more informed and targeted decisions.

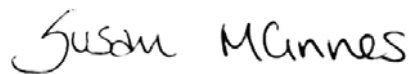
Our external partnerships also play an important role in broadening access and opportunities for our colleagues. We are a proud partner of The King's Trust and our collaboration with the Diversity Jobs Group is helping us attract applications from a wider and more diverse talent pool. In addition, we achieved Disability Confident Leader (Level 3) status as part of the government's Disability Confident employer scheme - a significant milestone that demonstrates our commitment to inclusion, equity and accessibility.

During 2025, we enhanced our maternity, adoption and paternity policies to provide colleagues with more paid time off during these important life events. Alongside this, we introduced a dedicated parental support network that offers a safe and welcoming space for parents to share experiences, seek advice and access support.

In addition to winning awards for culture and engagement, we were delighted to be shortlisted for several diversity, equity and inclusion accolades, including being independently shortlisted for Most Inclusive Company in the 2025 Metro Pride Awards and recognised as one of the Financial Times Best Employers UK. We are also proud to have a Chief Executive who has long championed the importance of an inclusive workplace; in 2025, David Hynam was named Diversity Champion of the Year at the FT Adviser Diversity Awards, ranked second globally in the Involve Hero Advocates list for his support of women's equality, placed in the inaugural Involve Enable Advocates Role Model list for 2025 and was a finalist for Best People Focused CEO at the HR Excellence Awards.

Finally, I would like to thank my fellow committee members for their relentless focus on improving outcomes for our members and, on behalf of the committee, extend our gratitude to the previous Chair, Natalie Ceeney, for her insight, support and leadership over the past few years.

Yours sincerely



Susan McInnes

Chair of the Remuneration and Nomination Committee

# Remuneration policy

In reviewing our policy, we continue to compare our business to others and particularly financial services organisations of a similar size and complexity. We aim to ensure our policy is designed to support the recruitment and retention of talented people who are able to achieve stretching targets and deliver greater benefits for our members. Our aim, where possible, is to provide remuneration packages that take account of the external market pay position and have a significant proportion dependent upon the delivery of strong performance.

Our remuneration policy is governed by good risk management practices to ensure that management are incentivised appropriately to support the short, medium and long-term interests of our members. We are subject to the Solvency II regulations and fully adhere to the remuneration aspects of those which have been incorporated within the policy.

The updated policy for Executive Directors (described below) applies from 1 January 2026 and will be put to members for approval at the 2026 AGM.

## Remuneration policy for Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measure
<b>Salary</b>			
To attract, retain and engage top talent by providing a fair and competitive level of base pay.	Salaries are reviewed annually (but not necessarily increased) taking account of several factors including individual experience, skills and role responsibilities.  The committee will also consider sector and function, the performance of both the individual and the wider group, the economic environment and affordability.  The committee reviews pay benchmarking in organisations of comparable size and complexity to LV=  If salaries are increased, they are normally effective from 1 April each year.	There is no prescribed maximum annual increase.  The committee is guided by the general increase for the wider LV= population and broader market trends, but on occasion may need to consider factors such as retention risk, market positioning, development in the role and/or changes in responsibility.	Performance of the individual and the group is considered when salary levels are reviewed.
<b>Benefits</b>			
To operate a competitive benefits package to aid recruitment and retention and help support the mental, physical and financial wellbeing of our colleagues.	We currently provide <ul style="list-style-type: none"> <li>■ Car allowance</li> <li>■ Medical insurance</li> <li>■ Income protection</li> <li>■ Health assessments</li> <li>■ LV= product discounts or any other benefits, which are available to all colleagues and directors on equal terms</li> </ul> Other benefits may be introduced or removed if considered appropriate by the committee.	Market level benefits are offered to ensure we remain competitive. The values of benefits are based on the cost to the group and are not subject to a pre-determined maximum.	N/A
<b>Pension</b>			
To provide a competitive contribution towards Executive Directors' funding for retirement.	Executive Directors can elect to join a defined contribution pension scheme or receive a cash sum in lieu of pension contributions.	The maximum LV= pension contribution is aligned with the wider workforce, currently set at 14% of base salary.	N/A

Purpose and link to strategy	Operation	Maximum opportunity	Performance measure
<b>Annual bonus</b>			
<p>To drive and reward the delivery of near-term business objectives and, in turn, positive member outcomes.</p>	<p>Annual bonus awards are discretionary and are based on business performance against group and individual measures that are reviewed at the end of the performance year with advice sought from the Risk Committee.</p> <p>The annual bonus is not pensionable. Part of the annual bonus may be deferred. Any amount deferred will usually be paid over a period of three years and may be subject to the performance of an appropriate LV= policyholder fund over the deferral period.</p>	<p>Chief Executive Officer: 150% of salary.</p> <p>Other directors: 120% of base salary.</p>	<p>The annual bonus outturn is normally measured against key financial and non-financial strategic objectives, as confirmed by the committee.</p> <p>Risk and Consumer Duty are considered when assessing performance against all measures and the committee may reduce or cancel any bonus payment if it considers that these have not been at an acceptable level.</p> <p>The committee has the discretion to adjust the formulaic outcome both upwards and downwards (including to zero) to ensure alignment with business performance.</p>
<b>Long-Term Incentive Plan (LTIP)</b>			
<p>To drive and reward the achievement of longer-term business objectives.</p> <p>The scheme provides further alignment between the interests of Executive Directors and members.</p>	<p>LTIP payouts will be made in cash and may be subject to the performance of an appropriate LV= policyholder fund over the performance period and subsequent holding period.</p> <p>Performance against the objectives agreed by the committee will be measured over a period of at least three years and is followed by a two-year holding period.</p> <p>The policy permits awards to be granted with a greater or lesser likelihood of payout depending on our strategy and priorities at grant. We typically aim to maintain a similar target value for any award (currently 75% of salary for the CEO and 70% for the CFO) - with the maximum opportunity adjusting to reflect the level of stretch within the plan.</p>	<p>Chief Executive Officer and other directors: 150% of base salary.</p>	<p>The level of vesting for LTIP awards is determined by performance measures, set by the committee, that align with longer-term business objectives.</p> <p>Risk and Consumer Duty are considered when assessing the LTIP outturn and the committee may reduce or cancel any payment if it considers that these have not been at an acceptable level.</p> <p>The committee has the discretion to adjust formulaic outcomes both upwards and downwards (including to zero) to ensure alignment with business performance.</p>
<b>Deferral, variable pay, clawback and malus</b>			
<p>In line with the requirements of the Solvency II regulations and PRA and FCA guidance, we operate a policy of deferral that covers the annual bonus scheme and the LTIP. This includes the option for the committee to reduce or cancel completely any deferred awards.</p>	<p>At least 40% of the total variable remuneration paid to Executive Directors is delivered in long-term pay. If this ratio is not met, then a portion of the annual bonus payment for that year will be deferred. Long-term remuneration is normally paid over a five-year period. Performance is measured over a three-year period, which is then followed by a two-year holding period.</p> <p>The committee may operate malus and two-year clawback following vesting in respect of annual bonus awards deferred and/or LTIP awards. This will cover circumstances such as a misstatement of financial results, an error in assessing vesting levels, gross misconduct or a failure of risk management, or any other circumstances in which the committee, in its absolute discretion, considers that the company is required by any remuneration code to reduce or cancel any deferred awards.</p> <p>The committee retains the right to adjust deferral, clawback and malus conditions in light of any regulatory changes and/or best practice guidance.</p>		

## Committee discretion

The committee keeps all elements of remuneration under review and retains discretion, on an exceptional basis, to make reasonable changes to the policy in response to market conditions or any changes to legal and regulatory requirements or guidelines.

## Payments outside the policy

The committee reserve the right to make remuneration and/or loss of office payments, and exercise related discretions, where the terms were agreed before this policy took effect. Terms of the payment must be consistent with the policy then in force. If an individual was not an LV= director when awards were made, then the prior conditions attached to the award would apply. For these purposes, payments include the satisfaction of variable remuneration awards.

## Changes to previous policy

After a thorough review, the committee concluded that the previous policy remained market competitive and fit for purpose and therefore did not require wholesale change. Many of the updates reflect current practice that have now been formally incorporated into the policy. The key changes introduced in the updated policy are set out below.

- Salary:** additional factors considered in salary decisions include skills, the economic environment and overall affordability (reflecting current practice).
- Benefits:** updated to include access to health assessments.
- Pension:** Executive Director maximum pension contributions are to be in line with the wider workforce percentage (as per current practice).
- Annual Bonus**
  - Removal of fixed financial and non-financial weightings:** While the committee ensure that the group annual bonus plan is assessed against both financial and non-financial measures (and that member outcomes, risk management and consumer duty remain essential considerations in determining any bonus outturn), it retains the right to adjust the relative weightings during the policy period to reflect business priorities and the best interests of our members.
  - Removal of fixed target opportunity:** Bonus maximums remain unchanged; target bonus opportunity will typically be set at 50% of maximum though the committee may adjust this, if necessary, to reflect the level of stretch within the applied performance measures.
- Long-Term Incentive Plan:** We have applied the current policy maximum for the CEO (150% of salary) to all Executive Directors. Depending on our strategy and priorities at grant, this provides flexibility to adjust awards to reflect a greater level of stretch performance contained within the plan. Should the committee choose to exercise this flexibility, similar values for on-target performance would apply (currently 75% of salary for the CEO and 70% for the CFO).
- Consumer Duty** has been formally added as part of the committee's discretion when determining the performance of both the bonus and LTIP.
- Deferral, clawback and malus:** the committee may amend these provisions where required to reflect regulatory changes or evolving best-practice guidance.

## Performance conditions

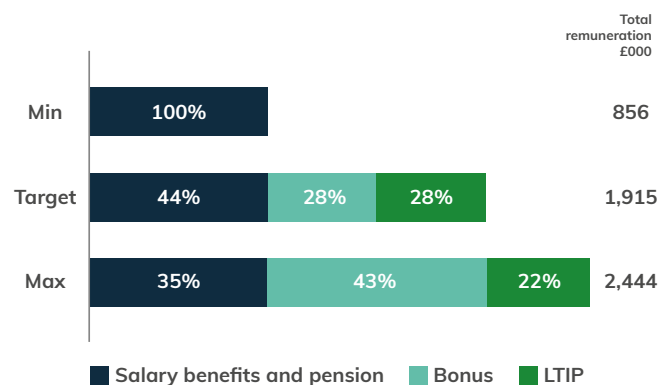
The committee selects performance conditions which are central to our overall strategy and business plan. Due to commercial sensitivities, the targets will be disclosed in the Directors' Remuneration Report that follows the end of the relevant financial year.

## Application of remuneration policy

A significant portion of remuneration received by Executive Directors is dependent on group performance. The charts below illustrate how the total pay opportunities for the Executive Directors vary under three different performance scenarios: minimum, maximum and on target. The on-target level of bonus is 50% of maximum bonus opportunity. The maximum award level of LTIP permissible under the Remuneration Policy is 150% of salary however, for 2026, the maximum award is capped at 75% of salary for the CEO and 70% for the CFO. Given the nature of the scheme, these are treated as both the target and maximum opportunity (as reflected in the charts below).

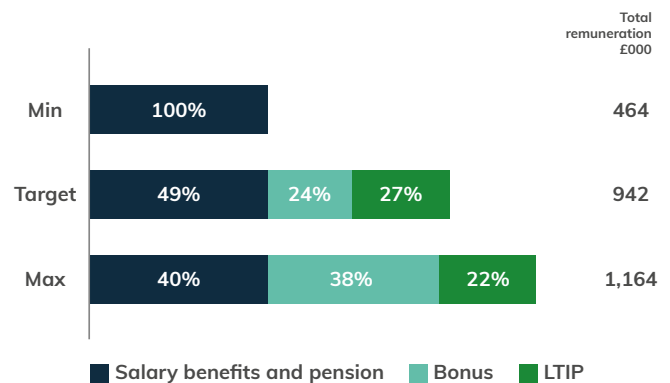
### Chief Executive Officer – David Hynam

Maintaining the focus around effective cost management in 2026, David Hynam has elected not to accept the offered pay rise from the Remuneration Committee. As such, his annual salary will remain at £706,000. His normal employee benefits, include a car allowance of £10,500 and a cash payment in lieu of employer pension contributions. David will also have a maximum annual bonus opportunity of 150% of salary, together with a maximum LTIP opportunity of 75% of salary.



### Chief Financial Officer – Stephen Percival

From 1 April 2026, Stephen Percival's annual salary is £372,300 with normal employee benefits, including a car allowance of £10,500 and a cash payment in lieu of employer pension contributions. For 2026, Stephen will also have a maximum annual bonus opportunity of 120% of salary, together with a maximum LTIP opportunity of 70% of salary.



## Approach to recruitment and promotions

The remuneration package for any new Executive Director would be set in line with the remuneration policy in force at the time of appointment. In exceptional circumstances, to ensure we can recruit appropriate talent to the business, it may be necessary to make an offer to a new director on terms outside of the current policy. In such an event, the committee would notify members of the arrangements in the subsequent Directors' Remuneration Report.

When considered to be in the best interests of LV= and its members, the committee may offer additional cash payments to new appointees as compensation for the loss of bonus, LTIP or other such arrangements from their former employer. Any cash payments would normally consider the time horizons and performance requirements attached to the forfeited remuneration. Members will be informed of any such payments in the subsequent Directors' Remuneration Report.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would normally be allowed to continue in accordance with its terms. For external and internal appointments, the committee may agree that we will meet certain relocation expenses as appropriate.

## Service contracts, notice payments and treatment of other payments on termination

Our Executive Directors are subject to a notice period of six months. The service contracts contain a provision for early termination and notice periods given by LV= are limited to six months or less.

In certain circumstances, such as gross misconduct, a director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination that are not contingent on conduct.

If we terminate the employment of a director in other circumstances and a decision is taken to make a payment in lieu of notice (PILON), compensation is generally limited to salary due for any unexpired notice period and any amount assessed by the committee for the value of other contractual benefits (including pension), which would have been received during the unexpired notice period. However, the committee may determine that a level of compensation above this is appropriate in individual cases. PILON payments are not pensionable.

Any PILON payment may be subject to phasing and mitigation where this is in the interests of LV= and payments will cease where alternative employment is obtained. In addition, any statutory entitlements would be paid as necessary. In certain circumstances, a pro rata bonus may be payable.

The default treatment under the LTIP is that any unvested awards lapse when employment ends. However, if an individual is a 'good leaver' (e.g. death, disability, redundancy, agreed retirement or any other situation where the committee determines in its discretion that the individual shall be treated as a good leaver) awards may not lapse immediately and the individual may retain their entitlement to a pro rata payment, to reflect their reduced period of employment during the performance period. Payments received under these circumstances will be subject to the same performance criteria and timescales as other participants. If it considers it appropriate to do so, the committee may choose to remove the normal payment conditions and time pro rating, and/or make payments under the scheme at the point employment ends, although it is envisaged that this would only be applied in exceptional circumstances. In determining whether an Executive Director should be treated as a good leaver or not, the committee will take into account the performance of the individual and the reasons for their departure. If employment ends after an LTIP award has vested but during its deferral period, the LTIP award will continue (unless the committee determines otherwise) except if the individual resigns or was dismissed for gross misconduct, in which case it will lapse.

Where an Executive Director leaves service, all prior year deferred bonus awards will continue to be paid in line with the original payment dates and will remain subject to any malus or clawback provisions that the committee deem appropriate at its absolute discretion, including the ability to reduce deferred awards to zero.

## Summary of the policy for Non-Executive Directors

The policy is intended to apply for three years beginning on 1 January 2026.

The committee keeps under review all elements of the policy and retains the discretion to make changes in response to market conditions and, in exceptional circumstances, where it is in the interest of members to do so.

### Fees

To attract and retain high-calibre Non-Executive Directors, we pay fees that reflect the responsibilities and time commitment required for each role. Fees are generally reviewed annually and while there is no prescribed maximum increase, the committee considers a range of factors, including fees for comparable roles in other organisations, the scope and complexity of the role and the general increase for the wider colleague population. Where relevant, the committee may consider the need for specific skills or changes in responsibility. No remuneration is paid other than these fees. Non-Executive Directors are not eligible to participate in any performance related incentive arrangements and their fees are non-pensionable. Fees for Non-Executive Directors are determined by the executive members of the Board and the Chair, while the Chair's fees are determined by the Remuneration and Nomination Committee (excluding the Chair). Non-Executive Directors may also be reimbursed for reasonable travel and accommodation expenses incurred in the course of their duties, including any associated tax liabilities.

### Notice

Either party may give three months' notice of termination.

## Other matters

### Seeking the view of members

At our 2025 AGM, the annual advisory vote on our Directors' Remuneration Report received support from 95.6% of our members who voted. In addition to the annual advisory vote for the Directors' Remuneration Report, we will also hold a vote on the remuneration policy for Executive Directors at our 2026 AGM.

Going forward, we will continue to hold an advisory policy vote every three years, in line with our commitment to meeting appropriate governance expectations for directors' remuneration.

### Consideration of employment conditions elsewhere in LV=

When setting remuneration levels for directors, the committee considers pay arrangements across LV= as a whole to ensure that consistent underlying principles are applied for all colleagues when making reward decisions. The remuneration framework for Executive Directors is broadly aligned with that of the wider LV= population, with differences limited to overall quantum and the level of participation in incentive arrangements.

# Annual report on remuneration

## The Remuneration and Nomination Committee

The committee determines the remuneration policy and agrees the remuneration of each Executive Director and other senior managers. The committee reviews the effectiveness of the remuneration policy and strategy at least once a year and all incentive and bonus schemes are established and monitored by the committee.

The committee also ensures that the highest levels of governance are followed and that the committee's decisions are compliant with remuneration regulations in the AFM's Corporate Governance Code (AFM Code) and the Solvency II regulations.

During 2025, as well as updating the remuneration policy for Executive Directors (effective 1 January 2026), the committee determined the remuneration packages for joiners, promotions and leavers and reviewed the annual bonus and LTIP measures for the group. The committee also considered gender pay reporting and wider workforce pay trends.

### Advisors to the committee

Members of the committee continue to be provided with regular updates on developments and trends in executive and wider colleague remuneration, particularly regarding the financial sector, via its advisors.

The committee continues to be advised by FIT Remuneration Consultants LLP – it ensures that its advisors remain independent and that the advice provided is impartial and objective. FIT Remuneration are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK.

The total fees paid to FIT Remuneration in respect of services that materially assisted the committee during the year were £40,429 (excluding VAT).

### All-employee remuneration

While the committee does not consult directly with employees specifically when setting the remuneration for directors, and when considering potential payments under the policy, it is mindful of pay and employment conditions elsewhere in the group. At the same time as approving directors' and the Executive team members' pay outcomes, the committee also approves the overall pay budgets and balanced scorecard outturn for all colleagues.

## Directors' remuneration for the past year (year ended 31 December 2025)

### Single total figure of remuneration - Executive Directors - audited

The remuneration of individual directors, including that of the highest paid director, was as follows:

£'000	Year	Salary and fees	Other benefits <sup>1</sup>	Pension <sup>2</sup>	Annual bonus <sup>3</sup>	Long term incentives <sup>4</sup>	Total	Total variable remuneration	Total fixed remuneration
David Hynam	2025	698	70	79	400	639	1,886	1,039	847
	2024	669	12	76	935	-	1,692	935	757
Stephen Percival	2025	361	52	41	330	-	784	330	454
	2024	338	47	38	400	-	823	400	423

1 – Benefits include car allowance, medical insurance, payment in lieu of holiday and taxable travel and subsistence.

2 – These amounts have been taken as cash in lieu of pension contributions by all Executive Directors.

3 – This relates to the annual bonus awarded for the year (not paid in the year).

4 – This relates to LTIP where the three-year performance period ended in the year.

### Single total figure of remuneration - Non-Executive Directors - audited

Non-Executive Directors' fees include a base fee plus other committee chair and member fees. See pages 45 and 46 for details of committee membership.

£'000	Year	Base fee	Other fees <sup>1</sup>	Other benefits <sup>2</sup>	Total
Simon Moore (Chair)	2025	215	-	4	219
	2024	208	-	3	211
Natalie Ceeney CBE	2025	75	30	3	108
	2024	73	30	2	105
Colin Ledlie	2025	75	21	5	101
	2024	73	21	4	98
Susan McInnes	2025	75	21	6	102
	2024	73	21	5	99
Suzy Neubert	2025	75	15	2	92
	2024	73	15	1	89
David Rogers	2025	75	15	-	90
	2024	73	15	-	88

1 – Other fees relate to committee chair and membership fees.

2 – Other benefits include taxable travel and subsistence.

## Annual bonus for the year ended 31 December 2025 – audited

The annual bonus for the year under review was based on the performance against a scorecard of financial objectives, risk metrics, customer and people objectives. The financial performance of the group accounts for 60% of the annual bonus target, which is made up of three measures.

The group operates a performance range for all measures in the scorecard (see table below), from a threshold to a maximum level.

If, overall, the scorecard outcome is at plan then 100% of the bonus pool is released. An outcome of just below plan (threshold) results in the release of 60% of the bonus pool and an outcome of just above plan (maximum) results in the release of 140% of the bonus pool – with straight line vesting in between.

Details of actual performance against targets are as follows:

Financial measures	Weighting	Threshold (12%)	Plan (20%)	Maximum (28%)	Actual	Outcome
Operating Capital Generation	20%	£10.2m	£32.6m	£55.0m	£47.7m	25.4%
Total business as usual and strategic development costs	20%	£146.1m	£142.1m	£138.1m	£140.4m	23.4%
EVNB <sup>1</sup>	20%	1.1%	2.6%	4.1%	(0.3)%	0%
<b>Total</b>	<b>60%</b>					<b>48.8%</b>

1 – Economic Value of New Business.

Non-financial measures	Weighting	Threshold	Plan	Maximum	Highlights	Rating	Outcome
Delivering successful member outcomes	20%	12%	20%	28%	<ul style="list-style-type: none"> <li>Customer satisfaction scores remained strong and were at an above plan level.</li> <li>Customer complaints were resolved in a timely manner, to an above plan level.</li> <li>Customer service levels around Tax-Free Cash processing continued to improve, resulting in an above plan level.</li> <li>Customer and non-customer related risk events were successfully closed at an above plan level.</li> </ul>	Plan to max	26.4%
Protecting our members and colleagues	10%	6%	10%	14%	<ul style="list-style-type: none"> <li>The business maintained a good level of risk maturity, with continued focus on robust risk management, regulatory engagement, closure of all risk and audit actions at year-end and managing delivery within risk appetite.</li> </ul>	Slightly above plan	10.5%
Making LV= a great place to be	10%	6%	10%	14%	<ul style="list-style-type: none"> <li>We continued to have strong colleague engagement scores at an above plan level.</li> <li>We successfully delivered against several key DEI initiatives and actions, achieving above plan performance.</li> <li>We have maintained strong female representation across the senior leadership population.</li> </ul>	Plan to max	13.3%
<b>Total</b>	<b>40%</b>						<b>50.2%</b>

For 2025, the total outcome of the balanced scorecard was **99%** (equating to 71% of the maximum possible outcome).

## Individual objectives

The table below gives a high-level overview of the headline objectives assigned to the Executive Directors for 2025.

	Individual objectives
David Hynam	<ul style="list-style-type: none"> <li>■ Drive a sustainable, mutual business for our members.</li> <li>■ Steward our members' value through disciplined cost and benefit management.</li> <li>■ Continue to drive LV's risk maturity.</li> <li>■ Lead LV= to be a place where people are proud to be.</li> <li>■ Increased focus on member and colleague communications, building the This is US and This is LV= brand.</li> <li>■ Drive key change initiatives and drive for service improvement.</li> </ul>
Stephen Percival	<ul style="list-style-type: none"> <li>■ Provide leadership to drive a sustainable, mutual business for our members.</li> <li>■ Steward our members' value through disciplined cost management.</li> <li>■ Pursue management actions and actively optimise our financial position.</li> <li>■ Develop and maintain contingency planning.</li> <li>■ Ensure a strong risk and control environment around all key financial processes.</li> </ul>

Before determining the appropriate level of bonus to be awarded, the Remuneration and Nomination Committee looked at the performance of the business and the individual in the round, to understand any internal and external factors that have impacted performance as well as the broad trajectory of the business and market conditions. This assessment included consideration of member mutual bonus outcomes for the year.

The total bonus awarded to each director and the percentage deferred is set out below.

	Maximum as % of salary	Payout (% of maximum)	Total 2025 bonus (£'000s)	Total 2025 bonus (% of bonusable earnings)	2025 bonus deferred <sup>1</sup> (£'000s)
David Hynam	150%	38%	400	57%	0
Stephen Percival	120%	76%	330	91%	0

<sup>1</sup> – At least 40% of the total variable remuneration paid to Executive Directors is delivered in long-term pay. If this ratio is not met, then a portion of the annual bonus payment for that year is deferred to meet this requirement. Total variable remuneration is calculated using the 2025 bonus and the 2026-2028 LTIP award where applicable. Any variable pay amount deferred will be paid in equal instalments over the following three years. During the deferral period, the value of deferred amounts will be tied to the value of members' invested funds. Thereby creating a tangible link to ongoing performance.

## 2023-25 LTIP vesting – audited

The 2023-25 LTIP, for the performance period from 1 January 2023 to 31 December 2025, was based on a single underpin (as below) which was met in full.

Underpinning measure	Details
Solvency capital requirement	A single underpin for the performance period of LV= maintaining solvency measured by solvency capital requirement (SCR) compliance being met, with no breaches of red risk appetite for regulatory solvency unless approved by the Board.

Over the course of the three-year performance period, LTIP award values also directly tracked the performance of the main LV= Policyholder Fund, providing a tangible link to the benefits received by our members.

## Group LTIP summary of awards and amounts vested during 2025 – audited

£'000	Plan	Unvested awards at 1 January 2025	Awards made in the year	Awards vested (2023-25 plan) <sup>1</sup>	Unvested awards at 31 December 2025 <sup>2</sup>
David Hynam	2023-2025	488	-	639	-
	2024-2026	488	-	-	488
	2025-2027	-	506	-	506
Stephen Percival	2024-2026	210	-	-	210
	2025-2027	-	245	-	245

<sup>1</sup> – Awards vested directly tracked the performance of the main LV= Policyholder Fund over the performance period and will continue to do so over the two-year holding period. The awards vested amounts in the table above reflect the value as at the end of the performance period and are calculated as the initial award value plus the uplift from tracking the main LV= Policyholder Fund return over the three-year performance period.

<sup>2</sup> – Unvested awards reflect the initial award value.

## Group LTIP awards made in the year (2025 - 2027 scheme) – audited

	Type of award <sup>1</sup>	Initial award (£'000)	% of initial award that would vest if performance objectives were achieved	Performance period
David Hynam	Cash	506	100%	1 January 2025 to 31 December 2027
Stephen Percival		245		

1 – LTIP awards move in line with the main LV= Policyholder Fund over the performance and holding period.

## Pensions – audited

In line with the remuneration policy, directors have the choice of receiving contributions into the LV= Future Saving section of the Aon MasterTrust (a multi-employer occupational pension scheme where each employer has its own distinct section within the arrangement) or being paid an equivalent cash allowance. All Executive Directors elected to receive a cash allowance in lieu of pension contribution.

## Additional information on 2025 remuneration

### Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and annual bonus for all directors between the current and previous financial year compared to the same elements for all employees. Percentage changes for individual directors are calculated on absolute remuneration amounts, rather than time-apportioned equivalents.

	Salary <sup>1</sup>		Other benefits		Bonus	
	2025	2024	2025	2024	2025	2024
David Hynam	4%	3%	Note 2		(57)%	3%
Stephen Percival <sup>4</sup>	7%	78%			(18)%	100%
Simon Moore	3%	4%	Note 3		n/a	n/a
Natalie Ceeney CBE	2%	5%			n/a	n/a
Colin Ledlie	2%	6%			n/a	n/a
Susan McInnes	2%	6%			n/a	n/a
Suzy Neubert	2%	4%			n/a	n/a
David Rogers <sup>5</sup>	2%	21%	n/a	n/a		
% change based on a static population excluding the Executive Directors	3.2% <sup>6</sup>	4.9%	16%	9%	(4.4)%	5.2%

1 – Salary for Non-Executive Directors includes a base fee and other fees relating to committee chair and membership fees.

2 – Other benefits include car allowance, medical insurance, payment in lieu of holiday and taxable travel and subsistence. Because of the relatively small amounts received (against other components of pay), and in relation to year-on-year fluctuations, the percentage changes for these amounts are not considered meaningful indicators. Benefit amounts for Executive Directors are disclosed on page 70.

3 – Other benefits for Non-Executive Directors comprise taxable travel and subsistence. In 2024 and 2025, no individual Non-Executive Director received other benefits greater than £10,000 in either year. Because of the relatively small amounts received, in relation to year-on-year fluctuations, the percentage changes for these amounts are not considered meaningful indicators.

4 – Stephen Percival's changes in remuneration for 2024 are based on a full year for 2024 and the period from his start date on 15 May 2023 to 31 December 2023.

5 – David Rogers' changes in remuneration for 2024 are based on a full year for 2024 and the period from his date of appointment on 1 March 2023 to 31 December 2023.

6 – The increase in employee salaries reflects the average annual pay rise based on a static population from 1 April 2025 and excludes the impact of promotions.

## CEO pay ratio

In January 2019, the UK Government introduced new regulations that would require certain UK companies to disclose their executive pay ratios. This does not apply directly to us, but we believe it is best practice to meet the requirements where practical and helpful. In doing so, we have chosen to use the Option A methodology, where the ratio compares the total remuneration of the CEO against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles (lower and upper quartiles). This is considered the most robust approach which is favoured by investors in the listed environment. This ratio will continue to build annually to cover a rolling ten-year period.

Year	Method	Employee population		
		25th percentile	Median	75th percentile
2019	Option A	77:1	51:1	32:1
2020	Option A	49:1	34:1	21:1
2021	Option A	39:1	26:1	17:1
2022	Option A	39:1	29:1	19:1
2023	Option A	53:1	39:1	24:1
2024	Option A	57:1	40:1	25:1
2025	Option A	61:1	43:1	27:1
Salary	CEO £698,250	£26,753	£35,787	£57,299
Total Remuneration	CEO £1,886,495	£31,126	£43,451	£70,672

The CEO's remuneration package is made up of a proportion of performance related variable pay - the ratio can therefore vary year-on-year depending on the performance of the individual and group. No adjustments have been made to the calculation. The committee will take the CEO pay ratio into account as another useful reference point when setting and determining executive pay.

## Relative importance of the spend on pay

The table below shows the group's actual spend on pay (for all colleagues) relative to the mutual bonus, which represents a significant, discretionary disbursement of profit to members.

	Total remuneration		
	2025 £m	2024 £m	% change
Colleague costs	89	83	7%
Mutual bonus <sup>1</sup>	20	19	5%

1 – Mutual bonus does not include the one-off bonus specifically related to the sale of the General Insurance business.

## Chief Executive's remuneration over ten financial years

The total remuneration figures for the CEO during each of the last ten financial years are shown below. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three-year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level, as a percentage of maximum opportunity, are also shown for each of these years.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
	Mike Rogers	Richard Rowney			Mark Hartigan			David Hynam				
Total remuneration (£'000)	891	610	1,719	1,029	1,911	1,210	1,013	767	423	1,648	1,692	1,886
Bonus % of maximum awarded	13%	79%	80%	44%	40%	94%	69%	58%	86%	93%	93%	38%
LTIP % of maximum vesting	49%	50%	100%	0%	92%	n/a	n/a	n/a	n/a	n/a	n/a	100%*

\* Excludes movements linked to performance of the main LV= Policyholder Fund over the performance period.

## Payments to past directors – audited

There were no new payments to past directors to be disclosed.

## Directors' loans

As of 31 December 2025, there were no loans outstanding to directors (2024: £nil).

## Results of members' votes on remuneration Resolutions at the 2025 AGM

At our 2025 AGM, our members approved the 2024 remuneration report, with 95.6% of the 16,433 total votes cast in favour (there were 356 abstentions to this Resolution).

## Remuneration decisions taken in respect of the coming year (year ending 31 December 2026)

### Executive Directors' Salary

As at 1 April 2026, David Hynam's salary is £706,000 and Stephen Percival's is £372,300.

### Annual bonus

During the year, the committee agreed to strengthen the financial weighting for the 2026 scorecard, increasing it from 60% to 70% with the remaining 30% allocated to non-financial measures. The specific measures and actual targets for the 2026 scorecard are considered commercially sensitive at this time.

### 2026 - 2028 LTIP

For David Hynam the 2026-28 LTIP award will be 75% and for Stephen Percival it will be 70%. The LTIP award is based on the 1 January 2026 salary. The proposed approach is that LTIPs will be paid in full, after five years (three years' deferral and then a two-year holding period), at the granted rate subject to:

- An underpin of LV= maintaining solvency, measured by solvency capital requirement (SCR) compliance being met, with no breaches of risk appetite for regulatory solvency unless approved by the Board.
- Individual remaining in employment and not on notice at the payment date.
- Application of the normal malus and clawback risk assessment.
- The Remuneration and Nomination Committee retain discretion for any payments made.
- Award values directly track the performance of the main LV= Policyholder Fund, over the course of the performance and holding periods.

### Non-Executive Directors' fees

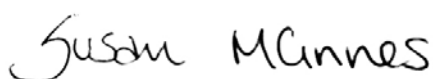
Fees for our Non-Executive Directors are determined by the Board, based on the responsibility and time committed to the role and appropriate market comparisons. Individual Non-Executive Directors do not take part in discussions regarding their own fees.

The fees have been reviewed against the current market to ensure they remain appropriate. The changes proposed have been set out below and are effective from 1 April 2026.

Base fees	
Chair <sup>1</sup>	£221,000
Non-Executive Director base fee	£77,200
Additional fees	
Senior Independent Director	£15,000
Committee chair (various)	£15,000
Consumer Duty champion	£15,000
With-Profits Committee membership	£6,000

1 – The Chair receives an all-encompassing fee and doesn't receive additional remuneration for committee responsibilities.

The directors approved the Report on Directors' Remuneration on 26 March 2026.



Susan McInnes

Chair of the Remuneration and Nomination Committee

# Glossary

**AFM Corporate Governance Code:** Guidance provided by the Association of Financial Mutuals for its members, which sets out standards of good governance practice. It covers, among other things, board composition and its accountability and relations with business owners.

**Annuity:** An insurance policy that provides a regular income in exchange for a lump-sum payment.

**Asset shares:** Asset shares reflect the amount of money paid into policies by way of premiums and investment returns, less the costs of administering those policies.

**Business plan:** An internal forecast, which is approved by the Board annually. This sets out our forecast and targets over a five-year planning horizon.

**Company:** Liverpool Victoria Financial Services Limited.

**Economic Value of New Business (EVNB):** The total profit expected from new business after allowing for all expected expenses and the cost of the solvency capital required to support it.

**Eligible own funds:** Capital resources held; this includes the excess of assets over liabilities (excluding the subordinated debt) in the Solvency II balance sheet and is subject to tier restrictions.

**Equity release:** A lifetime mortgage where interest is added to the loan and is settled by the property sale proceeds when the borrower dies or enters permanent residential care.

**Environmental, Social and Governance (ESG):** Financially material environmental, social and governance risks and opportunities being embedded into investment and operational decisions.

**Estate:** Surplus funds of the group, invested to generate returns and provide capital security.

**Exit bonus:** A discretionary enhancement to asset shares, allocated at the point the policy is exited. Exit bonuses will be allocated to eligible policies until replaced by the one-off bonus (see below).

**Financial Conduct Authority (FCA):** A body that regulates the conduct of retail and wholesale financial services firms.

**Financial Reporting Council (FRC):** The FRC is the UK's independent regulator responsible for promoting high-quality corporate governance and reporting to foster investment.

**Fund for Future Appropriations (FFA):** The amount of surplus that has not been allocated to policyholders at the balance sheet date.

**Group:** Consolidated reporting for Liverpool Victoria Financial Services Limited and its subsidiaries.

**Heritage:** The LV= business unit that derives its income from savings and investments products that are no longer actively marketed.

**Industrial Branch (IB):** Small premium Whole-Of-Life and endowment policies.

**Longevity risk:** The risk associated with increased life expectancy of customers.

**LVFS:** Liverpool Victoria Financial Services Limited.

**Member bonuses:** Discretionary bonuses we share with our eligible members. These comprise our mutual, exit and one-off bonuses.

**Morbidity risk:** The risk associated with the likelihood that a customer will fall ill during the period of insurance cover.

**Mortality risk:** The risk associated with the likelihood that a customer will die during the period of insurance cover.

**Mutual:** A business that is owned by its members rather than by shareholders.

**Mutual bonus:** A discretionary enhancement to asset shares.

**Non-profit policies:** Also known as non-participating policies, non-profit policies are types of contracts where the policyholder does not receive profits or surplus from the insurance company.

**One-off bonus:** Allocated to eligible members in respect of a final distribution of proceeds from the 2019 sale of LV's General Insurance business. This replaces the exit bonus which LV= has previously allocated to eligible members at the point their policy was exited. The one-off bonus was allocated to policyholders at year-end 2025 and will be added to policy values on 1 April 2026.

**Ordinary Branch (OB):** With-profits endowments, Whole-Of-Life, annuities and pensions policies.

**Persistency:** The expectation of the level of policies that will be retained by customers over their contract terms.

**Protection:** A policy providing a cash sum on the death or critical illness of the life assured. Also, the LV= business unit that derives its income from life insurance and income protection products.

**Prudential Regulation Authority (PRA):** A regulatory body that is responsible for the prudential regulation and supervision of financial services firms.

**Regular premium:** Premiums received in respect of long-term contracts where the customer agrees to make regular payments throughout the term of the contract.

**Risk margin:** Forms part of the calculation of technical provisions under Solvency II requirements and represents the amount needed, should all surplus and capital be used up, to transfer all obligations to another insurer. The risk margin is sensitive to interest rate changes.

**RNPFN:** Royal National Pension Fund for Nurses.

**Savings and Retirement:** The LV= business unit that derives its income from pensions, savings, investments and equity release products and provision of financial advice.

**Short-term Investment Fluctuations:** Short-term Investment Fluctuations is the difference between the longer-term average expected return on invested assets, and the actual investment return in the current year. Current year investment returns are impacted by market volatility, whereas the longer-term average expected return excludes such short-term volatility as it is expected to be temporary.

**Single premium:** Premiums received in respect of long-term contracts where one premium is paid at inception and there is no obligation for the customer to make subsequent payments.

**Smoothed Managed Funds:** Smoothed Managed Funds are a range of multi-asset, risk-rated funds intended to grow the policyholder's investment while providing protection against unpredictability in the market. In comparison to traditional investments, Smoothed Managed Funds undergo a smoothing process which shelters the policyholder returns from the impact of sudden market shocks.

**Solvency II:** The capital adequacy regime for the European insurance industry that establishes a comprehensive framework for insurance supervision and regulation. UK insurance firms now follow an amended version of Solvency II, adapted to incorporate the Solvency UK reforms, which amended the rules in the PRA Rulebook during 2023 and 2024. To help with understandability, the term Solvency II has been used throughout this document to encompass both the existing Solvency II rules, which still apply in the UK, and the Solvency UK reforms.

**Solvency Capital Requirement (SCR):** The amount of regulatory capital that we are required to hold. LV= applies the Standard Formula in calculating the SCR. The capital required is based on our ability to survive a 1 in 200 year stress event, considering our investment strategy, risk profile and allowing for diversification.

**Subordinated debt:** In the event of bankruptcy, dissolution or winding-up, the payments arising from this debt rank after the claims of other creditors.

**Transitional Measures on Technical Provisions (TMTP):** Transitional relief for the higher capital requirements of Solvency II compared with the previous capital regulatory regime. This is amortised over a 16-year period from 1 January 2016.

**UK Generally Accepted Accounting Practice (UK GAAP):** The body of accounting standards published by the UK's Financial Reporting Council (FRC). LV's financial statements are prepared in accordance with these standards.

**With-Profits Fund:** An investment fund where we combine all of our with-profits members' money and manage it on their behalf.

**With-profits policies:** Also known as participating policies, with-profits policies are types of contracts where the policyholder is entitled to a share of the profits or surplus of the insurance company.

## Alternative Performance Measures

In addition to Generally Accepted Accounting Practice in the UK (UK GAAP) the group uses Alternative Performance Measures (APMs) to report on the performance of the group. APMs are non-GAAP measures which are used to supplement UK GAAP disclosures. Management believe that APMs provide insight into the underlying trading performance of the business or are more useful measures than the pure UK GAAP measures.

### Non-GAAP measures

Non-GAAP measure	Why we use the non-GAAP measure
<b>Operating profit generation</b>	Operating profit generation is used as a measure of the overall performance of our three business units rather than the overall group. Operating profit generation is reconciled to the UK GAAP Total comprehensive income for the year of £nil in the table below.
<b>Profit before tax and member bonuses</b>	Profit before tax and member bonuses is used as a measure of our profitability on a comparable basis to companies owned by shareholders. We view the discretionary mutual member bonuses we allocate to eligible members as being equivalent in nature to the dividend payments made by shareholder owned companies. However, UK GAAP requires these member bonuses to be reported as a Change in long-term business provision, thereby reducing the reported Profit before tax. Profit before tax and member bonuses is reconciled to the UK GAAP Total comprehensive income for the year of £nil in the table below.
<b>Operating expenses</b>	Operating expenses is used by management to assess performance against our strategic goal of actively managing our operating costs. Operating expenses includes business as usual expenses, commission paid on acquisition of business, investment fees and strategic development costs. This cost grouping incorporates the expenses included in our operating capital and operating profit generation metrics. Operating expenses excludes restructuring and one-off costs. Operating expenses are reconciled to UK GAAP Total expenses in the financial review on page 18.
<b>Present value of new business premiums (PVNBP)</b>	<p>PVNBP provides a measure of the value of new business written in the year that is more useful than UK GAAP new business premiums as it includes the present value of the regular premiums we expect to receive over the term of contracts sold in the year.</p> <p>PVNBP is the total of new single premium sales received in the year, plus the discounted value at the point of sale of the regular premiums we expect to receive over the term of the new contracts sold in the year, adjusted for expected levels of persistency. In addition to UK GAAP premiums, this metric includes the amount of LV= Equity Release loans advanced, policyholders' deposits to their unit-linked pensions and Self Invested Personal Pension funds and sales of pensions wrappers via the LV= platform services. These items generate fee and commission income, which is reported in the financial statements as Other technical income. PVNBP is reconciled to the UK GAAP Gross premiums written in the financial review on page 19.</p>

Reconciliation of non-GAAP measures to UK GAAP Total comprehensive income for the year £m	2025	2024
<b>Operating profit generation</b>	6	43
Restructuring and one-off items	19	(8)
Solvency UK reform	-	(1)
Interest payable on subordinated debt	(19)	(19)
Short-term investment fluctuations and related items	57	65
<b>Profit before tax and member bonuses</b>	63	80
Mutual bonus	(20)	(20)
One-off bonus	(80)	-
Exit bonus	-	(9)
<b>(Loss)/profit before tax</b>	(37)	51
Tax expense attributable to long-term business	(49)	(32)
Remeasurement of defined benefit pension scheme	11	(14)
<b>Deduction from/(transfer to) the fund for future appropriations</b>	75	(5)
<b>UK GAAP Total comprehensive income for the year</b>	-	-





## Our Accounts

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## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Liverpool Victoria Financial Services Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2025 which comprise the Consolidated statements of comprehensive income, the Consolidated and parent company balance sheets and notes to the financial statements, including a summary of significant accounting policies, excluding the capital adequacy disclosures in note 2 calculated in accordance with the Solvency UK regime which are marked as unaudited.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" ("United Kingdom Generally Accepted Accounting Practice") and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2025 and of the group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Obtaining the Board approved Business Plan, which includes a forecast regulatory solvency position and forecast liquidity position, which covers at least 12 months from the date of approval of the financial statements;
- Challenging the appropriateness of the directors' key assumptions within the Business Plan. This included reviewing solvency and liquidity forecasts, supporting and contradictory evidence in relation to these key assumptions and assessing the viability of mitigating actions within the directors' control;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward-looking scenarios which have been derived from the group's Own Risk and Solvency Assessment (ORSA). This included assessing the directors' consideration of severe but plausible scenarios in their stress and scenario testing of the principal risks and uncertainties that could impact the group's and the parent company's solvency and liquidity over the next 12 months;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to Liverpool Victoria Financial Services Limited's reporting on how it has applied the Association of Financial Mutuals (AFM) Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Key audit matters

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

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p><b>Valuation of long-term business provision – expense assumptions</b></p> <p><i>Long-term business provision – group £7.3 billion (2024: £7.2 billion), parent company £7.3 billion (2024: £7.2 billion)</i></p> <p><i>Refer to note 1 significant accounting policies, note 2 capital management, note 3 risk management and control, note 28 and note 32 to the financial statements</i></p> <p>The liabilities within the group and parent company financial statements include an allowance for the estimated future expenses that would be incurred in maintaining the in-force policies at the balance sheet date over their duration. Expense assumptions consist of per-policy assumptions, representing the proportion of costs a single policy contributes (i.e. a unit cost), as well as assumption around how these will increase over time (i.e. expense inflation).</p> <p>Setting the expense assumptions involves estimating the future cost base and future business volumes (for allocation of overheads) which requires significant levels of judgement, for example in removing designated 'one-off' costs and cost savings not yet certain or with a specific plan to achieve. Judgement is also required in the allocation of costs between acquisition and maintenance and then between products (as different products have different expected durations, and hence different 'capitalisation factors').</p> <p>The expenses assumptions and methodology, and these judgements in particular, can have a significant impact on the insurance contract liabilities and we therefore identified the valuation of long-term business provision – expense assumptions as a fraud risk, significant risk and a key audit matter.</p>	<p>With the assistance of our actuarial specialists, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior members of the team involved in the expense assumptions setting process to understand the methodology and the governance over the process;</li> <li>■ Evaluating the design and implementation of key controls in place around the setting of expense assumptions;</li> <li>■ Challenging the methodology for setting the expense assumptions, including considering the changes made to the methodology in the year, key cost savings and 'one-off' costs;</li> <li>■ Performing sensitivity testing over the strategic investment costs and the assumed level of new business volumes to analyse the unit cost impact on the long-term business provision in adverse scenarios;</li> <li>■ Performing back-testing on the new business policy counts and challenged the reasonableness of the projections, including management's basis for developing its expense assumption methodology;</li> <li>■ Assessing the cost centres and allocation percentages of acquisition and maintenance expenses, as well as for product groups. For a sample of cost centres where changes had occurred, we verified that the changes were appropriate, and significant changes were investigated and challenged;</li> <li>■ Verifying the mathematical accuracy of the unit cost working;</li> <li>■ Validating the accuracy and completeness of policies-in-force at HY25, and the appropriateness of projecting HY25 policy counts to HY26, allowing for expected decrements and new business over the year; and</li> <li>■ Assessing the appropriateness of the expense inflation assumption by reviewing available benchmarking information and independently sourcing the Prudential Regulation Authority (the 'PRA') published inflation rates to validate the proposed assumptions.</li> </ul> <p><b>Our observations</b></p> <p>Based on our procedures, we consider the valuation of long-term business provision – expense assumptions to be appropriate and consistent with the evidence obtained.</p>

Key Audit Matter	How our scope addressed this matter
<p><b>Valuation of long-term business provision – annuitant mortality assumptions</b></p> <p><i>Long-term business provision – group £7.3 billion (2024: £7.2 billion), parent company £7.3 billion (2024: £7.2 billion)</i></p> <p><i>Refer to note 1 significant accounting policies, note 2 capital management, note 3 risk management and control, note 28 and note 32 to the financial statements</i></p> <p>The long-term business provision within the group and parent company financial statements, particularly the annuity products, relies on assumptions about the likely mortality of the policyholders.</p> <p>Annuity liabilities are valued using a discounted cashflow method with assumptions over the mortality rate of policyholders. The annuitant mortality assumptions are an area of significant management judgement, due to the inherent uncertainty involved in forecasting mortality rates several decades into the future. The assumption has two main components:</p> <ul style="list-style-type: none"> <li>Base mortality assumption – this component is typically less subjective as it is derived using industry standard tables, adjusted for internal experience. However, judgement is required in choosing the appropriate tables and fitting the group's own experience to these tables; and</li> <li>Rate of mortality improvements – this component is more subjective due to the uncertainty over how life expectancy will change in the future, due to factors such as standards of living and healthcare, and the lack of available data to support judgements.</li> </ul> <p>Whilst the group and parent company manages the extent of its exposure to annuitant mortality risk through reinsurance, we consider the rate of mortality improvement to be a key audit matter given the level of subjectivity and judgement in setting these assumptions and the group's and the parent company's exposure to a large volume of annuity business. We therefore identified the valuation of long-term business provision – annuitant mortality assumptions as a fraud risk, significant risk and a key audit matter.</p>	<p>With the assistance of our actuarial specialists, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Meeting with senior members of the actuarial team involved in the annuitant mortality assumptions setting process to understand the methodology and the governance over the process;</li> <li>Evaluating the design and implementation of the controls in place around the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within actuarial models;</li> <li>Validating the appropriateness of the data, models and methodology used to perform the annual experience studies, including the Continuous Mortality Investigation ('CMI'), model selection and parameterisation used to model mortality improvements;</li> <li>Reperforming the calculation of reduction factors applied within the valuation, which represent mortality improvements over time;</li> <li>Validating the appropriateness of areas of expert judgement used in the development of the mortality improvement assumptions; and</li> <li>In respect of COVID-19, assessing management's considerations and any allowances made for changes in current and future expected rates of annuitant mortality.</li> </ul> <p><b>Our observations</b></p> <p>Based on our procedures, we consider the valuation of long-term business provision – annuitant mortality assumptions to be appropriate and consistent with the evidence obtained.</p>

## Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	Our overall materiality was £13.8 million for the group and £13.7 million for the parent company (2024: £16.1 million for the group and £15.9 million for the parent company).
<b>How we determined it</b>	3% of Fund for future appropriations ('FFA') (2024: 3% of FFA) for both the group and parent company.
<b>Rationale for benchmark applied</b>	In determining our materiality, we considered the financial metrics which we believe in our professional judgment to be most relevant to the members of the group and the parent company, as a body. Members' interests in the group and the company are represented primarily by the FFA and, consequently, we concluded that the FFA was the primary metric to use to determine materiality.
<b>Performance materiality</b>	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £9.6 million for the group (2024: £11.2 million) and £9.5 million for the parent company (2024: £11.1 million) which represents 70% of overall materiality (2024: 70%) for both the group and the parent company. When determining performance materiality, we considered our knowledge of the group and parent company, the overall control environment, as well as the number, nature and size of misstatements identified in previous audits.
<b>Reporting threshold</b>	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4 million for the group and the parent company (2024: £0.5 million for group and the parent company) which represents 3% of overall materiality (2024: 3%) for both the group and the parent company as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, a full scope audit was performed of the parent company. In addition, we performed a specific scope audit covering specific financial statement line items for a further six components.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatements of the aggregated financial information.

Taken together, the procedures we performed over one full scope audit component, the six specific scope components above and the group consolidation entries accounted for 94% (2024: 94%) of the group's FFA and over 99% (2024: over 99%) of the group's net earned premiums.

All audit procedures across all components were performed by the group audit team. At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information.

In order to gain appropriate audit evidence over the group and parent company financial statements, we performed a combination of testing the internal controls over financial reporting and testing transactions and balances to supporting evidence.

In respect of the outsourced service providers, we were able to gain appropriate audit evidence through a combination of evaluating the providers' published assurance reports on internal control and performing substantive procedures over information held by those third parties.

## Other information

The other information comprises the information included in the Annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Report on directors' remuneration

The group and the parent company prepare a report on directors' remuneration in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the report on directors' remuneration specified by the Companies Act 2006 to be audited as if the group and the parent company were each a quoted company.

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: breaches of the regulatory requirements of the PRA and Financial Conduct Authority (the 'FCA').

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company and the industry in which it operates, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with regulatory authorities including the PRA and the FCA;
- Reviewing minutes of directors' meetings in the year and up to the date of issue of this report; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, pension legislation, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the areas detailed in our key audit matters, revenue recognition (which we pinpointed to the cut-off assertion for single premium policies), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias;
- Performing journal entries testing based on defined risk criteria to address the risks of fraud related to management override of controls;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of material and immaterial financial statement line items; and
- Considering significant transactions outside of the normal course of business. Our approach included attendance at all Audit Committee meetings as well as reviewing other relevant Board and committee meeting minutes and correspondences with regulators.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website [frc.org.uk](http://frc.org.uk). This description forms part of our auditor's report.

## Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the members at the Annual General Meeting on 30 September 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ending 31 December 2021 to 31 December 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

## Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



**Andrew Jones (Senior Statutory Auditor)**

for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London

EC4M 7AU

26 March 2026

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	Notes	Group	
		2025 £m	2024 £m
<b>Technical account – long-term business</b>			
Gross premiums written	4	737	760
Outwards reinsurance premiums	4	(310)	(308)
Earned premiums, net of reinsurance	4	427	452
Investment income	5	383	462
Unrealised gains on investments	6	647	179
Other technical income	7	61	46
<b>Total income</b>		<b>1,518</b>	<b>1,139</b>
<b>Claims paid</b>			
Gross claims paid	8	(1,122)	(1,189)
Reinsurers' share	8	289	282
<b>Change in provision for claims</b>			
Gross amount	8	2	14
<b>Claims incurred, net of reinsurance</b>	8	<b>(831)</b>	<b>(893)</b>
<b>Change in long-term business provision, net of reinsurance</b>			
Gross amount	31 (a)	(52)	511
Reinsurers' share	31 (a)	(24)	(119)
		(76)	392
Change in technical provision for linked liabilities, net of reinsurance	31 (b)	(374)	(303)
<b>Change in technical provisions, net of reinsurance</b>		<b>(450)</b>	<b>89</b>
<b>Net operating expenses</b>			
Net operating expenses	9	(249)	(247)
Investment expenses and charges		(2)	(12)
Other technical charges	12	(23)	(25)
<b>Total operating expenses</b>		<b>(274)</b>	<b>(284)</b>
<b>(Loss)/profit before tax and before transfer to the fund for future appropriations</b>			
Tax attributable to long-term business	13	(37)	51
Deduction from/(transfer to) the fund for future appropriations	22	(49)	(32)
		86	(19)
<b>Balance on technical account - long term business</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income, net of tax:</b>			
Remeasurement of defined benefit pension schemes	20	11	(14)
(Transfer to)/deduction from the fund for future appropriations	22	(11)	14
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

As a mutual, all net earnings are for the benefit of participating policyholders and are carried forward within the fund for future appropriations. Accordingly, the total comprehensive income for the year is always £nil after the (transfer to) / deduction from the fund for future appropriations.

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to include a Company Statement of Comprehensive Income.

The Group and the Company have not presented a Statement of Changes in Equity as there are no equity holders in either the Group or the Company.

## Balance Sheets

As at 31 December 2025

Assets	Notes	Group		Company	
		2025 £m	2024 £m	2025 £m	2024 £m
<b>Investments</b>					
Land and buildings		8	9	-	-
Investments in Group undertakings	14	-	-	21	24
Other financial investments	15 (a)	7,192	7,188	7,156	7,152
		7,200	7,197	7,177	7,176
<b>Assets held to cover linked liabilities</b>	15 (b)	3,310	3,305	3,310	3,305
<b>Reinsurers' share of technical provisions</b>					
Long-term business provision	28	728	752	728	752
		728	752	728	752
<b>Debtors</b>					
Debtors arising out of direct insurance operations	18	22	21	22	20
Debtors arising out of reinsurance operations	18	106	107	106	107
Other debtors	19	25	21	26	36
		153	149	154	163
<b>Other assets</b>					
Tangible fixed assets		1	2	1	1
Cash at bank and in hand		46	61	39	39
Deferred taxation	23	2	3	-	-
		49	66	40	40
<b>Prepayments and accrued income</b>					
Other prepayments and accrued income		57	53	52	49
		57	53	52	49
<b>Pension scheme asset</b>	20	18	-	18	-
<b>Total assets</b>		11,515	11,522	11,479	11,485
<b>Liabilities</b>					
<b>Subordinated liabilities</b>	21	200	200	200	200
<b>Fund for future appropriations</b>	22	460	535	455	529
<b>Technical provisions</b>					
Long-term business provision	28	7,259	7,207	7,251	7,199
Claims outstanding	29	92	93	92	92
		7,351	7,300	7,343	7,291
<b>Technical provisions for linked liabilities</b>	30	3,272	3,259	3,272	3,259
<b>Provisions for other risks</b>					
Deferred taxation	23	41	6	41	5
Other provisions	24	9	11	9	11
		50	17	50	16
<b>Creditors</b>					
Creditors arising out of direct insurance operations	25	24	24	23	24
Creditors arising out of reinsurance operations	25	13	12	13	12
Amounts owed to credit institutions	26	1	2	1	1
Other creditors including taxation and social security	27	103	113	95	107
		141	151	132	144
<b>Accruals and deferred income</b>		41	58	27	44
<b>Pension scheme liability</b>	20	-	2	-	2
<b>Total liabilities</b>		11,515	11,522	11,479	11,485

The financial statements on pages 85 to 142 were approved by the Board of Directors on 26 March 2026 and signed on its behalf by:



Stephen Percival  
Director

Registered number: 12383237

# Significant accounting policies

This section describes the Group's significant accounting policies and accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or an accounting estimate relates to a specific note, the applicable accounting policy and/or accounting estimate is contained within the relevant note. These policies have been consistently applied to all years presented, unless otherwise stated.

## 1. Significant accounting policies

### Basis of presentation

The Group financial statements consolidate the results of Liverpool Victoria Financial Services Limited ('LVFS' or 'the Company') and its subsidiary companies. The Group's and LVFS's financial statements have been prepared in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'. The financial statements are also prepared in compliance with the Companies Act 2006 and under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Group and the Company are exempt from the requirements of Section 7 of FRS 102 to prepare a cash flow statement, as mutual life assurance companies are excluded from compliance with that section.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivatives and non-participating investment contract liabilities) at fair value as permitted or required by FRS 102.

The primary economic environment which the Group operates in is the United Kingdom. The consolidated financial statements are presented in millions of pounds sterling, which is the Group's presentation and functional currency.

As described in the Directors' Report on page 61, after making appropriate enquiries, including gaining an understanding of the maximum resilience of the group to extremely severe adverse scenarios, the directors are satisfied that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements. The directors have also concluded that there are no material uncertainties to the Group's or Company's ability to adopt the going concern basis of accounting.

## 1. Significant accounting policies (continued)

### Significant accounting estimates and judgements

The preparation of financial statements in accordance with FRS 102 and 103 requires the use of estimates. Furthermore, complex estimates often involve a significant level of management judgement. These significant accounting estimates are disclosed separately from significant judgements made in application of accounting policies.

The following areas involve significant judgement by management on policy application.

Area	Significant accounting judgements	Note
<b>Insurance contract classification</b>	<ul style="list-style-type: none"> <li>Whether significant insurance risk has been transferred to the Group.</li> </ul>	1(b)
<b>Reinsurance assets</b>	<ul style="list-style-type: none"> <li>Transfer of significant insurance risk for reinsurance arrangements entered into.</li> </ul>	28

The following areas include significant estimates and assumptions, including the exercise of management judgement. Although these estimates are based on management's best knowledge of current circumstances and potential future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year.

Area	Significant accounting estimates	Note
<b>Fair value financial assets</b>	<ul style="list-style-type: none"> <li>Inputs to the estimate of fair value where there is no or limited market data for assets classified within Level 3 of the fair value measurement hierarchy. In particular, the discount rate used when calculating the fair value of loans secured on residential property and loans secured on commercial property.</li> </ul>	15,16 and 17
<b>Insurance and participating investment contract liabilities and associated reinsurance assets</b>	<ul style="list-style-type: none"> <li>Assumptions used in determining insurance contract and participating investment contract liabilities and associated reinsurance assets. The key assumptions are: <ul style="list-style-type: none"> <li>Persistency assumptions, including gone-aways, and cash and guaranteed annuity option take-up rates.</li> <li>Expense assumptions.</li> <li>Longevity, mortality and morbidity assumptions, including mortality improvements.</li> <li>Economic assumptions including future investment returns and discount rates.</li> </ul> </li> </ul>	28
<b>Pension benefit obligation</b>	<ul style="list-style-type: none"> <li>Assumptions used to measure the pension benefit obligation, particularly discount rates, inflation and longevity assumptions used when calculating the present value of the scheme obligations.</li> </ul>	20

The preparation of the financial statements has also considered the impact of climate change. As at 31 December 2025, management does not consider this to be a significant area of accounting judgement or source of estimation uncertainty. The uncertainty associated with the future impact of climate change on the Group's results, runs too far into the future and is not yet well enough understood, leading to an absence of data required for a reliable estimate of these impacts to be factored into the financial statements.

The majority of the Group's financial assets are required to be held at fair value using quoted market prices or observable market inputs to determine their fair value. These market prices and inputs take into account current information regarding the effects of climate change. For the valuation of level 3 financial instruments, there are no material unobservable inputs in relation to climate risk.

The valuation assumptions used to determine insurance and investment contract liabilities are described in note 32. The potential impact of climate change on longevity, mortality and persistency assumptions has been considered as part of the assumptions setting process. Based on the range of likely scenarios, the impact of climate risk is not expected to affect the best estimate demographic assumptions materially and as such no specific allowance has been made as at 31 December 2025.

Management do not currently consider that climate change will generate a risk of a material adjustment to carrying values of assets and liabilities in the next year, but recognise that it could have medium or longer-term impacts.

## 1. Significant accounting policies (continued)

### Accounting policies

#### a) Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group directly or indirectly, has control. The Group controls an entity when it has power to govern its financial and operating policies.

The assessment of control is based on the consideration of all the facts and circumstances. The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group using uniform accounting policies consistently applied across the Group. They are excluded from consolidation from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. Accordingly, the cost of an acquisition is measured as the fair value of the cash or other assets given, equity instruments issued and liabilities incurred or assumed at the date control passes. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life. Provision is made for any impairment. Negative goodwill is similarly included in the Balance sheet and is credited to the technical account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Details of the company's subsidiaries are given in Note 33.

##### (ii) Associates and jointly controlled entities in property holding companies

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities. The Group does not currently have any associates, which are any entities over which the Group has significant influence but are not joint ventures or subsidiaries.

The Group currently has a joint venture in an investment property holding company which is held as part of an investment portfolio, hence under FRS 102, Section 15, it is measured at fair value through profit or loss within UK unlisted investments.

#### b) Contract classification

The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Significant insurance risk is transferred where the occurrence of an insured event could result in significant additional payments to the policyholder. Such contracts may also transfer financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Management have applied judgement in determining whether contracts entered into transfer significant insurance risk and can therefore be accounted for as insurance contracts. In making this judgement management review all contract terms and conditions and obtain the opinion of an independent expert where necessary.

Contracts are also classified as either participating or non-participating. Participating contracts are those contracts that entitle the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - (i) the performance of a specified pool of contracts or a specified type of contract;
  - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the fund; or
  - (iii) the unallocated surplus of the fund that issues the contract.

All with-profits contracts have been classified as participating contracts.

## 1. Significant accounting policies (continued)

### Product classification

Business area	Product classification			
	Insurance (Participating)	Insurance (Non-participating)	Investment (Participating)	Investment (Non-participating)
<b>Savings &amp; Retirement</b>	<p><b>Smoothed Managed Funds</b> Smoothed Managed Funds include a significant death benefit. Policyholders are entitled to a share of the surplus of the with-profits fund.</p> <p><b>With-profits fixed term annuity</b> Significant insurance risk is transferred (mortality /longevity) from the policyholder to LV=. Policyholders are entitled to a share of the surplus of the with-profits fund.</p>	<p><b>Retirement non-profit funds (fixed term / enhanced annuities)</b> Significant insurance risk is transferred (mortality /longevity) from the policyholder to LV=. Policyholders are not entitled to a share of the surplus of the funds.</p>		<p><b>Unit-linked pensions, including SIPP</b> No significant insurance risk is transferred to LV=; the customer chooses their investment(s) and is exposed to the associated financial risk with no additional participation benefits.</p>
<b>Protection</b>		<p><b>All protection products</b> Significant insurance risk (primarily morbidity and mortality) is transferred from the policyholder to LV= whereby the policyholder is financially compensated on occurrence of the insured event (such as injury, illness or death). Policyholders are not entitled to a share of the surplus of the funds.</p>		
<b>Heritage</b>	<p><b>LVFS Heritage (including Royal National Pension Fund for Nurses (RNPFN) and Teachers Assurance Funds) with-profits life and pensions policies</b> These policies transfer significant insurance risk (mortality /longevity) from the policyholder to LV=. Policyholders are entitled to a share of the surplus of their respective with-profits fund.</p>	<p><b>LVFS Heritage (including RNPFN and Teachers Assurance Funds) conventional non-profit life, pensions and annuities in payment</b> These policies transfer significant insurance risk (mortality /longevity) from the policyholder to LV=. Policyholders are not entitled to a share of the surplus of the funds.</p>	<p><b>LVFS Heritage (including Teachers Assurance Fund) with-profits investments</b> These investment products provide the policyholder with market returns. The value paid to the policyholder is not significantly impacted by whether pay-out is on surrender, maturity or death, therefore this is not an insurance contract. The investments entitle the policyholder to a share of the surplus of the with-profits fund. As permitted by FRS 103 LV= has chosen to account for these products as insurance.</p>	<p><b>LVFS Heritage (including RNPFN Fund) linked life and pensions</b> These products do not transfer significant insurance risk from the policyholder to LV=. Policyholders are not entitled to a share of the surplus of the funds.</p>

## 1. Significant accounting policies (continued)

### c) Foreign currencies

Investment assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange in force at the end of the year. Purchases and sales of investments denominated in foreign currencies are translated at the rates prevailing at the transaction date. Exchange gains and losses are dealt with in that part of the Statement of Comprehensive Income in which the underlying transaction is reported.

### d) Financial assets and liabilities

The Group has chosen to apply recognition and measurement provisions of IAS 39 *Financial instruments: Recognition and measurement* (as adopted for use in the UK) in applying FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

#### Recognition and measurement

The Group classifies financial assets and liabilities upon initial recognition as shown below. The classification is impacted by the nature of the instrument and the purpose for which the investments were acquired:

Financial instrument	Basis of classification and initial measurement	Subsequent measurement	Recognition of change in fair value
Debt Securities, Equity Securities	Where the investment return is managed on the basis of the total return on investment, the investment is designated as fair value through the income statement.	Fair value using prices at the end of the period.	Technical account – Unrealised gains/(losses) on investments.
Loans secured on residential and commercial property		Fair value on a discounted cash flow basis, taking into account no negative equity guarantees (NNEG) where relevant – see Note 15.	
Non-participating investment contract liabilities	Designated as fair value through the income statement in order to avoid a measurement inconsistency with the associated unit-linked financial assets.	Amount equal to the fair value of the associated unit-linked financial assets. The valuation of technical provisions for linked liabilities also contains an adjustment to reflect the present value of expected future profits of the linked investment business.	Technical account - Change in technical provision for linked liabilities, net of reinsurance.
Derivative assets/(liabilities)	Derivatives are classified as held for trading and designated as fair value through the income statement.	Carried at fair value. Asset / (liability) classification dependent on whether fair value is positive or negative.	Technical account – Unrealised gains/(losses) on investments.
Loans, debtors and other financial assets arising from non-investment activities.	Financial assets with fixed or determinable payments not quoted in an active market are initially recognised at the fair value of the consideration paid.	Amortised cost using the effective interest method. Reviewed for impairment whenever events indicate that the carrying amount may not be recoverable.	N/a
Cash at bank and in hand	Consist of bank balances, excluding non-offsetable overdrafts. Initially recognised at the fair value of the consideration paid.	Amortised cost using the effective interest method.	N/a
Subordinated debt	Financial liabilities with fixed or determinable payments and maturity date. Initially recognised at the fair value of the proceeds received.	Amortised cost using the effective interest method.	N/a
Creditors and other financial liabilities	Financial liabilities with fixed or determinable payments. Initially recognised at the fair value of the proceeds received.	Amortised cost using the effective interest method.	N/a

The accounting policy for each type of financial asset or liability is included within the relevant note for the category.

## 1. Significant accounting policies (continued)

### Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and has:
  - transferred the risks and rewards of the asset; or
  - transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### f) Collateral

Collateral is received or pledged in the form of cash collateral and non-cash collateral.

Cash collateral received, which is not legally segregated from the Company and from the Group, is recognised as Cash at bank and in hand with a corresponding liability for its repayment in the Company and Group's Balance sheet. Cash collateral pledged which is legally segregated from the Company and from the Group, is derecognised from Cash at bank and in hand and a corresponding asset for its return is recognised in the Company and Group's Balance sheet.

Non-cash collateral received that is neither sold nor re-pledged, and where the counterparty is not in default is not recognised in the Company or in the Group's Balance sheet. Non-cash collateral pledged where the Company and the Group is not in default is not derecognised from the Company and the Group's Balance sheet and remains within the appropriate asset classification.

# Capital and risk management

This section details the capital and risk management approach of the Company and Group. The Group seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of available capital. The risk appetite for each type of principal risk is set with reference to the amount necessary to meet the PRA's capital requirements.

## 2. Capital management

### Policies and objectives

Capital is managed on a regulatory basis to ensure the Group has sufficient funds to meet its business objectives, the promises made to members and policyholders and regulatory requirements.

The Group's key capital management objectives are that:

- (i) Regulatory capital will be managed to remain within upper and lower limits agreed by the Board;
- (ii) The regulatory risk profile will be monitored against that projected in our business plan to ensure any deviation from the expected position is understood and acted upon if appropriate; and
- (iii) Sources of capital which are considered to be of a lower quality will not be over-relied upon to meet regulatory capital requirements.

These objectives are reviewed at least annually and benchmarks are set by which to judge the adequacy of the Group's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Group.

The Group complied with all regulatory capital requirements that it was subject to throughout the reporting period.

### Capital Management (Unaudited)

Capital is monitored and managed at a Group and entity level. The Group manages capital resources under Solvency II at the level of Eligible Own Funds. Excluding RNPFN and Teachers ring-fenced funds, Eligible Own Funds were £732m for the Group and £735m for the Company (2024: £857m for both the Group and the Company). Including RNPFN and Teachers ring-fenced funds, Eligible Own Funds were £752m for the Group and £755m for the Company (2024: £885m for both the Group and the Company). See further details on the Group's and Company's Solvency II capital position on pages 16 and 17.

The Group seeks to deploy capital where it believes the risk is properly rewarded. Asset and liability matching is extensively used, and risks are hedged where the Group believes it would otherwise receive insufficient return for the risk taken or to reduce volatility. This includes reinsurance, which has been extended in 2025 to reinsure losses as a result of extreme levels of excess lapses on the main Protection lines of business.

In 2025 it was agreed to uplift asset shares for relevant policies to reflect a distribution of surplus capital to eligible members (the one-off bonus) of £80m.

The Eligible Own Funds figures disclosed above are based on the estimate of the results at the Annual Report signing date. It is possible that this result will be adjusted prior to final publication of the Group Solvency Financial Condition Report later in 2026.

### Risk appetite

The Group has embedded its approach to risk management through its risk appetite. The risk appetite for capital management is that sufficient solvency capital is held to ensure that the Group can continue to trade following a severe adverse movement in markets or other risks. As at 31 December 2025, the capital risk appetite was set to target a minimum Capital Coverage Ratio of 140% (2024: 140%). See further details on risk management on pages 20 to 23.

### Measurement and monitoring of capital

The capital position of the Group and regulated entities within the Group is monitored and reviewed formally on a regular basis within the monthly Business Performance Pack. The capital management objectives are reviewed by the Asset and Liability Committee (ALCO), and benchmarks are set by which to judge the adequacy of the Group's capital and ensure that sufficient capital is available.

The Group's capital requirements are forecast on a regular basis and compared against the available capital and the Group's risk appetite. The forecast includes the trading outlook and the benefits of any strategic investment, where the impact on the balance sheet, available liquidity and payback period are all considered, taking into account the risks associated with the investment.

### Methodology

The Group adopts a methodology aligned to the Solvency II regime adapted to incorporate the Solvency UK reforms, which amended the rules in the PRA Rulebook during 2023 and 2024.

Eligible Own Funds comprise the excess of the value of assets over the liabilities, as valued on a Solvency II basis. Subordinated debt issued by the Group is considered to be part of Eligible Own Funds, rather than a liability, as it is subordinate to policyholder claims.

Assets are valued at fair value in accordance with FRS 102.

Liabilities are valued on a best estimate market consistent basis, with the application of a Matching Adjustment for valuing qualifying annuity liabilities, and a Volatility Adjustment for other qualifying business. TMTP is recognised on the balance sheet which seeks to capture the differences between the Technical Provisions (net of reinsurance arrangements) under the previous Solvency I regime and the current Solvency II regime.

The liabilities include the Risk Margin, which represents an allowance for the cost of capital for a purchasing insurer taking on the portfolio of liabilities and residual risks that are deemed to be not hedgeable under Solvency II. This is calculated using a prescribed cost of capital of 4% (2024: 4%) and represents the cost to the purchaser of raising capital to meet the regulatory capital requirements.

The Solvency Capital Requirement (SCR) is the amount of capital required to cover a prescribed 1-in-200 year outcome in the year following the valuation, allowing for realistic management and policyholder actions and the impact of the stress on the tax position of the Group where permitted or approved by the PRA. This allows for diversification between the different risk exposures within the Group. All non-insurance regulated businesses are included using their current regulatory surplus.

Allowance is made within the Solvency II balance sheet for the Group's defined benefit pension schemes using results on a UK GAAP basis.

## 2. Capital management (continued)

### Assumptions

The calculation of the Solvency II balance sheet and associated capital requirements requires a number of assumptions, including:

- (i) assumptions required to derive the present value of best estimate liability cash flows. The assumptions are the same as those used to derive the Group's UK GAAP disclosures and are structured so as to capture both short-term and long-term behaviour. Future investment returns and discount rates are those defined by the PRA, which means that the risk-free rates used to discount liabilities are market SONIA-derived swap rates. For eligible annuity business, the liability discount rate includes a Matching Adjustment. For other eligible business, the liability discount rate includes a Volatility Adjustment.
- (ii) assumptions regarding management actions. The only management actions allowed for are those that have been approved by the Board and are in place at the balance sheet date.

### Use of and limitations of sensitivity analysis

Sensitivity analysis is used to determine the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. These sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the Solvency II position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management options could include selling investments, changing investment portfolio allocation, adjusting bonuses credited to policyholders, and taking other protective actions.

Other limitations of sensitivity analysis include the use of hypothetical and simplified market movements to demonstrate potential risk exposures that may exist.

### Stress and scenario testing

Due to the limitations of sensitivity analysis in isolation, the Group undertakes a series of stress and scenario tests to ensure the robustness of its solvency position in regard to different levels of new business growth, movements in investment markets and changes in other assumptions such as the expected future mortality of our customers.

When looking at movements in investment markets the Group considers a number of single stresses (e.g. a significant fall in equities) but more importantly because investment markets are highly correlated consideration is given to how they might move together in stressed conditions. The Group uses the outcomes of the stress and scenario testing to develop the management options that would be undertaken if capital or other performance measures move outside of the defined risk appetite.

To support the future operations of the Group, forecast plans are produced including stress and scenario testing to provide the Board with assurance that the Group will be able to withstand adverse events if they arise.

### Reconciliation of the Group's UK GAAP Fund for Future Appropriations to Solvency II Eligible Own Funds (Unaudited)

The table below gives a reconciliation of the Group's Fund for Future Appropriations to the Group's Eligible Own Funds on a Solvency II basis.

The Group Solvency II results disclosed below are based on the unaudited estimate of the year-end results at the Annual Report signing date. It is possible that the Solvency II results will be adjusted prior to final publication of the Group Solvency Financial Condition Report later in 2026.

	2025 £m	2024 £m
<b>Group Fund for Future Appropriations</b>	<b>460</b>	<b>535</b>
Add subordinated debt treated as available capital	191	211
Solvency II impact of TMTP	82	101
Exit bonus	(9)	-
Other	8	10
<b>Estimated Eligible Own Funds (excluding ring-fenced funds)</b>	<b>732</b>	<b>857</b>
RNPFN – Eligible Own Funds	49	58
Restriction of Eligible Own Funds in respect of RNPFN	(32)	(34)
Teachers – Eligible Own Funds	7	5
Restriction of Eligible Own Funds in respect of Teachers	(4)	(1)
<b>Group Eligible Own Funds</b>	<b>752</b>	<b>885</b>

## 3. Risk management and control

The Group's primary business activities include the provision of insurance, investment and retirement products to UK-based customers. In providing these products the Group accepts and needs to manage risk. A description of these risks and how they relate to the Group's products is outlined below. The Group's approach to managing and controlling these risks through its governance and risk management framework is set out on pages 20 to 23.

As part of its risk management framework, the Group measures its current and projected internal view of risk in the setting of its risk appetite thresholds for solvency and liquidity. Also, more widely, this includes stress testing over a range of deterministic scenarios on the full balance sheet to assess the sensitivity of Regulatory Solvency and long-term available Liquidity.

Management uses the insight gained through these sensitivities to help manage the Group's risk exposure and sustainability. The models, scenarios and assumptions used are reviewed regularly and updated as necessary including any interdependencies between risk types.

### Risk environment

2025 has been characterised by relative stability in macroeconomic factors, despite ongoing uncertainty and volatility from geo-political risks. Further detail in relation to this can be found on page 20. Climate change continues to have a focus from regulators and government bodies. Further details in relation to the climate change risks impacting LV= are shown in the sustainable business review on pages 24 to 32.

### Principal risks and categories

The Risk Management section of the Strategic Report on pages 20 to 23 sets out the principal risks and uncertainties that the Group faces. The Group uses a standard categorisation to combine and assess similar risks. All such risks are subject to a consistent risk management and control framework. However, they impact the business and its financial performance in different ways. The following sections provide more detail on these main risk categories and how they may impact the Group.

#### a) Insurance risk

Insurance risk arises from both the claims commitment that the Group has made to its policyholders and the pricing assumptions made in respect of the insurance policies. As such, this covers the following risks:

- The timing and the amount of the claim is uncertain and hence there is a risk that the exposure to loss arising from this claims experience is different to that anticipated.
- The product is priced using certain assumptions covering how long the policies will be maintained by the customer (persistence risk) and the cost of administering the product over its life cycle (expense risk). There is a risk that across the Group's insurance portfolio the actual experience is different to previously assumed levels. This is more likely the longer the term of the product.

The Group's insurance activities primarily involve the provision of protection, retirement and savings products. These products are long term in nature and provide key benefits to the policyholder and their dependants.

A number of key assumptions are made when determining the future claims liability that will arise from these policyholder commitments. These are based on prior experience and latest forecasts in trends and patterns and include the future life expectancy and health of policyholders, the extent to which contracts will be terminated earlier or later than expected, the extent to which insurance contract administration costs may increase and changes in the value of investments, interest rates and tax rates.

Details of the long-term business provision and associated valuation assumptions are disclosed in Notes 28 and 32 respectively.

Differences in actual experience versus the previous assumptions will give rise to liabilities that differ from those previously anticipated. Wherever these outcomes vary from the original or most recent estimates they may give rise to a change in insurance risk exposure. The primary insurance risks prevalent within the Group's products are described below:

### Mortality, longevity and morbidity

Life protection and annuity business is exposed to changes in life expectancy (mortality - reduced life expectancy, longevity - increased life expectancy) and health expectancy (morbidity) experience.

Protection product liabilities (with the exception of Lifetime+) are exposed to mortality and morbidity risks whereby higher mortality rates and adverse morbidity will lead to increases in contract liabilities. Protection Lifetime+ and Annuity product liabilities are exposed to longevity risk whereby contract liabilities, net of reinsurance, increase with life expectancy.

Mortality, longevity and morbidity risks in the Group are managed through the assessment of the risk associated with individual policyholders against a set of acceptance (underwriting) criteria, which may include an individual's medical history, occupation and lifestyle (i.e. indicators of life expectancy and morbidity). The actual experience of policyholders is then regularly monitored to assess that the underwriting criteria remain appropriate and that the level of risk being assumed by the Group remains within its risk appetite. A large amount of this risk is managed through the use of reinsurance.

### Persistence

In pricing life insurance business, the Group makes assumptions as to how long the policyholder is likely to retain the product, which includes the timing of any applicable retirement events for pensions business. Persistence risk arises from the actual experience being different to the assumptions. The level of persistence influences the ability to recover initial costs of sale from the premiums and charges that relate to the product, as well as the overall claims cost. The Group is exposed to persistence risk whereby the profitability can be adversely impacted by changes in the length of time that policies remain in force.

For certain Heritage products the level of persistence influences the estimated cost of guarantees and options. The risk for these products is that a larger proportion of the portfolio remains in-force to take advantage of these guarantees and options.

Persistence risk in the Group is managed through the active management of intermediary relationships and the feedback of experience variances into business decisions. The actual lapse experience segmented into appropriate product groups is regularly monitored to assess whether the pricing and valuation assumptions remain appropriate and that the level of risk being assumed by the Group remains within its risk appetite.

### 3. Risk management and control (continued)

#### Cash take-up

For specific products where these options exist, the Group makes assumptions as to how many policyholders are likely to take the lump-sum cash option at retirement and at what level. Cash take-up risk arises from the actual experience being different to the assumptions. The assumed level of cash take-up influences the future cost of the product, for example the projected cost of paying a guaranteed annuity income for life is more onerous than the lump-sum cash at retirement option.

Cash take-up risk is managed in the Group through regular monitoring to assess whether the valuation assumptions remain appropriate and in line with observed experience, and that the level of risk being assumed by the Group remains within its risk appetite.

#### Expense

In pricing life insurance business, assumptions are made as to how long the Group will need to continue to service and maintain the product and communicate with the policyholder. The Group is exposed to the risk that the charges it deducts from policyholder benefits or the costs which were assumed in pricing protection and annuity products are not sufficient to cover the full extent of these expenses. In addition, the Group makes an assumption as to how much this service and maintenance will cost each year, allowing for the impact of inflation. Expense risk arises from higher than expected expenses reducing profits.

The Group proactively manages this risk through an ongoing assessment of the factors that will generate additional expenses in the product servicing costs and the number of life insurance products over which costs are spread. Actual experience is monitored against planned levels to manage costs.

#### Reinsurance

In order to mitigate the mortality, longevity and morbidity risks within the Group's life insurance book described earlier, a material proportion of mortality and morbidity risk on protection business and longevity risk on annuity business is transferred via reinsurance agreements. The most material counterparties are leading global reinsurers Pacific Life Re and RGA.

In 2025, the Group entered into a reinsurance treaty to reinsure losses as a result of extreme levels of excess lapses on the main Protection lines of business.

#### Pension schemes risk mitigation

The main staff pension scheme holds a bulk annuity policy with Phoenix Life which provides an income to the scheme that exactly matches some of the benefit obligations of the scheme. The Ockham staff pension scheme holds a buy-in insurance policy with Just Group that matches the majority of the scheme's liabilities (see Note 20).

#### Insurance concentration risk

The Group is not exposed to significant concentrations of insurance risk. Experience shows that the larger the portfolio of similar independent insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategies to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group writes a diverse mix of life insurance business across a wide group of people and businesses. However, as the Group has substantially written all of its business in the UK, results are sensitive to demographic and economic changes arising in the UK.

The Group minimises the level of insurance concentration through the use of portfolio analysis and reinsurance. The Group's exposure to life insurance risk is captured in the long-term insurance and investment contract liabilities set out below. The products listed below cover the Group's protection, annuity and pensions products and also the investment exposure arising from the Group's savings, pensions, retirement and investment products. The Company's exposure to life insurance risk is consistent with that of the Group.

Group	2025			2024		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Whole life	2,924	(31)	2,893	2,867	(39)	2,828
Endowment	84	-	84	101	-	101
Term Assurance	36	(281)	(245)	139	(347)	(208)
Immediate and deferred annuity contracts	2,367	(348)	2,019	2,455	(339)	2,116
Unitised with-profits pensions and protected retirement plans	1,772	-	1,772	1,632	-	1,632
Critical illness	(46)	8	(38)	(51)	10	(41)
Income protection	(81)	(76)	(157)	(133)	(37)	(170)
Legacy with-profits ISA	153	-	153	141	-	141
Other	50	-	50	56	-	56
Total long-term business provision	7,259	(728)	6,531	7,207	(752)	6,455
Claims outstanding	92	-	92	93	-	93
Linked liabilities	3,272	-	3,272	3,259	-	3,259
	10,623	(728)	9,895	10,559	(752)	9,807

### 3. Risk management and control (continued)

#### Life insurance risk sensitivities

The table below sets out the impact on Profit before tax and the Fund for future appropriations of reasonably possible movements in key assumptions. The Company's exposure to life insurance risk is materially consistent with that of the Group.

Sensitivity analysis for the change in assumptions used in long-term insurance and investment contract liabilities	Impact on Profit before tax		Impact on the Fund for future appropriations	
	2025	2024	2025	2024
	£m	£m	£m	£m
Increase in mortality rates by 5% - Non annuity products	(4)	(4)	(4)	(4)
Decrease in mortality rates by 5% - Annuity products	(3)	(3)	(3)	(3)
Increase in morbidity rates by 5%	(10)	(10)	(10)	(10)
Increase in persistency by 10%	21	14	21	14
Decrease in OB pensions cash take-up rates by 50%	(22)	(28)	(22)	(28)
Increase in expenses by 10%	(37)	(40)	(37)	(40)

The sensitivities above are performed on our insurance and investment contract liabilities net of reinsurance. They do not generally include the potential impacts on financial assets as the impacts are not material.

The impact of an adverse or favourable movement in the assumptions is largely symmetric. The persistency sensitivity is performed as stresses to the persistency assumptions proportionally for all products and therefore implicitly allows for offsets between products exposed to different directional sensitivities.

#### b) Financial markets risk

As a result of the insurance, investment and retirement products offered to policyholders, the Group is exposed to financial markets through the investment of premiums and investment lump sums in various investment assets such as equities, gilts, corporate bonds and property.

Financial markets risk is defined as the risk that arises from adverse fluctuations or increased volatility in asset values, asset income or interest rates. This includes credit spread widening. The Group manages these risks through a Group policy and aligning the investment strategy, asset allocation and performance benchmarks with the Group's risk appetite and utilising asset and liability matching and stochastic modelling techniques. These actions aim to match the risks arising from the liabilities under the Group's insurance and investment contracts with the risks inherent in its assets and seek to ensure there is sufficient capital and liquidity available such that the Group is able to meet policyholder commitments when they fall due and to achieve a sufficient return for members.

Inflation risk arises when there is an inflationary mismatch between the assets and liabilities. This mainly arises due to inflation-linked benefit payments and maintenance expenses. The Group manages this risk through hedging using the same calculation methodology and techniques as the hedging strategy for interest rate exposures.

In addition to the actions summarised above, the Group may also look to use derivative instruments particularly to assist in hedging policyholder guaranteed options and, where cost effective, to transfer risks it believes are either unrewarded or which it believes can be better managed by a third party. For example, derivatives are used to reduce exposure to fluctuations in interest rates, exchange rates and for efficient portfolio management purposes. The main derivatives used for this function are interest rate contracts (including interest rate swaps), forward foreign exchange contracts and equity derivatives (index futures and options) respectively. The Group does not hold derivatives for investment purposes, they are held purely as a risk management technique to manage financial market risk exposures within its investment holdings (see Note 17 on how these are used).

The investment management agreements between the Group and BlackRock specify the limits for holdings in certain asset categories and currencies. Asset allocation and performance benchmarks are set, which ensure that each fund has an appropriate mix of assets and is not over or under exposed to a particular asset category, currency or specific investment relative to its risk appetite. The Investment team monitors the actual asset allocation and performance against benchmarks with oversight provided by the Asset and Liability Committee (ALCO) and the Investment Committee.

The Group is not exposed to significant financial markets risk in respect of assets held to cover unit linked liabilities and the participating element of with-profit liabilities, as these risks are borne by the holders of the contracts concerned, except to the extent that income from the fund based management charges levied on these contracts varies directly with the value of the underlying assets and where policyholder smoothing and guarantees exist on Smoothed Managed Funds (SMF) and legacy with-profit policies. Where appropriate the Group manages this exposure via internal and external hedging arrangements.

The key types of financial markets risk to which the Group is exposed are set out in more detail in the following paragraphs. Sensitivities to key market risks are shown on page 99.

#### (i) Asset performance risk

Asset performance risk is the risk that the fair value or future cash flows of an asset or liability will fluctuate because of changes in market prices, other than those arising from interest rate or foreign currency risks.

The Group is primarily exposed to asset performance risk arising from its investment in equities, property, gilts and corporate bonds.

#### Equity price risk

The Group is exposed to equity price risk from daily fluctuations in the market values of the equity portfolio. These assets are used to support contractual liabilities arising from investment and long-term insurance contracts. Decreases in the market price of equities will negatively impact the profits and capital of the Group. The risks from investing in equities are managed by investing in a diverse portfolio of high-quality securities ensuring that holdings are diversified across industries and geographies, and concentrations in any one company or industry are limited by parameters established by the Investment Committee. In addition, the Group may use derivatives to reduce the level of equity price risk.

For investment and long-term linked insurance contracts the price movements are matched with corresponding movements in contractual obligations except where policyholder smoothing and guarantees exist on SMF or legacy with-profit policies. For such participating insurance contracts, internal hedges are calibrated such that growth in assets is in line with growth in the obligations in reasonably foreseeable scenarios.

### 3. Risk management and control (continued)

#### Property price risk

The Group is subject to property price risk due to its exposure to the residential and commercial property market through its equity release and commercial mortgage products, where sustained underperformance in property prices could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption (see Note 15 for disclosures relating to loans secured on residential and commercial property). This risk is managed through limits on the maximum loan to value ratio and seeking to limit concentrations in particular geographic areas. Monitoring of actual experience in house prices versus expected is also undertaken.

In addition, the Group is exposed to property price risk from property investments held to support contractual liabilities arising from investment and long-term insurance contracts. For investment and long-term linked insurance contracts the price movements are matched with corresponding movements in contractual obligations. For most participating insurance contracts, internal hedges are calibrated such that growth in assets is in line with growth in the obligations in reasonably foreseeable scenarios. The risks from investing in property are managed by investing in a diverse portfolio of high-quality properties ensuring that holdings are diversified across sector and location.

#### Corporate bond price risk (Credit spread risk)

The credit spread risk represents the risk of adverse fluctuation in the values of assets and liabilities due to changes in the level of corporate bond credit spreads.

A widening in credit spreads, over and above risk-free yields, causes bond values to decrease, although there is an offset where the value of certain insurance liabilities fall in value. The Group monitors credit spread risk by regularly reviewing its exposure to corporate bonds by sector (e.g. financial or non-financial), credit rating and duration and through its asset and liability matching tools.

#### (ii) Interest rate risk

Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of specific assets and liabilities arising from changes in underlying interest rates.

Interest rate risk arises primarily from the Group's investments in long-term debt and fixed income securities and their movement relative to the value placed on the insurance liabilities. A number of products sold by the Group have features that influence the Group's exposure to interest rate risk. These features include guaranteed surrender values, guaranteed annuity options and minimum surrender and maturity values, which can lead to the present value of claims being higher than the value of the backing assets when interest rates change.

The Group manages interest rate risk by investing in fixed income securities which closely match the interest rate sensitivity of the liabilities (using an internal view of the exposure), where such investments are available. The Group also makes use of derivatives in addition to physically held assets to manage the interest rate exposure resulting from the liabilities. These derivatives are principally interest rate swaps. The Group also considers its exposure on both a UK GAAP basis and a regulatory capital basis under Solvency II.

Exposure to interest rate risk is monitored using several techniques, including scenario testing, stress testing and asset liability duration control.

#### (iii) Investment concentration

Investment concentration risk arises through exposure to particular asset types, geographical markets, industry sectors, groups of business undertakings or similar activities. The Group may suffer losses in the investment portfolio as a result of over exposure to particular sectors engaged in similar activities or similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions. The Group's trading activities are UK-based and associated insurance and investment contract liabilities are impacted by the UK marketplace and hence there is a high concentration in corresponding matching UK investment assets.

The Group invests in a portfolio of assets and seeks to maximise portfolio expected return for a given amount of portfolio risk, or equivalently minimise risk for a given level of expected return, by carefully choosing the proportions of various assets. The Investment Committee sets the Group's investment strategy and recommends to the Board the policy and limits required. Responsibility for implementation is delegated to the Chief Investment Officer, with day-to-day investment activities primarily being undertaken by the Group's investment manager, BlackRock.

The Investment team monitors the actual asset allocation and performance against benchmarks with oversight provided by the ALCO and the Investment Committee.

### 3. Risk management and control (continued)

#### (iv) Foreign currency risk

The Group predominantly operates within the UK and is therefore not significantly exposed to currency exposures within its normal trading activities. However, the Group's investment strategy and policies allow for a mandated level of investment in overseas markets, via both equities and fixed interest securities. The main currency exposures here are to the Euro and US dollar and a large percentage of the exposure is hedged back to GBP.

The risk to the Group is that the fair value or future cash flows of an overseas investment asset will change as a result of changes in foreign exchange rates. Residual currency risk is managed by the use of exposure limits and authorisation controls operated within the LV= Risk Management Framework.

The table below summarises the Group's exposure to foreign currency exchange risk, excluding exposure arising from any investments held in GBP denominated collective investment funds that are not hedged back to GBP, reflecting strategic asset allocation to currencies in our policyholder funds. Linked assets are also excluded from the table because any currency risk associated with these assets is borne by the policyholder rather than the Group.

	2025			2024		
	Euro £m	US Dollar £m	Total £m	Euro £m	US Dollar £m	Total £m
Derivatives	-	(309)	(309)	-	(212)	(212)
Equity securities	-	8	8	-	7	7
Debt securities	-	310	310	-	234	234
Cash at bank and in hand	-	2	2	-	2	2
	-	11	11	-	31	31

A strengthening of the value of sterling against the foreign currency (increase in exchange rates), in which the investment asset is denominated, will lead to a devaluation of the asset value and any associated income flows. A weakening of the value of sterling against the foreign currency will have the reverse impact.

The sensitivity of investment assets to a 10% increase/decrease in Euro and US Dollar exchange rates, net of derivatives, is £nil (2024: £nil) and £1m (2024: £3m) respectively. In determining the percentage rates to use in this sensitivity the movements in the actual market rates of Euro and US Dollars during 2025 were taken into account. The above table incorporates all material currency risk to Profit before tax. Therefore, a 10% increase/decrease across all currencies could impact Profit before tax by up to £1m (2024: £3m).

Some overseas investments are denominated in sterling so bear no direct currency risk and have not been included within the above table.

#### (v) Summary of market risk sensitivities

The table below sets out the impact on Profit before tax and the Fund for future appropriations net of the impact on derivatives for movements in sectors of the market that the Group is invested in including equity release mortgages but excluding the Group's defined benefit pension schemes. Explanations of the movements are provided below. The Company's exposure to market risk is materially consistent with that of the Group.

In determining the percentage rates to use in the sensitivity analysis reference has been made to those used for internal reporting within the Group. Where sensitivities have not been produced in both directions, the impact of the sensitivity in the other direction is materially consistent with the sensitivity provided.

The table demonstrates the effect of a change in a key assumption, while other assumptions remain unchanged. In practice there may be dependencies between the underlying risks. It should also be noted that the impact on the Fund for future appropriations from changes in these assumptions may not be linear as implied by these results. Larger or smaller impacts should not be interpolated or extrapolated from these results.

The Group interest rate hedging strategy is defined relative to an internal metric similar to Solvency II Own Funds. The effectiveness of the hedging strategy is monitored by ALCO and rebalanced where necessary.

The main changes in exposure since last year are the reductions in sensitivity to fixed interest yield movements driven by the update to late retirement terms on certain pensions products and the consequent true ups to the hedged position. In addition to this there has been a reduction in equity sensitivity following the allocation of exit bonus to asset shares which improved asset liability matching.

Asset values and, where appropriate, asset share changes are reflected in each sensitivity. With-profits future policy related liabilities are recalculated using these revised values and, where appropriate, economic scenarios generated by an asset model calibrated to the revised risk-free rate.

	2025		2024	
	Impact on Profit before tax £m	Impact on the Fund for future appropriations £m	Impact on Profit before tax £m	Impact on the Fund for future appropriations £m
<b>Sensitivity analysis to movements in key market sectors</b>				
Equity values fall by 20%	(40)	(9)	(46)	(16)
Property values fall by 12.5%	(9)	(7)	(6)	(4)
Credit spreads increase by 100bps relative to swap yields	1	8	(1)	5
Government Bond spreads increase by 50bps relative to swap yields	(29)	(24)	(24)	(20)
Fixed interest yields fall by 100bps	10	(4)	(20)	(33)
Fixed interest yields increase by 100bps	(9)	2	10	21
Inflation increases by 50bps	9	8	3	3

### 3. Risk management and control (continued)

#### c) Credit counterparty risk

Credit counterparty risk is defined as the risk of loss if another party defaults on its obligations or fails to perform them in a timely fashion. Exposure to credit counterparty risk may arise in connection with a single transaction or an aggregation of transactions (not necessarily the same type) with a single counterparty.

The Group is exposed to credit counterparty risk from different sources, firstly within the business activities associated with its insurance, investment and retirement products and associated reinsurance assets, and secondly, in the financial assets held in the Group's investment portfolio.

Credit counterparty risk is managed via a Group policy and risk limits covering aspects such as total exposure, and concentration. Group counterparty exposures are monitored by ALCO, with ultimate oversight of risk being undertaken by the Risk Committee.

#### (i) Sources of exposure to credit counterparty risk

The main credit counterparty risks within the Group are as follows:

##### Investment counterparties

The key source of credit counterparty risk arises from the assets held in the investment portfolio. The risk is that the investment counterparty enters financial difficulties, and the fair value of the asset diminishes or the income stream is not paid; alternatively the counterparty becomes insolvent and the value of the asset is written off.

The investment portfolio contains a range of assets including equities, corporate bonds and other fixed income securities and cash deposits. The credit counterparty risk policy stipulates that there must be a list of approved counterparties, permitted investments, geographical territories and specific asset class exposure limits. These are implemented within the investment management agreement with BlackRock, and risk appetite statements. The agreements also require that asset holdings are within limits that restrict excessive concentrations with individual counterparties or with particular asset classes. In order to minimise its exposure to credit counterparty risk the Group invests primarily in higher graded assets, rated BBB and above. The main exception to this is in the high-yield bond portfolios where lower rated bonds can be held.

In addition, the Group uses derivatives to transfer elements of financial markets risk exposures. Counterparty exposures from over-the-counter derivatives are mitigated by the use of collateral. The fair value of the derivative is matched by collateral received from the counterparty, which increases or reduces in line with the contract's fair value. The collateral can be sold or re-pledged by the Group and is repayable if the contract terminates or the contract's fair value decreases. Details of collateral received and pledged is included within the offsetting disclosure on page 113.

#### Loans secured on residential and commercial property

Residential (equity release) mortgage loans and commercial mortgage loans are held to match certain insurance obligations. Holding these loans creates an exposure to credit counterparty risk from the borrower. This risk is managed by using the property as security against the loan, assessment of the risk and maintaining a low loan to value ratio. While the cost-of-living crisis and move to a high interest rate environment led to increased uncertainty around property valuations and the prospects of certain types of commercial property, for new lending LV= exercises strong controls around the types of assets lent against, while the performance of existing loans are closely monitored such that covenants can be enacted at appropriate times if required.

AgFe, Aberdeen and Aviva Investors are mandated to originate new and manage existing commercial mortgages for the Group. They provide expertise to source and underwrite loan prospects within an agreed mandate and perform on-going management of the existing commercial mortgages which they have sourced.

Exposure to 'No Negative Equity Guarantees' (NNEG) on equity release mortgages is limited by low loan to value ratios and the use of third-party funders (who have the exposure to this risk) for certain tranches of business. Note 15 provides further disclosure and provisions for NNEG on equity release mortgages. The prevailing higher interest rates may lead to fewer early repayments of residential mortgages and consequentially increased exposure to NNEG. This has been allowed for (determined by expert judgement) when calculating the value of the loans, by using early repayment rates lower than would have been set based purely on recent experience.

#### Reinsurance counterparties

Reinsurance agreements are entered into to transfer an element of potential insurance risk exposure from contract liabilities. This does not however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a reinsurance claim, the Group remains liable for the payment to the policyholder. To manage this exposure the creditworthiness of reinsurers is considered by reviewing their financial strength prior to finalisation of any contract, which is then regularly reviewed. In addition, under certain contracts collateral is held to manage the counterparty exposure to the reinsurer. At 31 December 2025, £598m of off-balance sheet collateral was held in relation to reinsurance assets (2024: £575m).

### 3. Risk management and control (continued)

#### Reinsurance concentration risk

Reinsurance concentration risk is minimised through contracting with a diverse range of reinsurance counterparties with credit ratings within our risk appetite. Reinsurance concentration risk is managed through reviewing the credit rating of reinsurance counterparties and exposure limits at inception of a contract and on an ongoing basis.

#### Insurance receivables

Insurance sales expose the Group to credit counterparty risk from policyholders and intermediaries for outstanding premiums or for unearned indemnity commission paid at outset. The creditworthiness of the intermediaries is assessed and credit limits are used to manage any potential concentration risk associated with individual counterparties.

No further credit counterparty risk provision is required in excess of the normal provision for doubtful receivables.

#### (ii) Credit counterparty risk exposure

The tables below show the credit profile of the Group's assets. The credit counterparty risk profile of the Company is materially consistent with that of the Group. The credit counterparty risk in relation to Assets held to cover linked liabilities is borne by the holders of the contracts concerned and is therefore excluded from the table below.

	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Total £m
<b>Credit counterparty risk exposure 2025</b>							
Debt and other fixed income securities	122	1,231	730	272	-	-	2,355
Loans secured on residential and commercial property	113	30	174	153	15	348	833
Derivative assets	-	-	11	-	-	-	11
Reinsurers share of technical provisions	-	732	(5)	-	-	1	728
Debtors arising out of insurance operations	-	-	-	-	-	22	22
Debtors arising out of reinsurance operations	-	96	10	-	-	-	106
Other debtors (excluding current tax)	-	-	11	-	-	11	22
Cash at bank and in hand	-	-	46	-	-	-	46
	235	2,089	977	425	15	382	4,123

	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Total £m
<b>Credit counterparty risk exposure 2024</b>							
Debt and other fixed income securities	136	950	897	279	13	-	2,275
Loans secured on residential and commercial property	111	45	184	103	9	367	819
Derivative assets	-	-	11	-	-	-	11
Reinsurers share of technical provisions	-	763	(12)	-	-	1	752
Debtors arising out of insurance operations	-	-	-	-	-	21	21
Debtors arising out of reinsurance operations	-	98	8	-	-	1	107
Other debtors (excluding current tax)	-	-	7	-	-	14	21
Cash at bank and in hand	-	-	61	-	-	-	61
	247	1,856	1,156	382	22	404	4,067

#### Impairment

The Group reviews the carrying value of its financial assets held at amortised cost at each Balance sheet date. If the carrying value of a financial asset is impaired, the carrying value is reduced through a charge to the Statement of Comprehensive Income.

### 3. Risk management and control (continued)

#### d) Liquidity risk

Liquidity risk is the risk that LVFS and/or its subsidiaries, though solvent, either do not have sufficient financial resources available to meet their obligations when they fall due or can secure them only at an excessive cost.

The Group encounters potential liquidity risk exposures from its different business activities. It principally arises from its insurance and investment contracts and the timing of the associated policyholder commitments. Increased liquidity demands can arise from events such as higher instances of death/sickness claims or mass surrenders/lapses of policies. In addition, where the Group uses derivatives to manage financial market risks, it creates an additional liquidity risk due to the need to post collateral under certain scenarios.

Liquidity risk is managed in line with the board risk appetite which requires that sufficient liquid resources are maintained to cover net cash outflows under stressed conditions. Assets identified for liquidity purposes are classified as primary liquid assets (realisable over a very short time horizon even in stressed conditions) and secondary liquid assets (realisable over a short to medium-term time horizon). Liquidity metrics are monitored at least monthly by the ALCO, or its mandated forums such as the Liquidity Working Group with liquidity required over a very short time horizon being monitored daily.

Liquidity risk exposures are managed using several methods and techniques, which include:

- Management of a liquidity stock metric which identifies assets available to meet liquidity demands and assets which are classified as 'primary' and 'secondary' liquid assets.
- Liquidity Stock, with appropriate haircuts, is considered alongside planned cashflows over agreed time horizons, and against a liquidity buffer for stressed scenarios, to ensure that LV's exposure to liquidity risk is understood over the immediate, short and longer term.
- Intra-day monitoring is maintained to ensure that the business has sufficient instantly accessible operational cash to cover very short-term unexpected strains throughout the day.
- A liquidity risk management options catalogue is maintained to ensure suitable options are available should action need to be taken to restore liquidity within risk appetite.
- Policyholder sub-funds are cash-flow/duration matched as appropriate and monitored regularly.
- The proportion of illiquid assets held is monitored regularly against board approved thresholds.

The table below summarises the maturity profile of the financial and insurance related assets of the Group and the Company.

	Group			Company		
	Within 1 year £m	Over 1 year £m	Total £m	Within 1 year £m	Over 1 year £m	Total £m
<b>Maturity profile of assets 2025</b>						
Other financial investments	3,301	3,891	7,192	3,273	3,883	7,156
Assets held to cover linked liabilities	3,218	92	3,310	3,218	92	3,310
Reinsurers' share of technical provisions	(4)	732	728	(4)	732	728
Debtors arising out of direct insurance operations	22	-	22	22	-	22
Debtors arising out of reinsurance operations	58	48	106	58	48	106
Other debtors (excluding current tax)	22	-	22	23	-	23
Cash at bank and in hand	46	-	46	39	-	39
Prepayments and accrued income	57	-	57	52	-	52
	<b>6,720</b>	<b>4,763</b>	<b>11,483</b>	<b>6,681</b>	<b>4,755</b>	<b>11,436</b>

	Group			Company		
	Within 1 year £m	Over 1 year £m	Total £m	Within 1 year £m	Over 1 year £m	Total £m
<b>Maturity profile of assets 2024</b>						
Other financial investments	3,207	3,981	7,188	3,179	3,973	7,152
Assets held to cover linked liabilities	3,216	89	3,305	3,216	89	3,305
Reinsurers' share of technical provisions	(13)	765	752	(13)	765	752
Debtors arising out of direct insurance operations	21	-	21	20	-	20
Debtors arising out of reinsurance operations	65	42	107	65	42	107
Other debtors (excluding current tax)	21	-	21	36	-	36
Cash at bank and in hand	61	-	61	39	-	39
Prepayments and accrued income	53	-	53	49	-	49
	<b>6,631</b>	<b>4,877</b>	<b>11,508</b>	<b>6,591</b>	<b>4,869</b>	<b>11,460</b>

### 3. Risk management and control (continued)

The tables below summarise the maturity profile of insurance contracts and financial liabilities of the Group and the Company. The Fund for future appropriations represents a surplus for which the allocation between participating policyholders has yet to be determined and has therefore been excluded from the table below.

As permitted by FRS 103, the maturity profiles for insurance and participating investment contracts are presented based on the estimated timing of the amounts recognised in the Balance sheet.

The remaining financial liabilities are presented based on the undiscounted contractual obligations and as such will not tie into the balances disclosed within the Balance sheet. Unit-linked contracts can be called upon immediately by the policyholder and are therefore presented as 'on demand'.

Group	Unit-linked (on demand) <sup>1</sup>	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
Maturity profile of financial, insurance and investment contract liabilities 2025	£m	£m	£m	£m	£m	£m
Participating insurance contract liabilities	-	473	771	648	2,298	4,190
Participating investment contract liabilities	-	81	80	91	401	653
Non-participating insurance contract liabilities	-	212	521	354	1,329	2,416
Total long-term technical provisions	-	766	1,372	1,093	4,028	7,259
Claims outstanding	-	92	-	-	-	92
Technical provisions for linked liabilities	3,272	-	-	-	-	3,272
Subordinated liabilities	-	-	-	-	200	200
Creditors arising out of direct insurance operations	-	24	-	-	-	24
Creditors arising out of reinsurance operations	-	13	-	-	-	13
Amounts owed to credit institutions	-	1	-	-	-	1
Derivative financial liabilities	-	5	2	4	85	96
Finance lease liabilities	-	2	3	4	17	26
Other creditors	-	31	-	-	10	41
Accruals and deferred income	-	41	-	-	-	41
	3,272	975	1,377	1,101	4,340	11,065

Group	Unit-linked (on demand) <sup>1</sup>	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
Maturity profile of financial, insurance and investment contract liabilities 2024	£m	£m	£m	£m	£m	£m
Participating insurance contract liabilities	-	449	682	547	2,299	3,977
Participating investment contract liabilities	-	74	72	69	393	608
Non-participating insurance contract liabilities	-	212	487	488	1,435	2,622
Total long-term technical provisions	-	735	1,241	1,104	4,127	7,207
Claims outstanding	-	93	-	-	-	93
Technical provisions for linked liabilities	3,259	-	-	-	-	3,259
Subordinated liabilities	-	-	-	-	200	200
Creditors arising out of direct insurance operations	-	24	-	-	-	24
Creditors arising out of reinsurance operations	-	12	-	-	-	12
Amounts owed to credit institutions	-	2	-	-	-	2
Derivative financial liabilities	-	10	8	5	118	141
Finance lease liabilities	-	1	3	3	17	24
Other creditors	-	30	-	-	7	37
Accruals and deferred income	-	58	-	-	-	58
	3,259	965	1,252	1,112	4,469	11,057

<sup>1</sup>For investment and long-term linked insurance contracts (unit linked) the Group matches all the assets on which the unit prices are based with assets in the portfolio. The Group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit-linked policyholders to be met as they fall due.

### 3. Risk management and control (continued)

Company	Unit-linked (on demand) <sup>1</sup>	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
<b>Maturity profile of financial, insurance and investment contract liabilities 2025</b>	£m	£m	£m	£m	£m	£m
Participating insurance contract liabilities	-	473	771	648	2,298	4,190
Participating investment contract liabilities	-	81	80	91	401	653
Non-participating insurance contract liabilities	-	212	520	353	1,323	2,408
Total long-term technical provisions	-	766	1,371	1,092	4,022	7,251
Claims outstanding	-	92	-	-	-	92
Technical provisions for linked liabilities	3,272	-	-	-	-	3,272
Subordinated liabilities	-	-	-	-	200	200
Creditors arising out of direct insurance operations	-	23	-	-	-	23
Creditors arising out of reinsurance operations	-	13	-	-	-	13
Amounts owed to credit institutions	-	1	-	-	-	1
Derivative financial liabilities	-	5	2	4	85	96
Other creditors	-	43	-	-	10	53
Accruals and deferred income	-	27	-	-	-	27
	3,272	970	1,373	1,096	4,317	11,028

Company	Unit-linked (on demand) <sup>1</sup>	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
<b>Maturity profile of financial, insurance and investment contract liabilities 2024</b>	£m	£m	£m	£m	£m	£m
Participating insurance contract liabilities	-	449	682	547	2,299	3,977
Participating investment contract liabilities	-	74	72	69	393	608
Non-participating insurance contract liabilities	-	211	486	487	1,430	2,614
Total long-term technical provisions	-	734	1,240	1,103	4,122	7,199
Claims outstanding	-	92	-	-	-	92
Technical provisions for linked liabilities	3,259	-	-	-	-	3,259
Subordinated liabilities	-	-	-	-	200	200
Creditors arising out of direct insurance operations	-	24	-	-	-	24
Creditors arising out of reinsurance operations	-	12	-	-	-	12
Amounts owed to credit institutions	-	1	-	-	-	1
Derivative financial liabilities	-	10	8	5	118	141
Other creditors	-	42	-	-	7	49
Accruals and deferred income	-	44	-	-	-	44
	3,259	959	1,248	1,108	4,447	11,021

#### e) Operational risk

Operational risk is defined as the potential for loss resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent in every part of the business and covers a wide spectrum of issues, including operational failures, management stretch, cyber risk and emerging areas of operational risk (see page 21). Senior management is responsible for ensuring that the material operational risks as relevant to their area of responsibilities are identified, assessed and managed using the approach as outlined in the LV= Risk Management Framework. A formal internal attestation process provides assurance on the effectiveness of the overall control environment and any material exceptions.

LV= is materially exposed to operational failures as a result of the high level of customer service inherent in its business model and reliance on third parties, for example reinsurers, investment managers, technology suppliers and other suppliers. It therefore looks to limit and reduce its exposure to operational risk and does so by establishing a robust control environment and maintaining/enhancing this through a combination of assessment, testing and audit. LV= will always seek to uphold its brand image with customers, members, employees and other external parties and LV= has no appetite whatsoever for regulatory weaknesses or failings that lead to censure actions.

# Performance

The notes included within this section focus on the performance and results of the Group. Information on the income generated, benefits and claims paid and expenditure incurred are presented here.

## 4. Earned premiums, net of reinsurance

### Accounting for premiums

Written premiums include new business premiums plus ongoing regular premiums received for in-force policies. Earned premiums are arrived at following deduction for premiums ceded to reinsurers.

Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct business being reinsured.

### Long-term insurance and participating investment contracts

Regular premiums on long-term insurance and participating investment contracts are recognised as earned income when due for payment. For single premium business, recognition occurs on the date from which the policy is effective. For insurance policies the effective date is the point at which insurance coverage begins and for an investment policy the effective date is the policy commencement date communicated to the policyholder.

Pensions vested into annuity contracts during the year are included as new annuity single premium business at the annuity purchase price.

### Non-participating (unit-linked) investment contracts

Premiums relating to non-participating (unit-linked) investment contracts are not recognised in the Statement of Comprehensive Income but are accounted for as deposits received and are added to the value of unit-linked contracts in the Balance sheet.

	Group	
	2025	2024
	£m	£m
<b>Gross premiums written</b>		
<b>Long-term insurance and participating investment contracts</b>		
<b>Single premium</b>		
Investments and savings	123	89
Annuities	284	358
<b>Regular premium</b>		
Investments and savings	6	8
Pensions and annuities	3	4
Life and health protection	321	301
Gross premiums written	737	760
<b>Outward reinsurance premiums</b>		
Long-term insurance premiums	(310)	(308)
<b>Earned premiums, net of reinsurance</b>	<b>427</b>	<b>452</b>
Gross premiums written for non-participating (unit-linked) investment contracts which are deposit accounted for and not included above (refer to Note 30)	149	187

All contracts are written in the UK.

## 5. Investment income

### Accounting for investment income

Investment income includes dividends, interest and realised investment gains and losses.

Dividends are recorded on the date on which the shares are declared ex-dividend. Interest receivable from investments at fair value through profit or loss (FVTPL) is accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price.

	Group	
	2025	2024
	£m	£m
Income from investments at FVTPL:		
– Dividend income	46	70
– Interest income from debt and other fixed income securities	100	101
– Interest on loans secured on residential property	23	23
– Interest on loans secured on commercial property	20	23
Net realised gains on investments held at FVTPL	189	234
Other investment income	5	11
	<b>383</b>	<b>462</b>

## 6. Unrealised gains on investments

### Accounting for unrealised gains/(losses) on investments

Unrealised gains and losses arise on investments held at the Balance sheet date that are classified as fair value through profit or loss.

Unrealised gains and losses represent the change in valuation of such investments over the period less the reversal of previously recognised unrealised gains and losses associated with investments disposed of in the period.

	Group	
	2025	2024
	£m	£m
Net unrealised gains on investments held at FVTPL:		
– Debt and other fixed income securities	210	2
– Equity securities	397	132
– Loans and mortgages	25	(17)
– Derivative financial instruments	15	62
	<b>647</b>	<b>179</b>

## 7. Other technical income

### Accounting for other technical income

Other technical income includes revenue from contracts with customers relating to fee and commission income. Fee and commission income arises from contracts to provide annual asset management services on policyholder investments, contracts whereby the Group acts as an agent for the origination of equity release mortgages and an introducer for insurance products of certain third parties.

Fee and commission income is recognised in the Statement of Comprehensive Income as performance obligations are satisfied, including the provision of asset management services over time and the completion of origination of equity release mortgages. Asset management services are performed on policyholder investments on an ongoing basis over the policy term and this is reflected in the pattern of revenue recognition over time. Fee and commission income is settled at the transaction date as asset management charges are levied directly on policyholder asset shares at the contractual rate and commission based on the terms of the equity release mortgage is deducted from the mortgage amount.

	Group	
	2025	2024
	£m	£m
<b>Revenue from contracts with customers</b>		
Asset management fee income	34	23
Commission	20	13
Other fee income	7	10
	<b>61</b>	<b>46</b>

## 8. Claims incurred, net of reinsurance

### Accounting for claims incurred, net of reinsurance

Claims arising on long-term insurance and participating investment contracts include amounts paid to policyholders, claims handling costs and also the change in provision for outstanding claims. Reinsurance recoveries are accounted for in the same period as the related claim and amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Maturity claims and regular annuity payments are accounted for when due for payment. Surrenders are accounted for on the earlier of the date when paid or when the policy ceases to be included within the long-term insurance contract liability. Death claims and other claims are accounted for when the Group is notified. The value of claims on participating contracts includes bonuses paid or payable.

The change in adjustment to reinsurance receivable is the change in fair value of amounts due from reinsurers that are contracted to be settled over an extended period of time (see Note 18).

### Non-participating (unit-linked) investment contracts

Claims relating to non-participating (unit-linked) investment contracts are not recognised in the Statement of Comprehensive Income but are recorded as deductions from the technical provisions for linked liabilities recorded in the Balance sheet.

Group	2025			2024		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
<b>Long-term insurance and participating investment contracts</b>						
Gross claims paid	1,122	(284)	838	1,189	(277)	912
Fair value adjustment to reinsurance receivable	-	(5)	(5)	-	(5)	(5)
<b>Claims paid</b>	<b>1,122</b>	<b>(289)</b>	<b>833</b>	<b>1,189</b>	<b>(282)</b>	<b>907</b>
<b>Change in the provision for claims</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>(14)</b>	<b>-</b>	<b>(14)</b>
<b>Claims incurred, net of reinsurance</b>	<b>1,120</b>	<b>(289)</b>	<b>831</b>	<b>1,175</b>	<b>(282)</b>	<b>893</b>
Claims paid for non-participating (unit-linked) investment contracts which are deposit accounted for and not included above (refer to Note 30)	510	-	510	560	-	560

## 9. Net operating expenses

### Accounting for net operating expenses

Net operating expenses are accounted for on an accruals basis as incurred.

	Group	
	2025 £m	2024 £m
Commission paid on acquisition of business	103	91
Depreciation and impairment of property and equipment	1	1
Loss on disposal of property and equipment	-	1
Auditors' remuneration (see Note 10)	2	2
Staff costs (see Note 11)	89	83
Facilities expense	6	9
Marketing and advertising	4	3
Other staff costs	1	2
IT costs	35	34
Legal, consultancy and other fees	13	18
Other expenses	1	10
Claims handling cost recognised in Claims paid	(6)	(7)
	<b>249</b>	<b>247</b>

## 10. Auditors' remuneration

	2025 £000	2024 £000
Audit of LVFS	1,234	1,156
Fees payable to the company's auditors for other services:		
– Audit of subsidiaries	121	122
– Audit-related assurance services	294	280
– Other non-audit services not covered above	27	25
	<b>1,676</b>	<b>1,583</b>

Audit-related assurance services include the audit of the Solvency II regulatory return for LVFS Group. The figures in the table above are shown net of VAT.

## 11. Staff costs

### Accounting for staff costs

Staff costs includes the expense incurred in the period relating to both short and long-term employee benefits. Short-term employee benefits include salaries, accrued bonuses and social security costs and are recognised over the period in which the employees provide the services to which the payments relate. Expenses related to long-term employee benefits include pension contributions to defined contribution schemes made in exchange for employee service and pension costs relating to defined benefit schemes. Other long-term benefits include amounts for long-term incentive plans (LTIPs), the expense for which is accrued over the plan term.

### a) Analysis of staff costs

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Wages and salaries	71	67	71	67
Social security costs	7	6	7	6
Other pension costs	11	10	11	10
	<b>89</b>	<b>83</b>	<b>89</b>	<b>83</b>

Of the £89m (2024: £83m) employee benefit expense in LVFS, £11m (2024: £10m) is recharged to other Group companies, leaving £78m (2024: £73m) of staff costs directly relating to LVFS.

Wages and salaries include charges for the long-term incentive plans (LTIPs) of £1.9m in 2025 (2024: £1.5m). The LTIP plan terms are described in the Report on Directors' Remuneration on page 67.

The number of employees during the year, including executive directors, calculated on a monthly average basis, was as follows:

	Group		Company	
	2025 Number	2024 Number	2025 Number	2024 Number
Member and customer contact	675	635	675	635
Administration	581	584	581	584
	<b>1,256</b>	<b>1,219</b>	<b>1,256</b>	<b>1,219</b>

### b) Directors' emoluments

	Company	
	2025 £000	2024 £000
Total emoluments	<b>3,383</b>	<b>3,206</b>

Full details of the directors' emoluments for the year ended 31 December 2025 are set out in the Directors' Remuneration Report on pages 64 to 75. The disclosures required by the Companies Act 2006 are covered by the table above and the Directors' Remuneration Report.

### c) Key management remuneration

The remuneration of key management personnel is disclosed separately within the Related Party Transactions Note 38.

## 12. Other technical charges

	Group	
	2025	2024
	£m	£m
Interest payable on subordinated liabilities (see Note 21)	19	19
Other interest payable	4	6
	<b>23</b>	<b>25</b>

## 13. Tax attributable to long-term business

### Accounting for tax

#### Tax expense/(credit)

The tax expense/(credit) recorded in the Statement of Comprehensive Income represents the current year corporation tax charge/(credit). As a mutual, the corporation tax charge/(credit) for LVFS relates to policyholder tax payable/(receivable) on the net investment return levied on certain types of business. Whereas for Group subsidiaries corporation tax is charged on trading profits arising in the year. The tax charge/(credit) excludes movements in deferred tax relating to items reported in Other Comprehensive Income, including the re-measurements of the defined benefit pension schemes.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Both current and deferred tax are calculated using tax rates enacted or substantively enacted at the balance sheet date.

See Note 23 for details of the deferred tax accounting policy.

### a) Tax attributable to long-term business in the Statement of Comprehensive Income

	Group	
	2025	2024
	£m	£m
<b>Current tax</b>		
Current year	16	3
Adjustment in respect of prior years	1	-
<b>Total current tax</b>	<b>17</b>	<b>3</b>
<b>Deferred tax</b>		
Excess management expenses	19	29
Temporary differences	12	(1)
Tax losses	1	-
Adjustment in respect of prior years	-	1
<b>Total deferred tax</b>	<b>32</b>	<b>29</b>
<b>Total tax expense</b>	<b>49</b>	<b>32</b>

### b) Reconciliation of tax expense

	Group	
	2025	2024
	£m	£m
(Loss)/profit before tax	(37)	51
Tax calculated at the average standard rate of corporation tax in the UK at 25% (2024: 25%)	(9)	12
<b>Permanent differences</b>		
Income and expenses not subject to tax	-	(1)
Mutual loss/(profit) not subject to tax	9	(11)
Policyholder I-E tax	48	31
Adjustment to current tax charge in respect of prior years	1	-
Adjustment to deferred tax charge in respect of prior years	-	1
<b>Total tax expense</b>	<b>49</b>	<b>32</b>

## Balance sheet

This section gives further details and disclosures on the non-technical provisions of the Balance sheets of the Company and Group. The technical provisions and related reinsurers' share of technical provisions are covered separately.

### 14. Investments in group undertakings

#### Accounting for investments in group undertakings

##### Shares in subsidiaries

The subsidiaries are held in the Company's Balance sheet at cost less any provision for impairment. An assessment of the realisable value is made at the Balance sheet date and, if the Directors assess that there has been a permanent fall in that value below the carrying value, a provision is made to bring the carrying value down to the assessed realisable value. Where required, an impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Company	2025 £m	2024 £m
<b>Shares in subsidiaries</b>		
Cost less provisions at 1 January	24	28
Additions	3	3
Reduction in carrying value including impairment	(6)	(7)
	<b>21</b>	<b>24</b>

During the year the Company made a capital contribution of £3m (2024: £3m) to a subsidiary company. The Company has examined the carrying value of its subsidiaries and concluded that an impairment of £3m (2024: £5m) was required in regard to these investments due to the ongoing losses reported. The remaining £3m (2024: £2m) relates to a reduction in carrying value down to the underlying net asset value of subsidiary companies as a result of dividends paid by the subsidiary companies to LVFS during the year.

Further details of the Group's investments are given in Notes 33 and 34.

## 15. Financial assets

### Accounting for financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that are held for trading and financial assets that are designated as FVTPL on inception.

Derivatives are classified at FVTPL as they are held for trading (see Note 17). Financial instruments are designated as FVTPL on inception where they are part of a group of financial assets or liabilities that are managed and their performance evaluated and reported to the Board on a fair value basis in accordance with the Group's documented investment strategy. These financial instruments are measured at market prices, or prices consistent with market ratings should no price be available. Day one gains are recognised only where valuations use data from observable markets. Any unrealised or realised gains or losses are taken to the Statement of Comprehensive Income, as fair value gains or losses, or realised gains or losses respectively, as they occur.

Financial assets at FVTPL include listed and unlisted investments, units in authorised unit trusts and open-ended investment companies (OEICs) and loans secured on residential and commercial property.

Financial liabilities at FVTPL include derivative financial instruments and technical provisions for linked investment contract liabilities; see Notes 17 and 30 respectively.

Further information about the valuation techniques and inputs used to develop the Group and Company's fair value measurements are disclosed within Note 16.

#### Loans secured on residential property

The fair value of loans secured on residential property (arising from the equity release mortgage business) is determined using a discounted cashflow approach. The cashflow profile is calculated by applying the demographic and economic assumptions over the projection period to the initial loan amount rolled forward by the contractual interest. The discount rate is based on the swap yield curve increased by a spread and an allowance for risks associated with the 'No Negative Equity Guarantee'.

The key economic assumptions are the swap yield curve, RPI, future house price inflation (allowing for dilapidation) and its volatility. The key demographic assumptions are early loan repayment rates, mortality rates and long-term care rates.

The loans incorporate a 'No Negative Equity Guarantee' to customers. The contractual terms of these guarantees require the Group to accept the lower of the market value of the customer's property and the value of the loan plus accrued interest at the date of redemption as full settlement of the mortgage.

For almost all loans it is expected that the 'No Negative Equity Guarantee' will not be invoked and the value of the loan plus accrued interest will be received.

The fair value of the 'No Negative Equity Guarantee' is determined using a closed form solution and is included in the fair value of the loans through adjusting the discount rate.

The loans secured on residential property within LVFS were purchased from a subsidiary company that is authorised to initiate these loans. This is now a closed book, other than increments added to existing loans.

#### Loans secured on commercial property

The fair value of the loans secured on commercial property is determined using discounted cash flows to reflect changes in underlying gilt yields and debt margins. Where the value is not expected to be recovered through ongoing loan payments, the fair value represents the recoverable value of the property net of transaction costs.

### Significant accounting estimates

#### Fair value of financial assets

Financial assets are valued at fair value using market observable inputs wherever possible. Judgement is applied to determine whether a market is active based upon the facts and circumstances of the relevant market. In the absence of an active market, estimation of fair value is achieved by using valuation techniques such as recent arm's-length transactions, discounted cash flow analysis and option pricing models. For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. This valuation will also take into account the marketability of the assets being valued.

Details of the key assumptions used in the absence of an active market for level 3 financial instruments are contained in the fair value estimation tables disclosed in Note 16.

The inputs to level 3 valuations, in particular the discount rate used when calculating the fair value of loans secured on residential property and loans secured on commercial property, are a source of significant estimation uncertainty which bears the risk of a material adjustment to the carrying amounts of these financial assets within the next financial year.

## 15. Financial assets (continued)

### a) Other financial investments

The carrying value of the Group and Company's Other financial investments are summarised below:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Derivatives - see Note 17	11	11	11	11
Shares, other variable yield securities and units in OEICS and unit trusts				
– UK Listed	1,280	1,781	1,256	1,760
– UK Unlisted	48	46	48	46
– Overseas Listed	2,658	2,248	2,654	2,241
– Overseas Unlisted	7	8	7	8
Debt and other fixed income securities				
– UK Listed	1,464	1,458	1,456	1,450
– Overseas Listed	891	817	891	817
Loans secured on residential property	348	367	348	367
Loans secured on commercial property	485	452	485	452
<b>Total Other financial investments</b>	<b>7,192</b>	<b>7,188</b>	<b>7,156</b>	<b>7,152</b>

### b) Assets held to cover linked liabilities

The carrying value of the Group and Company's assets held to cover linked liabilities are summarised by category below:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Shares, other variable yield securities and units in OEICS and unit trusts	3,315	3,305	3,315	3,305
Cash at bank	3	7	3	7
Net other (liabilities)/assets	(8)	(7)	(8)	(7)
<b>Total assets held to cover linked liabilities</b>	<b>3,310</b>	<b>3,305</b>	<b>3,310</b>	<b>3,305</b>

The total assets held to cover linked liabilities of £3,310m (2024: £3,305m) are greater than the technical provisions for linked liabilities £3,272m (2024: £3,259m). The difference of £38m (2024: £46m) comprises the value of future profits included within the technical provisions for linked liabilities.

Included within Net other (liabilities)/assets are deferred tax balances of £(3)m (2024: £(3)m) – see Note 23.

## 15. Financial assets (continued)

### c) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset in the Balance sheet when the Group intends to apply a current legally enforceable right to offset. Master netting arrangements and collateral are utilised by the Group to minimise credit risk exposure.

The following financial assets and liabilities of the Group are subject to offsetting, enforceable master netting arrangements and similar agreements. LVFS's exposure to credit risk associated with offsetting is materially consistent with that of the Group.

An analysis is included of netting arrangements which meet the offsetting criteria and are set off in the Balance sheet and related amounts which do not meet the criteria.

	Amounts recognised in the Balance sheet			Related amounts not set off in the Balance sheet		
	Gross amount £m	Amounts offset £m	Net amount £m	Financial Instruments* £m	Collateral pledged/ (received) £m	Net amount £m
<b>As at 31 December 2025</b>						
<b>Financial assets</b>						
Derivative financial assets	11	-	11	(6)	(5)	-
	11	-	11	(6)	(5)	-
<b>Financial liabilities</b>						
Derivative financial liabilities	(46)	-	(46)	6	40	-
Bank overdrafts	(17)	16	(1)	-	-	(1)
	(63)	16	(47)	6	40	(1)

	Amounts recognised in the Balance sheet			Related amounts not set off in the Balance sheet		
	Gross amount £m	Amounts offset £m	Net amount £m	Financial Instruments* £m	Collateral pledged/ (received) £m	Net amount £m
<b>As at 31 December 2024</b>						
<b>Financial assets</b>						
Derivative financial assets	11	-	11	(6)	(5)	-
	11	-	11	(6)	(5)	-
<b>Financial liabilities</b>						
Derivative financial liabilities	(61)	-	(61)	6	52	(3)
Bank overdrafts	(39)	38	(1)	-	-	(1)
	(100)	38	(62)	6	52	(4)

\* Collateral requirements arising from derivatives between LVFS and its counterparties are managed on a net basis.

The collateral reported in the table above is limited to the amount reported in the Balance sheet for the associated financial instrument.

Total collateral held by the Group in relation to derivative financial assets is £6m (2024: £5m). This comprises cash collateral received.

No collateral received from the counterparty has been sold or repledged (2024: £nil).

Total collateral pledged by the Group in relation to derivative financial liabilities is £42m (2024: £53m) and is split between collateral in relation to cross currency swaps £31m (2024: £46m), future margin of cash of £3m (2024: £1m) and cash collateral paid of £8m (2024: £6m).

Collateral posted to LV= by the counterparty to a derivative contract which is valued as being 'in-the-money' can be drawn upon following certain events of default as defined in the relevant International Swaps and Derivatives Association (ISDA) agreement. This includes failure by the counterparty to comply with or perform any agreement or obligation defined in the ISDA or Credit Support Annex.

## 16. Fair value measurement

### Fair value measurement

The following fair value measurement tables present the Group's and Company's assets and liabilities measured at fair value by level of the fair value measurement hierarchy at 31 December 2025.

#### Level 1 – quoted prices

The fair value of financial instruments included in the Level 1 category is based on the value within the bid-ask spread that is most representative of fair value quoted in an active market at the year-end date. An instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### Level 2 – observable inputs

Level 2 financial instruments are not traded in an active market and their fair value is determined using valuation techniques. These valuation techniques maximise the use of data from observable current market transactions (where it is available) using pricing obtained via pricing services, even where the market is not active. It also includes financial assets with prices based on broker quotes.

Specific valuation techniques used to value financial instruments classified as Level 2 include:

- Derivatives are valued by discounted cash flow techniques, using observable yield curves and models such as Black Scholes using implied market forward rates and volatilities.
- Units in listed investment funds are valued using quoted prices from external pricing services.
- Debt securities that are valued using quoted prices from external pricing services.
- Non-participating investment contract liabilities are valued on a basis consistent with the underlying assets in the investment fund.

#### Level 3 – significant unobservable inputs

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments and other financial investments held at fair value classified as Level 3 include:

- Private equity holdings are valued on a net asset value basis using unobservable external unit prices factoring in distributions or calls since the latest valuations. The private equity valuations are reviewed regularly to ensure ongoing validity and accuracy.
- The fair value of the loans secured on residential property is determined using discounted cash flow projections. The expected value of redemptions is estimated based on the assumed prepayments over future time periods (months), mortality and long-term care entry rates including any early redemption charges. The expected redemptions are discounted at swap rates plus spread plus allowances for risk factors, liquidity and profit deferral. The full swap curve is used so each discount rate is matched to the appropriate cash flow. The risk factors in the discount rate are an allowance for the 'No Negative Equity Guarantee' provided to the policyholder with the loan, the value of which depends on the projection of the underlying property value and how this compares to the projected loan value (see Note 15 for further details). The assumptions used for prepayment, mortality and long-term care are based on the experience of the in-force book supported by industry data. The assumptions are set by the Board upon recommendation by the Audit Committee.
- Loans secured on commercial property are valued using discounted cash flows to reflect changes in underlying gilt yields, discount spreads and debt margins. There are two factors used to create the discount rate that is used to value the loans secured on commercial property. Firstly, the prevailing gilt rate at point of valuation which is fully market observable. Secondly, the credit spread which is based on the managers' expectation of the level that they would price the loan at if it were funding in the market at that point in time. The managers base their assessment of the spread on comparable loans they fund in the market and considerations specific to the funded asset or the sponsor. Where the value is not expected to be recovered through ongoing loan payments, the fair value represents the recoverable value of the property net of transaction costs.

There were no changes to the valuation techniques during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 or 3 during the year.

The valuation of all of the Group's investment holdings is performed by independent and qualified valuers.

Any changes to fair value are recognised within net gains/losses on investments within the Statement of Comprehensive Income with the exception of Investment contract liabilities where the movement is recognised within the Change in technical provisions, net of reinsurance. Details of these gains/losses are disclosed within Notes 5, 6 and 31 respectively.

## 16. Fair value measurement (continued)

Group	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
<b>Assets held at fair value</b>								
<b>Derivative financial instruments</b>								
Interest rate swaps	-	11	-	11	-	10	-	10
Equity/index derivatives	-	-	-	-	1	-	-	1
	-	11	-	11	1	10	-	11
<b>Other financial investments held at fair value</b>								
Shares, other variable yield securities and units in unit trusts								
– UK listed	123	1,157	-	1,280	130	1,651	-	1,781
– UK unlisted	-	-	48	48	-	-	46	46
– Overseas listed	401	2,257	-	2,658	386	1,862	-	2,248
– Overseas unlisted	-	-	7	7	-	-	8	8
Debt and other fixed income securities								
– UK listed	326	1,138	-	1,464	367	1,091	-	1,458
– Overseas listed	1	890	-	891	6	811	-	817
Loans secured on residential property	-	-	348	348	-	-	367	367
Loans secured on commercial property	-	-	485	485	-	-	452	452
	851	5,442	888	7,181	889	5,415	873	7,177
<b>Assets held to cover linked liabilities *</b>	7	3,308	-	3,315	4	3,301	-	3,305
<b>Total assets held at fair value</b>	858	8,761	888	10,507	894	8,726	873	10,493
<b>Liabilities held at fair value</b>								
<b>Non-participating investment contract liabilities</b>	-	3,272	-	3,272	-	3,259	-	3,259
<b>Derivative financial instruments</b>								
Interest rate swaps	-	13	-	13	-	12	-	12
Cross currency swaps	-	32	-	32	-	49	-	49
Equity/index derivatives	1	-	-	1	-	-	-	-
	1	45	-	46	-	61	-	61
<b>Total liabilities held at fair value</b>	1	3,317	-	3,318	-	3,320	-	3,320

\* Assets held to cover linked liabilities exclude cash and net current assets balances - see Note 15b.

## 16. Fair value measurement (continued)

Company	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
<b>Assets held at fair value</b>								
<b>Derivative financial instruments</b>								
Interest rate swaps	-	11	-	11	-	10	-	10
Equity/index derivatives	-	-	-	-	1	-	-	1
	-	11	-	11	1	10	-	11
<b>Other financial investments held at fair value</b>								
Shares, other variable yield securities and units in unit trusts								
– UK listed	99	1,157	-	1,256	109	1,651	-	1,760
– UK unlisted	-	-	48	48	-	-	46	46
– Overseas listed	401	2,253	-	2,654	386	1,855	-	2,241
– Overseas unlisted	-	-	7	7	-	-	8	8
Debt and other fixed income securities								
– UK listed	319	1,137	-	1,456	360	1,090	-	1,450
– Overseas listed	1	890	-	891	6	811	-	817
Loans secured on residential property	-	-	348	348	-	-	367	367
Loans secured on commercial property	-	-	485	485	-	-	452	452
	820	5,437	888	7,145	861	5,407	873	7,141
<b>Assets held to cover linked liabilities *</b>	7	3,308	-	3,315	4	3,301	-	3,305
<b>Total assets held at fair value</b>	827	8,756	888	10,471	866	8,718	873	10,457
<b>Liabilities held at fair value</b>								
<b>Non-participating investment contract liabilities</b>	-	3,272	-	3,272	-	3,259	-	3,259
<b>Derivative financial instruments</b>								
Interest rate swaps	-	13	-	13	-	12	-	12
Cross currency swaps	-	32	-	32	-	49	-	49
Equity/index derivatives	1	-	-	1	-	-	-	-
	1	45	-	46	-	61	-	61
<b>Total liabilities held at fair value</b>	1	3,317	-	3,318	-	3,320	-	3,320

\* Assets held to cover linked liabilities exclude cash and net current assets balances - see Note 15b.

## 16. Fair value measurement (continued)

### Information about fair value measurements using significant unobservable inputs (Level 3)

Included below are the significant unobservable inputs that impact the valuation of material level 3 assets and liabilities for the Group, these apply equally to the Company.

Group	Fair value at 31 December 2025 £m	Fair value at 31 December 2024 £m	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
<b>Financial assets held at fair value through income</b>						
Shares, other variable yield securities and units in unit trusts						
– UK unlisted	48	46	Adjusted net asset method	Net asset value per unit	Could vary significantly due to the range of holdings	The higher the net asset value per unit, the higher the fair value.
				Distributions or calls since last valuation	Could vary significantly due to the range of holdings	The fair value varies on distributions/calls and period since last valuation.
– Overseas unlisted	7	8	Adjusted net asset method	Net asset value per unit	Could vary significantly due to the range of holdings	The higher the net asset value per unit, the higher the fair value.
				Distributions or calls since last valuation	Could vary significantly due to the range of holdings	The fair value varies on distributions/calls and period since last valuation.
Loans secured on residential property	348	367	Discounted cash flow	Spread	Varies based on cohorts of loans	The spread (together with the underlying risk free yield curve) forms the discount rate used to value the cashflows.
				Prepayments	Varies by policy year: Min 3.0% - Max 10.2%.	Prepayment rate will determine the profile of expected cashflows.
				Mortality and long-term care assumptions	Annuitant mortality tables are applied, with an uplift for long-term care rates	Mortality and long-term care rate will determine the profile of expected cashflows.
Loans secured on commercial property	485	452	Discounted cash flow	Debt margin	Varies based on cohorts of loans	The debt margin (together with the underlying gilt rate) forms the discount rate used to value the cashflows.
	888	873				

## 16. Fair value measurement (continued)

### Sensitivity to changes in unobservable inputs (Level 3)

The only financial instruments which are significantly impacted by reasonably possible changes in unobservable inputs are the loans secured on commercial and residential property. These loans are sensitive to changes in discount rate spread, which includes the profit and liquidity premium as well as the No Negative Equity Guarantee risk allowance for loans secured on residential property. An increase/decrease in the discount rate spread will lead to a decrease/increase in the fair value of the loan respectively.

The impact of reasonably possible alternative assumptions is shown in the table below:

Description	Unobservable input	2025			2024		
		Reasonably possible alternative assumptions			Reasonably possible alternative assumptions		
		Current fair value £m	Increase in fair value £m	Decrease in fair value £m	Current fair value £m	Increase in fair value £m	Decrease in fair value £m
Loans secured on residential property	Discount rate +/- 100bps	348	24	(21)	367	26	(23)
Loans secured on commercial property	Discount rate +/- 100bps	485	14	(13)	452	16	(15)

## 17. Derivative financial instruments

### Accounting for derivative financial instruments

Derivatives are classified at fair value through profit or loss as they are held for trading. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are settled on a gross basis.

Changes in the fair value of derivative instruments are recognised immediately in gains or losses on investments in the Statement of Comprehensive Income for the period. Realised gains or losses are taken to the Statement of Comprehensive Income as they occur.

The Group uses derivatives primarily to reduce its exposure to interest rate risk on its Solvency II balance sheet and to protect against fluctuations in equity values. The cross-currency swaps manage long-term foreign exchange risk within the annuity fund.

Group and Company	2025			2024		
	Contract/ notional amount £m	Fair value - asset £m	Fair value - liability £m	Contract/ notional amount £m	Fair value - asset £m	Fair value - liability £m
	Interest rate swaps	208	11	(13)	208	10
Cross currency swaps	612	-	(32)	357	-	(49)
Equity/index derivatives	39	-	(1)	39	1	-
	859	11	(46)	604	11	(61)

## 18. Debtors arising out of direct insurance operations and reinsurance operations

### Accounting for debtors arising out of direct insurance operations and reinsurance operations

Debtors arising out of direct insurance operations and debtors arising out of reinsurance operations are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method with the exception of amounts Due from reinsurers – held at fair value.

The amounts 'Due from reinsurers - held at fair value' relate to reinsurance amounts that are contracted to be settled over an extended period of time, in excess of 10 years. The future cashflows are discounted using prevailing risk-free swap yields to account for the long settlement term. The movements are disclosed separately in Note 8.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Debtors arising from direct insurance operations</b>				
Due from policyholders	22	21	22	20
	<b>22</b>	21	<b>22</b>	20
<b>Debtors arising from reinsurance operations</b>				
Due from reinsurers	58	64	58	64
Due from reinsurers - held at fair value	48	43	48	43
	<b>106</b>	107	<b>106</b>	107

The carrying amounts disclosed above reasonably approximate fair value at the Balance sheet date.

## 19. Other debtors

### Accounting for other debtors

Other debtors, excluding current tax, are initially measured at fair value and then subsequently measured at amortised cost using the effective interest method. Other debtors are recognised when due.

The Group assesses at each Balance sheet date whether there is any indication that a loan or receivable, or a group of loans or receivables, is impaired. For loans, the amount of any impairment loss is measured as the difference between the carrying amount and the present value of future cash flows (discounted at the original effective interest rate). For other receivables, the impairment loss is measured as the difference between the carrying value and the estimated recoverable amount. Impairment losses are recognised within operating expenses in the Statement of Comprehensive Income.

### Accounting for current tax assets

Current tax assets are measured at the amount expected to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the Balance sheet date.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash collateral pledged	11	7	11	7
Amounts due from group undertakings	-	-	2	17
Investments receivable	1	3	1	3
Other receivables	10	11	9	9
Current tax asset	3	-	3	-
	<b>25</b>	21	<b>26</b>	36

Details of impairments on financial assets held at amortised cost are included within the credit counterparty risk section (c) of Note 3. The carrying amounts disclosed above reasonably approximate fair value at the Balance sheet date.

## 20. Pension scheme asset/(liability)

### Accounting for pensions

For defined benefit schemes, the net surplus or deficit is calculated annually with the assets measured at fair value at the Balance sheet date and the liabilities discounted at the rate of return available on high quality corporate bonds.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. FRS 102, Section 28 requires that an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Any surplus arising from both the LV= Employee Pension Scheme and Ockham Pension Schemes can be recognised in full because the terms of the pension scheme trust deeds state that LVFS has an unconditional right to any assets of the schemes which ultimately remain following the schemes' termination, assuming the gradual settlement of the scheme liabilities over time until all members have left the schemes.

The pension cost for the schemes is analysed between current service cost, past service cost, net interest on the net defined benefit asset/liability and any gain or loss on settlement. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised on a straight-line basis over the period in which the increases in benefits vest or are earned. The current and past service costs are recognised in Net operating expenses in the Statement of Comprehensive Income, whereas net interest income is credited to Investment income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as re-measurements in Other Comprehensive Income in the period in which they arise.

The pension scheme asset or liability is reported gross, with the associated tax liability reported as a deferred tax liability or asset.

For defined contribution plans, the Group pays contributions to an independently administered pension fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as a staff cost when they are due.

### Significant accounting estimate

The valuation of the pension benefit obligations for the Group's defined benefit schemes is a significant accounting estimate, requiring the use of management judgement.

### Assumptions used to measure the pension benefit obligation

The valuations of the pension benefit obligations for the Group's defined benefit schemes require actuarial assumptions about discount rates, inflation, longevity, lump sum take-up rates and future pension increases. These inputs and the long-term nature of these obligations, are a major source of estimation uncertainty which has a significant risk of resulting in a material adjustment to the carrying amounts of the pension benefit obligation within the next financial year.

Details of the principal assumptions used for each of the material defined benefit schemes are disclosed within the valuations of the individual schemes disclosed in section (iv). Sensitivities are performed against the assumptions and disclosed in section (v).

### Defined benefit pension schemes

The Group operates two pension schemes with defined benefit sections, the LV= Employee Pension Scheme ("LV= Scheme") and the Ockham Pension Scheme. LVFS is the principal employer for both the LV= Scheme and the Ockham Pension Scheme. The LV= Scheme and the Ockham Pension Scheme are both hybrid schemes with a defined benefit section and a defined contribution section. The defined contribution sections of both schemes were closed in prior years and the assets from these defined contribution sections were transferred to the LV= Future Savings Section of the Aon MasterTrust in April 2023.

### The Aon MasterTrust

All LVFS employees are eligible to join the LV= Future Saving section of the Aon MasterTrust, a multi-employer occupational pension scheme where each employer has its own distinct section within the arrangement. The LVFS section is the LV= Future Savings section of the Aon MasterTrust and is a Defined Contribution pension scheme. The Aon MasterTrust has a board of independent Trustees to oversee and monitor the MasterTrust in the best interest of its members. LVFS is a participating employer. Employee contributions are double matched by LVFS up to a maximum employer contribution of 14%. The assets of this scheme are held separately from those of the Group in an independently administered fund. The Group's contribution under this scheme during the year amounted to £6m (2024: £6m).

## 20. Pension scheme asset/(liability) (continued)

### a) Summary of defined benefit schemes

Pension scheme asset/(liability)	2025			2024		
	LV= Scheme	Ockham	Total	LV= Scheme	Ockham	Total
	£m	£m	£m	£m	£m	£m
Asset	18	-	18	-	-	-
Liability	-	-	-	(2)	-	(2)
	18	-	18	(2)	-	(2)

Re-measurements	2025			2024		
	LV= Scheme	Ockham	Total	LV= Scheme	Ockham	Total
	£m	£m	£m	£m	£m	£m
Re-measurements	15	-	15	(4)	(14)	(18)
Income tax (expense)/credit	(4)	-	(4)	-	4	4
<b>Amount credited/(charged) to Comprehensive Income</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>(4)</b>	<b>(10)</b>	<b>(14)</b>
<b>Cumulative re-measurements recognised in the Statement of Comprehensive Income</b>	<b>(42)</b>	<b>(39)</b>	<b>(81)</b>	<b>(57)</b>	<b>(39)</b>	<b>(96)</b>

Further details of the Group's defined benefit pension schemes are disclosed below.

### b) LV= Scheme

#### (i) Information about the scheme

The defined benefit section of the LV= scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends upon the member's length of service and their final salary. This section is closed to new entrants and to future accrual.

The scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees.

The liabilities of the scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, which is an accrued benefits valuation method.

The scheme has a Corporate Trustee required to act in the best interests of the scheme's beneficiaries. The Trustee may be removed at the discretion of LVFS, in its capacity as principal employer, provided that the board of any new trustee company comprises three directors representing the members and a further four directors selected by LVFS. With the agreement of LVFS, the directors of the Corporate Trustee may co-opt one other director.

On 29 May 2020 the Trustee closed out the longevity swap (which was taken out in 2012) and purchased a bulk annuity policy with Phoenix Life Limited. The Trustee holds this bulk annuity policy as an investment for the benefit of all Scheme members. It provides an income to the Scheme that exactly matches some of the benefit obligations of the Scheme.

#### NTL/Virgin Media pensions case

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pensions Scheme Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. On 5 June 2025 the Government stated that it is aware that following the 2024 Court of Appeal judgement in Virgin Media Limited v NTL Pension Trustees limited, there is increased uncertainty in the pensions industry. They state that they recognise that schemes and sponsoring employers need clarity around scheme liabilities and member benefit levels for the future. The Government will therefore introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

The Trustee is consulting with its advisors on any possible implications for the Scheme while monitoring developments. Any implications for the Scheme will be considered by the Trustee and Company in due course.

## 20. Pension scheme asset/(liability) (continued)

### (ii) Net amount recognised in the Balance sheet

	2025 £m	2024 £m
Present value of defined benefit obligation	(795)	(817)
Fair value of plan assets	813	815
Pension benefit asset/(liability) at the end of the year	18	(2)

### (iii) The movement in the net defined benefit asset/(liability) over the year is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2025</b>	<b>(817)</b>	<b>815</b>	<b>(2)</b>
<b>Pension costs:</b>			
Current service cost	(3)	-	(3)
Interest (expense)/income	(43)	43	-
	(46)	43	(3)
<b>Re-measurements:</b>			
– Return on plan assets, excluding amounts included in interest (expense)/income	-	(3)	(3)
– Gain from changes in demographic assumptions	1	-	1
– Gain from changes in financial assumptions	20	-	20
– Experience loss	(3)	-	(3)
	18	(3)	15
<b>Other movements:</b>			
– Contributions by employer	-	8	8
– Benefits paid	50	(50)	-
	50	(42)	8
<b>At 31 December 2025</b>	<b>(795)</b>	<b>813</b>	<b>18</b>
At 1 January 2024	(932)	929	(3)
Pension costs:			
Current service cost	(3)	-	(3)
Interest (expense)/income	(41)	41	-
	(44)	41	(3)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest (expense)/income	-	(114)	(114)
– Gain from changes in demographic assumptions	8	-	8
– Gain from changes in financial assumptions	99	-	99
– Impact of new valuation data	4	-	4
– Experience loss	(1)	-	(1)
	110	(114)	(4)
Other movements:			
– Contributions by employer	-	8	8
– Benefits paid	49	(49)	-
	49	(41)	8
<b>At 31 December 2024</b>	<b>(817)</b>	<b>815</b>	<b>(2)</b>

## 20. Pension scheme asset/(liability) (continued)

### b) LV= Scheme (continued)

(iv) Principal assumptions used	Bulk annuity policy 2025	Whole scheme 2025	Bulk annuity policy 2024	Whole scheme 2024
Discount rate	5.40%	5.60%	5.40%	5.50%
RPI inflation	2.85%	2.90%	3.25%	3.15%
CPI inflation	2.35%	2.40%	2.55%	2.45%
Pension increases for in-payment benefits:				
– RPI price inflation capped at 5% pa, floor of 3% pa	3.50%	3.50%	3.65%	3.60%
– RPI price inflation capped at 5% pa	2.80%	2.85%	3.15%	3.05%
– RPI price inflation capped at 2.5% pa	2.05%	2.10%	2.20%	2.15%
– CPI price inflation capped at 3.0% pa	2.45%	2.50%	2.50%	2.45%

The discount rate and inflation rate assumptions for 2025 and 2024 have been set with reference to yield curves. The single rates disclosed above represent the weighted average equivalent rate based on the yield curve used. The pension increase assumptions disclosed represent spot rates on the yield curve at the approximate duration of the scheme's liabilities.

For 2025, mortality for members is assumed to follow LV= specific Club Vita individual base tables, published in 2023, based on pooled experience during the period 2019 to 2021, scaled by 104% (2024: LV= specific Club Vita tables 2023 based on pooled experience during the period 2019 to 2021, scaled by 104%).

The table below shows the life expectancy assumptions used in the accounting assessments based on the average future life expectancy of a scheme member who is a pensioner aged 65 (non-pensioner is assumed to be 45 now).

Future life expectancy assumptions (in years) as at 31 December	2025	2024
Pensioner (currently aged 65)		
– Male	22.0	21.8
– Female	24.0	23.9
Non-pensioner (at age 65, currently aged 45)		
– Male	22.9	22.7
– Female	25.5	25.4

The pension scheme mortality improvement assumptions use the latest CMI 2024 model. No changes have been made to the model parameters for the year-end 2025 valuation, which are: Long-term rate of improvement: 1.5% p.a., smoothing parameter of 7.0, initial addition to mortality improvements: 0.25% for males and females.

### (v) Sensitivity analysis: Impact on defined benefit obligation of making changes to key assumptions

2025	Change in assumption	Impact on defined benefit obligation
Discount rate	Decrease by 1.0%	Increase by £108m (14%)
Discount rate	Increase by 1.0%	Decrease by £87m (11%)
Inflation rate (both RPI and CPI)	Increase by 0.5%	Increase by £23m (3%)
Inflation rate (CPI)	Increase by 0.1%	Increase by £1m (0%)
Life expectancy	Increase by 1 year	Increase by £32m (4%)
<b>2024</b>		
Discount rate	Decrease by 1.0%	Increase by £111m (14%)
Discount rate	Increase by 1.0%	Decrease by £92m (11%)
Inflation rate (both RPI and CPI)	Increase by 0.5%	Increase by £16m (2%)
Inflation rate (CPI)	Increase by 0.1%	Increase by £1m (0%)
Life expectancy	Increase by 1 year	Increase by £33m (4%)

The sensitivity analysis has been calculated by valuing the defined benefit obligation using the amended assumptions shown in the table above and keeping the remaining assumptions the same as disclosed in the principal assumptions table for the scheme, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. These sensitivities demonstrate the impact on the gross liability so make no allowance for the impact on the buy-in contract.

## 20. Pension scheme asset/(liability) (continued)

### b) LV= Scheme (continued)

#### (vi) Plan asset information

The following table shows a breakdown of the plan assets:

	2025				2024			
	Quoted £m	Unquoted £m	Total £m	%	Quoted £m	Unquoted £m	Total £m	%
Equities and unit trusts	41	19	60	7	-	1	1	-
Debt securities	480	-	480	59	474	-	474	58
Cash and cash equivalents	41	-	41	5	27	-	27	3
Derivatives and REPOs	-	(134)	(134)	(16)	-	(65)	(65)	(8)
Buy-in	-	337	337	41	-	350	350	43
Other	-	29	29	4	-	28	28	4
	562	251	813	100	501	314	815	100

The use of derivatives includes gilt repos of £(139)m (2024: £(58)m), swaps of £2m (2024: £(2)m) and currency derivatives of £1m (2024: £(2)m) to hedge the interest, inflation and currency exposures. In addition, total return swaps of £2m (2024: £(3)m) are used to gain exposure to global equity markets through derivative contracts rather than by physically investing in equities.

In determining and reviewing the Scheme's investment strategy, the Trustee adopts a Pensions Risk Management Framework (PRMF). This framework translates the principal goal of paying member benefits into measurable funding objectives and risk constraints, agreed by the Trustee. The PRMF is reviewed and monitored by the Trustee on at least a quarterly basis.

The Trustee is required to adopt a statutory funding objective. The statutory funding objective is that the Scheme must have 'sufficient and appropriate' assets to meet the expected cost of providing members' past service benefits which we refer to as technical provisions. In setting the statutory funding objective, the Trustee wants to:

- be highly certain of delivering members' benefits in full and on time;
- set its statutory funding basis in a manner consistent with moving towards a long-term funding target; and
- minimise the risk of the funding level dropping below the current level.

To help meet these objectives, the Trustee and the Company have agreed to develop a long-term funding target consistent with the new funding regulations. This target will be used as the foundation of the Scheme's future funding and investment strategies.

Following the triennial scheme valuation which took place as at 31 March 2023, LVFS as principal employer agreed, on behalf of participating employees, to continue to pay monthly contributions of £416,667 until 31 March 2028 to meet the Trustees' primary funding objective. In addition to these funding contributions, LVFS continues to make payments of £265,477 per month towards the regular expenses of administering the defined benefit section of the Scheme plus payments equal to the pension protection fund (PPF) levies.

#### (vii) Pension scheme risks

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

<b>Asset volatility:</b>	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan assets are predominantly held in debt securities which match the liabilities with a small holding of equities that are expected to outperform corporate bonds in the long term.
<b>Changes in bond yields:</b>	A decrease in corporate bond yields will increase plan liabilities, although this will be offset by an increase in the value of the scheme's bond holdings.
<b>Inflation risk:</b>	The majority of the scheme's benefit obligations are linked to inflation, therefore an increase in inflation will lead to an increase in liabilities. In most cases, caps on the level of inflationary increases and derivatives are in place to protect the scheme against significant rises in inflation.
<b>Life expectancy:</b>	The scheme's obligations are to provide benefits for the life of the member, so any increases in life expectancy will result in an increase in the scheme's liabilities. On 29 May 2020 the Trustee converted the longevity swap to a bulk annuity policy with Phoenix Life. This provides an income to the Scheme that exactly matches some of the benefit obligations of the Scheme.

#### (viii) Expected maturity analysis of undiscounted pension benefits:

	Less than a year £m	Between 1-2 years £m	Between 2-5 years £m	Over 5 years £m	Total £m
At 31 December 2025	48	50	155	1,629	1,882
At 31 December 2024	48	49	154	1,683	1,934

The weighted average duration of the gross defined benefit obligation is 12 years (2024: 13 years). The duration of the buy-in policy is 8 years (2024: 8 years).

The expected contributions to the scheme for the year ending 31 December 2026 are £8m.

## 20. Pension scheme asset/(liability) (continued)

### c) Ockham Scheme

#### (i) Information about the scheme

The defined benefit section of the Ockham scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends upon the member's length of service and their final salary. The scheme is closed to new entrants and future accrual.

The scheme assets are held in separate trustee-administered funds to meet long-term pension liabilities to past employees. The liabilities of the scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method, which is an accrued benefits valuation method.

The scheme has a Corporate Trustee required to act in the best interests of the scheme's beneficiaries. The Trustee may be removed at the discretion of LVFS, in its capacity as principal employer, provided that any new trustee board comprises two directors representing the members and up to four directors selected by LVFS.

In January 2024, the Trustee purchased a buy-in insurance policy as an investment of the scheme from retirement specialist Just Group. The buy-in insurance policy is designed to match the majority of the scheme's liabilities, providing funding to the scheme for members' benefit payments as they fall due.

#### (ii) Net amount recognised in the Balance sheet

	2025 £m	2024 £m
Present value of defined benefit obligation	(94)	(96)
Fair value of plan assets	94	96
Pension benefit asset at the end of the year	-	-

#### (iii) The movement in the net defined benefit asset over the year is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2025</b>	<b>(96)</b>	<b>96</b>	<b>-</b>
<b>Pension costs:</b>			
Interest (expense)/income	(5)	5	-
	(5)	5	-
<b>Re-measurements:</b>			
– Return on plan assets, excluding amounts included in interest (expense)/income	-	(1)	(1)
– Loss from changes in demographic assumptions	(1)	-	(1)
– Gain from changes in financial assumptions	2	-	2
	1	(1)	-
<b>Other movements:</b>			
– Contributions by employer	-	-	-
– Benefits paid	6	(6)	-
	6	(6)	-
<b>At 31 December 2025</b>	<b>(94)</b>	<b>94</b>	<b>-</b>
At 1 January 2024	(104)	116	12
<b>Pension costs:</b>			
Interest (expense)/income	(5)	5	-
	(5)	5	-
<b>Re-measurements:</b>			
– Return on plan assets, excluding amounts included in interest (expense)/income	-	(21)	(21)
– Gain from changes in demographic assumptions	1	-	1
– Gain from changes in financial assumptions	10	-	10
– Impact of changes in inflation	(1)	-	(1)
– Impact of new valuation data	(3)	-	(3)
	7	(21)	(14)
<b>Other movements:</b>			
– Contributions by employer	-	2	2
– Benefits paid	6	(6)	-
	6	(4)	2
<b>At 31 December 2024</b>	<b>(96)</b>	<b>96</b>	<b>-</b>

## 20. Pension scheme asset/(liability) (continued)

### c) Ockham Scheme (continued)

#### (iv) Principal assumptions used

	2025	2024
Discount rate	5.50%	5.45%
RPI inflation	2.90%	3.20%
CPI inflation	2.40%	2.50%
Pension increases for in-payment benefits		
– RPI price inflation capped at 5% pa	2.85%	3.10%
– linked to RPI inflation	2.90%	3.20%

The discount rate and inflation rate assumptions for 2025 and 2024 have been set with reference to yield curves. The single rates disclosed above represent the weighted average equivalent rate based on the yield curve used. The pension increase assumptions disclosed represent spot rates on the yield curve at the approximate duration of the scheme's liabilities.

Mortality rate assumptions are based on the same mortality tables as disclosed within the LV= Scheme, but using Ockham specific individual base tables.

#### Future life expectancy assumptions (in years) as at 31 December

	2025	2024
Pensioner (currently aged 65)		
– Male	21.8	21.5
– Female	24.5	24.4
Non-pensioner (at age 65, currently aged 45)		
– Male	23.4	23.2
– Female	26.6	26.5

#### (v) Sensitivity analysis: Impact on defined benefit obligation of making changes to key assumptions

2025	Change in assumption	Impact on defined benefit obligation
Discount rate	Decrease by 1.0%	Increase by £10m (11%)
RPI rate	Increase by 0.5%	Increase by £3m (3%)
Life expectancy	Increase by 1 year	Increase by £4m (4%)

2024	Change in assumption	Impact on defined benefit obligation
Discount rate	Decrease by 1.0%	Increase by £11m (11%)
RPI rate	Increase by 0.5%	Increase by £3m (3%)
Life expectancy	Increase by 1 year	Increase by £4m (4%)

The sensitivity analysis has been calculated by valuing the defined benefit obligation using the amended assumptions shown in the table above and keeping the remaining assumptions the same as disclosed in the principal assumptions table for the scheme, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly.

The sensitivities above only show the impact on the defined benefit obligation. The majority of the movements would be matched by the buy-in insurance policy.

#### (vi) Plan asset information

Plan assets are comprised as follows:

	2025				2024			
	Quoted £m	Unquoted £m	Total £m	%	Quoted £m	Unquoted £m	Total £m	%
Buy-in	-	92	92	98	-	95	95	99
Cash and cash equivalents	2	-	2	2	1	-	1	1
	2	92	94	100	1	95	96	100

In January 2024, the Trustee authorised the purchase of a buy-in insurance policy as an investment of the scheme from retirement specialist Just Group. Consideration for the buy-in insurance policy was made up of the scheme's complete portfolio of debt securities. In addition to this, the principal employer paid additional contributions of £2m to fund the buy-in.

Following the buy-in transaction, LVFS as principal employer agreed, on behalf of participating employees, to continue to make payments to settle expenses of the scheme and known benefit corrections.

## 20. Pension scheme asset/(liability) (continued)

### c) Ockham Scheme (continued)

#### (vii) Pension scheme risks

Details of the pension scheme risks that the Group is exposed to are disclosed within the LV= Scheme.

#### (viii) Expected maturity analysis of undiscounted pension benefits:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
At 31 December 2025	7	7	21	150	185
At 31 December 2024	7	7	21	158	193

The weighted average duration of the defined benefit obligation is 10 years (2024: 11 years).

The expected contributions to the Ockham pension scheme for the year ending 31 December 2026 are £nil.

## 21. Subordinated liabilities

### Accounting for subordinated liabilities

Subordinated liabilities are initially measured at the fair value of the proceeds less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost. The transaction costs are amortised over the period to the earliest redemption date on an effective interest rate basis. The amortisation charge is included in the Statement of Comprehensive Income within 'Interest payable on subordinated liabilities' within 'Other technical charges'. An equivalent amount is added to the carrying value of the liability such that at the redemption date the value of the liability equals the redemption value.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Subordinated notes GBP 200m (2024: GBP 200m)	200	200	-	-
Subordinated notes due to group undertakings	-	-	200	200
	200	200	200	200

In 2013, LVFS issued £350m of Fixed Rate Reset Subordinated Notes at par. The directly related costs of £4m incurred to issue the Notes have been capitalised as part of the carrying value and have been amortised using the effective interest rate basis over the period to the first call date in 2023.

The Notes have a maturity date of 22 May 2043, but the issuer had the option to redeem the Notes at the first call date of 22 May 2023 and annually thereafter up to the maturity date. The initial first call date was 22 May 2023, prior to which the issuer redeemed £150m Notes at par by way of a tender offer. No additional Notes were redeemed at the first call date or thereafter.

Interest was payable on the Notes at a fixed rate of 6.5% per annum for the period until the first call date on 22 May 2023, payable annually in arrears on 22 May each year. For Notes not redeemed on 22 May 2023, the interest rate was reset on that date and will be reset at five yearly intervals thereafter at a rate equal to the five-year gilt rate quoted on the day before the reset date plus an initial margin of 463 basis points and a step-up margin of 100 basis points. Interest is currently payable on the Notes at a fixed rate of 9.44% per annum. This reset rate will remain the effective rate payable on the Notes until the next reset of the Interest Rate on 22 May 2028.

In order to comply with requirements of the Companies Act 2006 following transition to UK GAAP, LVFS carried out a substitution of issuer prior to 31 December 2023, transferring the Notes to one of its subsidiaries, LV Bonds PLC. Following the substitution of Issuer, LVFS acts as guarantor for the Notes. Consideration paid by LVFS to LV Bonds PLC in exchange for taking on the obligation associated with the Notes constituted the par value of the Notes. These proceeds were loaned back to LVFS on the same interest, final repayment and subordination terms as those applicable to the Notes.

There is an option of cumulative deferral of interest at the issuer's discretion and mandatory interest deferral in the event that a regulatory deficiency interest deferral event has occurred or is continuing (breach of the applicable regulatory solvency capital requirement of the issuer, guarantor or group) or would occur if payment of interest on the subordinated notes were to be made. Following any deferral of a principal or interest payment, LVFS would be prevented from declaring any distribution to members which falls within the Mutual Bonus arrangements. The issuer has the option to elect to defer payment of interest in whole or in part and this will not constitute a default or give the right to the noteholders or the trustee to accelerate repayment of the Notes or to take any enforcement action.

Subordinated liabilities are held in the Balance sheet at amortised cost. The fair value at 31 December 2025 was £204m (2024: £202m). The valuation of the subordinated notes was determined by reference to the bid price obtained from the markets as at 31 December 2025. Management consider this to be representative of fair value.

## 22. Fund for future appropriations

### Accounting for the Fund for future appropriations

The Fund for future appropriations represents the excess of assets over and above the long-term business provision and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the participating contract policyholders. Any profit or loss for the year arising through the Statement of Comprehensive Income (for the Company and for the Group) is transferred to or deducted from the Fund for future appropriations.

UK regulations, the Group's Principles and Practices of Financial Management, and the terms and conditions of participating contracts set out the bases for the determination of the amounts on which the participating additional discretionary contract benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders.

The nature of benefits for participating contracts is such that the allocation of surpluses between participating policyholders is uncertain. The amount not allocated at the balance sheet date is classified within liabilities as the fund for future appropriations.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Balance at 1 January	535	530	529	527
Transfer included within the technical account	(86)	19	(85)	16
Transfer included within other comprehensive income	11	(14)	11	(14)
Balance at 31 December	460	535	455	529

## 23. Deferred tax

### Accounting for deferred tax

Deferred income tax arises on the temporary differences between the tax bases and carrying amounts of assets and liabilities in the Balance sheet. Deferred income tax is recognised using the liability method by applying tax rates (and laws) that have been enacted or substantively enacted by the Balance sheet date and are expected to apply when the related deferred income tax balance is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax balances are not discounted.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Disclosed on the Balance sheet</b>				
– Deferred tax asset	2	3	-	-
– Deferred tax liability	(41)	(6)	(41)	(5)
– Deferred tax included within Assets held to cover linked liabilities	(3)	(3)	(3)	(3)
<b>Net deferred tax (liability)/asset</b>	<b>(42)</b>	<b>(6)</b>	<b>(44)</b>	<b>(8)</b>

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>a) Movement on the net deferred tax (liability)/asset</b>				
Balance at 1 January	(6)	16	(8)	12
Amounts recorded within the Technical account - long-term business	(32)	(29)	(32)	(28)
Amounts recorded within Other Comprehensive Income	(4)	4	(4)	4
Other movements	-	3	-	4
<b>Balance at 31 December</b>	<b>(42)</b>	<b>(6)</b>	<b>(44)</b>	<b>(8)</b>

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>b) Analysis of deferred taxation temporary differences</b>				
Temporary differences on expenses	-	-	-	1
Temporary difference on unrealised gains on investments	(40)	(28)	(40)	(28)
Temporary difference on re-measurement of defined benefit pension schemes	(4)	-	(4)	-
Excess management expenses	-	22	-	19
Tax losses	2	-	-	-
<b>Net deferred tax (liability)/asset</b>	<b>(42)</b>	<b>(6)</b>	<b>(44)</b>	<b>(8)</b>

A net £10m of the losses and timing are expected to unwind in 2026.

Other movements in 2024 relate to balance sheet movements from deferred tax to current tax.

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation, temporary differences on acquisition and excess management expenses is dependent on the availability of future taxable profits within the Company and Group. Management forecasts currently support the future recoverability of deferred tax assets recognised in the Balance sheet as at 31 December 2025.

The LV= Group is required to report under the OECD Pillar II rules. The OECD Pillar II rules are designed to implement an international minimum effective tax rate of 15% on income, assessed per each jurisdiction in which a group has operations. No top up taxes are expected under Pillar II. Therefore, no adjustment has been made to current or deferred taxes in respect of either Multinational Top up Taxes (MTT) or Domestic Top up Taxes (DTT).

## 24. Provisions

### Accounting for provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Group expects some or all of a provision to be reimbursed this is recognised as a separate asset when the reimbursement is certain. Provisions are measured at the present value of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The expense relating to provisions is presented in the Statement of Comprehensive Income within 'Net operating expenses'.

	Group £m	Company £m
<b>Movement during the year on provisions</b>		
Balance at 1 January 2025	11	11
Released during the year	(1)	(1)
Utilised during the year	(1)	(1)
<b>Balance at 31 December 2025</b>	<b>9</b>	<b>9</b>

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Provisions relate to:</b>				
Teachers mis-selling compensation	8	9	8	9
Other	1	2	1	2
	<b>9</b>	11	<b>9</b>	11

The provision for Teachers mis-selling compensation is held to cover the expected customer redress costs in respect of mis-selling claims on products sold by the Teachers Assurance Group prior to it being transferred into the LV= Group in 2016. Because the majority of the provision relates to potential future mis-selling claims which have not yet been received, there is uncertainty about the amount and timing of the future redress outflows provided for.

# Accounting for Creditors

Creditors arising from insurance operations are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

Trade and other creditors are recognised when they fall due. They are initially measured at fair value and subsequently at amortised cost.

The accounting policies for derivative and lease liabilities are disclosed separately in Note 17 and Note 37 respectively.

## 25. Creditors arising out of direct insurance and reinsurance operations

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Creditors arising out of direct insurance operations</b>				
Due to policyholders	23	23	22	23
Due to intermediaries	1	1	1	1
	<b>24</b>	<b>24</b>	<b>23</b>	<b>24</b>
<b>Creditors arising out of reinsurance operations</b>				
Due to reinsurers	13	12	13	12
	<b>13</b>	<b>12</b>	<b>13</b>	<b>12</b>

## 26. Amounts owed to credit institutions

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Bank overdrafts	1	2	1	1
	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>

The bank overdrafts are repayable on demand.

## 27. Other creditors including tax and social security costs

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Derivative liabilities (see Note 17)	46	61	46	61
Cash collateral received	6	4	6	4
Trade creditors	4	6	4	6
Finance lease liabilities (see Note 37)	20	18	-	-
Other taxes and social security costs	10	10	10	10
Other creditors	17	14	29	26
	<b>103</b>	<b>113</b>	<b>95</b>	<b>107</b>

Cash collateral received relates to Over The Counter (OTC) cash collateral on derivatives. See Note 15 (c) for more details. The carrying amounts disclosed above reasonably approximate fair value at the Balance sheet date.

# Technical provisions, reinsurers' share of technical provisions and related movements

This section presents information relating to contracts accounted for in accordance with FRS 103 'Insurance contracts'. This includes amounts relating to insurance contracts, participating investment contracts and reinsurance contracts. The assumptions used in the valuation of insurance and investment liabilities are disclosed within Note 32. Sensitivities are provided within Note 3.

## 28. Technical provisions: Long-term business

### Accounting for insurance contract liabilities

Insurance contract liabilities are recognised for insurance contracts in existence at the end of the reporting period. Such liabilities are only derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Insurance contract liabilities are calculated in accordance with FRS 103 'Insurance Contracts', using a reserving methodology aligned to Solvency II, adapted to incorporate the Solvency UK reforms. Insurance contract liabilities are calculated as the sum of the best estimate liability and the risk margin. The best estimate liability is the present value of the expected future cash inflows and outflows required to settle the insurance obligations over their future lifetime. The best estimate liability is calculated gross of any expected future reinsurance recoveries. A separate estimate is made of the expected amounts that will be paid to and recovered from reinsurers. The risk margin is the amount a third party would be expected to be compensated to takeover and meet the insurance contract obligations over their lifetime.

Management explicitly attests to the appropriateness of the discount rate used to value annuity liabilities within the matching adjustment portfolio. The level of matching adjustment used within the Solvency II results is also used to assess the technical provisions within these financial statements.

Liability adequacy testing is performed for all long-term insurance and participating investment contract liabilities. At each reporting date, an assessment is made of whether the recognised long-term contract liabilities are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient given the estimated future cash flows, the deficiency is recognised in the Statement of Comprehensive Income by setting up an additional liability.

#### a) Participating business

In calculating participating insurance and participating investment contract liabilities, allowance is made for expected bonus payments (declared and future, reversionary and terminal) consistent with the relevant fund's Principles and Practices of Financial Management (PPFM) where there is a constructive obligation to policyholders. The liabilities include an allowance for the time and intrinsic value of options and guarantees granted to policyholders and for future management actions.

The realistic participating liabilities are based on the aggregate value of policyholder asset shares reflecting past premiums, investment return, expenses and charges applied to each policy. Allowance is also made for policy related liabilities such as guarantees, options and future bonuses calculated using a stochastic model simulating investment returns, asset mix, expense charges and bonuses.

There are a large number of IB Whole of Life policies where the customer is either no longer aware of the policy's existence or has died and no claim has been submitted, despite extensive tracing activity having been undertaken in the past in an attempt to identify these customers or their next-of-kin. A proportion of these policies are treated as "gone-away" and reserves are reduced by applying reduction factors dependent on age, policy type and premium paying status. These reduction factors are determined based on analysis of historical actual mortality experience versus that expected. If a valid claim is made on a 'gone-away' policy, the Group will still be liable to settle that claim.

#### b) Non-participating business

Liabilities for non-participating insurance contracts are calculated as described above, as the sum of the best estimate liability and the risk margin.

#### Significant accounting estimates

The assumptions used in determining insurance contract liabilities are a significant accounting estimate, requiring the use of management judgement, which has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The key assumptions are:

- Persistency assumptions, including gone-aways, cash and guaranteed annuity option take-up rates, and early, normal and late retirement rates.
- Expense assumptions.
- Longevity, mortality and morbidity assumptions, including mortality improvements.
- Economic assumptions including future investment returns and discount rates.

The assumptions used for persistency and expenses reflect product characteristics and are primarily based on relevant internal experience. The assumptions used for longevity, mortality and morbidity are based on standard industry or reinsurers' tables. Net exposure to longevity, mortality and morbidity is significantly hedged by reinsurance. Economic assumptions are based on market-consistent expectations with stochastic projections for contingent liabilities.

## 28. Technical provisions: Long-term business (continued)

### Assumptions and adjustments applied in the valuation of insurance liabilities

The valuation of insurance liabilities is based on assumptions reflecting management's best estimate, which are typically reviewed annually. Assumptions used are described in Note 32.

Notable changes to assumptions in the year include:

- An update to Term mortality assumptions to reflect varying experience by cohort of business.
- An update to mortality improvement assumptions to reflect the latest CMI model and data, with appropriate parameterisation.
- An update to Income Protection morbidity assumptions to reflect varying experience by policy type.

The impact of the changes on gross reserves was largely offset by the impact of changes on the reinsurance asset.

Management have applied judgement in setting assumptions. The assumptions for longevity, mortality and morbidity have been set by applying adjustments to reflect the Group's own experience.

Due to the long-term nature of the liabilities, the estimates are subject to significant uncertainty. Sensitivities are performed against the assumptions and disclosed in Note 3 a).

### Assessment of future options and guarantees

The value of options and guarantees on with-profits business is valued within the market-consistent discounted cash flow valuation, the most material of which are minimum benefit guarantees on LVFS with-profits business and guaranteed annuity options on RNPFN.

Due to the asymmetric nature of these liabilities, stochastic valuation techniques are required. A market consistent economic scenario generator is used with a wide range of future economic conditions to capture the asymmetry, and a discounted cash flow model is used to derive a value of the liability at the valuation date. These techniques are widely used in the life insurance industry to value liabilities with embedded options and guarantees.

The valuation models make appropriate allowance for both management and policyholder actions, including demographic assumptions on option or guarantee dates.

Details of the key long-term insurance and investment contract liabilities valuation assumptions are disclosed separately within Note 32.

### Accounting for reinsurers' share of technical provisions

The Group transfers certain risks arising on its underlying insurance contracts through entering into contracts with reinsurers. Reinsurance assets are the net contractual rights arising from cashflows due from and to reinsurers regarding ceded insurance liabilities. Amounts are estimated in a consistent manner with the gross reserves of the underlying policies and in accordance with the relevant reinsurance contract.

An impairment review is performed at the Balance sheet date. Impairment occurs when there is evidence that the Group will not recover outstanding amounts under the contract, such losses being recorded immediately in the Statement of Comprehensive Income.

All reinsurance contracts are classified as non-participating as the Group and the reinsurer do not share in the returns on underlying items. This is consistent with the treatment of reinsurance contracts being reported separately from the underlying insurance contracts issued.

### Significant accounting judgements

#### Classification of the Group's contracts with reinsurers as reinsurance contracts.

Management have applied judgement in determining whether contracts entered into with reinsurers transfer significant insurance risk and can therefore be accounted for as reinsurance contracts. In making this judgement management review all contract terms and conditions and obtain the opinion of an independent expert where necessary.

In order for significant insurance risk to be transferred the following conditions must be met:

- The reinsurer must have an obligation to compensate the Group if an uncertain future event that is insured by the Group occurs;
- It is reasonably possible that the reinsurer may realise a significant loss from the contract; and
- There is a reasonable possibility of a significant range of outcomes from the contract.

During 2025, a new reinsurance treaty has been entered into for mass lapse reinsurance.

## 28. Technical provisions: Long-term business (continued)

### a) Summary

	Note	2025			2024		
		Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
<b>Group</b>							
Participating insurance contract liabilities *	28 b	4,190	(533)	3,657	3,977	(544)	3,433
Participating investment contract liabilities	28 c	653	n/a	653	608	n/a	608
Non-participating insurance contract liabilities	28 d	2,416	(195)	2,221	2,622	(208)	2,414
<b>Total long-term business provision</b>		<b>7,259</b>	<b>(728)</b>	<b>6,531</b>	<b>7,207</b>	<b>(752)</b>	<b>6,455</b>
<b>Company</b>							
Participating insurance contract liabilities *	28 b	4,190	(533)	3,657	3,977	(544)	3,433
Participating investment contract liabilities	28 c	653	n/a	653	608	n/a	608
Non-participating insurance contract liabilities	28 d	2,408	(195)	2,213	2,614	(208)	2,406
<b>Total long-term business provision</b>		<b>7,251</b>	<b>(728)</b>	<b>6,523</b>	<b>7,199</b>	<b>(752)</b>	<b>6,447</b>

\* Reinsurance contracts are precluded from being classified as participating contracts as payments are not subject to discretion. For clarity reinsurance assets relating to participating insurance contracts that have been reinsured are presented alongside participating contracts.

### b) Movement in participating insurance contract liabilities and related reinsurance assets

	2025			2024		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
<b>Group and Company</b>						
Balance at 1 January	3,977	(544)	3,433	4,301	(603)	3,698
Expected changes during the year	(80)	-	(80)	(200)	(9)	(209)
Expected closing position	3,897	(544)	3,353	4,101	(612)	3,489
New business	309	-	309	88	-	88
Experience variances	(43)	-	(43)	(96)	1	(95)
Model and basis changes and capital initiatives	(32)	11	(21)	(136)	78	(58)
Mutual, exit and one-off bonus	67	-	67	14	-	14
Other	(8)	-	(8)	6	(11)	(5)
Balance at 31 December	4,190	(533)	3,657	3,977	(544)	3,433

### c) Movement in participating investment contract liabilities

	2025 £m	2024 £m
<b>Group and Company</b>		
Balance at 1 January	608	631
Expected changes during the year	(9)	(37)
Expected closing position	599	594
Experience variances	22	18
Model and basis changes and capital initiatives	(1)	(5)
Mutual, exit and one-off bonus	33	5
Other	-	(4)
Balance at 31 December	653	608

## 28. Technical provisions: Long-term business (continued)

### d) Movement in non-participating insurance contract liabilities

Group	2025			2024		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Balance at 1 January	2,622	(208)	2,414	2,786	(268)	2,518
Expected changes during the year	(85)	(39)	(124)	(81)	(42)	(123)
Expected closing position	2,537	(247)	2,290	2,705	(310)	2,395
New business	(54)	(37)	(91)	231	(76)	155
Experience variances	(10)	3	(7)	2	(4)	(2)
Model and basis changes and capital initiatives	(52)	84	32	(324)	182	(142)
Solvency UK Reforms	-	-	-	1	-	1
Other	(5)	2	(3)	7	-	7
Balance at 31 December	2,416	(195)	2,221	2,622	(208)	2,414

Company	2025			2024		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Balance at 1 January	2,614	(208)	2,406	2,777	(268)	2,509
Expected changes during the year	(85)	(39)	(124)	(81)	(42)	(123)
Expected closing position	2,529	(247)	2,282	2,696	(310)	2,386
New business	(54)	(37)	(91)	231	(76)	155
Experience variances	(10)	3	(7)	2	(4)	(2)
Model and basis changes and capital initiatives	(52)	84	32	(323)	182	(141)
Solvency UK Reforms	-	-	-	1	-	1
Other	(5)	2	(3)	7	-	7
Balance at 31 December	2,408	(195)	2,213	2,614	(208)	2,406

## 29. Technical provisions: Claims outstanding

### Claims outstanding

Claims outstanding on insurance contracts represents the best estimate of the expected future cashflows resulting from settling all outstanding claims reported by the balance sheet date. The outstanding claims balance is subject to a valuation adjustment, based on an ageing analysis and historical settlement data.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Claims outstanding	92	93	92	92
	92	93	92	92

## 30. Technical provisions for linked liabilities

### Technical provisions for linked liabilities

The technical provisions for linked liabilities include liabilities for linked investment contracts.

#### Linked investment contracts

Linked Investment contract liabilities are initially recognised upon receipt of premium from the policyholder. The contracts are accounted for as a financial liability and are initially recognised at the value of premium received. The liability is designated as fair value through profit or loss on inception and subsequently measured at fair value in order to avoid a measurement inconsistency with the associated financial assets.

Subsequent deposits and withdrawals are recorded directly as an adjustment to the contract liability in the Balance sheet, a method known as deposit accounting. Fees charged and investment income received are recognised in the Statement of Comprehensive Income when earned.

Fair value adjustments are measured at each reporting date and are recorded within Change in technical provision for linked liabilities in the Statement of Comprehensive Income. Fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit price of those funds at the reporting date. The unit prices are determined with reference to the fund assets and liabilities, which are valued on a basis consistent with that used to measure the equivalent assets and liabilities in the Balance sheet, adjusted for the effect of future tax arising from any unrealised gains or losses. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the minimum surrender value.

The valuation of technical provisions for linked liabilities also contains an adjustment to reflect the present value of expected future profits of the linked investment business.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Balance at 1 January</b>	<b>3,259</b>	3,329	<b>3,259</b>	3,329
Deposits received from policyholders	149	187	149	187
Payments made to policyholders	(510)	(560)	(510)	(560)
Change in contract liabilities included in the Statement of Comprehensive Income	374	303	374	303
<b>Balance at 31 December</b>	<b>3,272</b>	3,259	<b>3,272</b>	3,259

## 31. Change in technical provisions, net of reinsurance

### a) Change in technical provisions for long-term business

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Gross</b>				
Change in participating insurance contract liabilities	(213)	324	(213)	324
Change in participating investment contract liabilities	(45)	23	(45)	23
Change in non-participating insurance contract liabilities	206	164	206	163
<b>Change in long-term business provision - gross</b>	<b>(52)</b>	511	<b>(52)</b>	510
<b>Reinsurers' share</b>				
Change relating to participating insurance contract liabilities	(11)	(59)	(11)	(59)
Change relating to non-participating insurance contract liabilities	(13)	(60)	(13)	(60)
<b>Change in long-term business provision - reinsurers' share</b>	<b>(24)</b>	(119)	<b>(24)</b>	(119)
<b>Change in long-term business provision, net of reinsurance</b>	<b>(76)</b>	392	<b>(76)</b>	391

### b) Change in technical provisions for linked liabilities

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Gross</b>				
Change in linked investment contract liabilities	(374)	(303)	(374)	(303)
<b>Change in linked liabilities - gross</b>	<b>(374)</b>	(303)	<b>(374)</b>	(303)

## 32. Long-term insurance and investment contract liabilities valuation assumptions

As explained within the accounting policy in Note 28, the setting of assumptions for the valuation of insurance and investment contract liabilities is a significant accounting estimate involving the exercise of judgement. Sensitivities are performed against the assumptions and disclosed in Note 3 a).

Assumptions are set to reflect a best estimate of expected future experience. To the extent that the ultimate cost differs to the amounts provided, where experience differs from that assumed, the surplus or deficit will be credited or charged to the Statement of Comprehensive Income in future years.

The assumptions used to set the Insurance and Investment liabilities are approved by the Board following recommendation from the Audit Committee and oversight from the Chief Actuary.

### a) Persistency

Persistency assumptions are reviewed annually and adjusted where necessary to reflect expected future experience. Persistency assumptions are based on historical experience for the relevant product, or that of similar products, depending on the credibility of the data.

### a) Demographic

Longevity, mortality and morbidity assumptions are reviewed annually and set with reference to standard tables based on industry data, or reinsurer data, adjusted to reflect expected future experience. Where appropriate, allowance is made for future improvements in mortality rates using the industry standard CMI model parameterised to reflect the underlying business.

The table below sets out the principal base longevity, mortality and morbidity tables used in the valuation and the CMI improvements model. Multiple adjustments are made to these tables depending on the line of business.

#### Principal longevity, mortality and morbidity assumptions:

Class of business	2025	2024
Participating Life and Pensions business	AMC00 / AFC00	AMC00 / AFC00
Participating Industrial Branch business	ELT17	ELT17
Participating Annuities in Payment	PMA08 / PFA08, CMI_2024	PMA08 / PFA08, PML08 / PFL08 CMI_2022
Non-Participating Annuities in Payment	PMA08 / PFA08 CMI_2024	PMA08 / PFA08 CMI_2022
Non-Participating Whole of Life (Lifetime+)	TMN00,TMS00 / TFN00,TFS00 CMI_2024	TMN00,TMS00 / TFN00,TFS00 CMI_2022
Non-Participating Whole of Life (50+)	AMC00, AFC00 CMI_2024	AMC00, AFC00 CMI_2022
Non-Participating Temporary Assurance	TMN16,TMS16 / TFN16,TFS16 CMI_2024	TMN16,TMS16 / TFN16, TFS16 CMI_2022
Non-Participating Unit-Linked	AX92C20	AX92C20
Permanent Health Insurance	CMIR12	CMIR12

Where allowance is made for mortality improvements, this is done using the Institute and Faculty of Actuaries Continuous Mortality Investigation (CMI) Mortality Projections model. The version used is the 2024 model with the following advanced parameterisation:

- Long-term improvement rates of 1.5% for males and females.
- Smoothing parameter ( $S_t$ ) of 7.
- Initial additions to improvement rates ("A" parameter) of 0.1% for males and 0.2% for females for protection business.
- Initial additions to improvement rates ("A" parameter) of 0.3% for males and 0.4% for females for non-protection business.

Protection and Non-Protection lines of businesses have their own mortality improvement bases, which following the naming convention used by the CMI are:

- CMI\_2024\_M [1.5%; S=7; A=0.1%] for males on protection business.
- CMI\_2024\_F [1.5%; S=7; A=0.2%] for females on protection business.
- CMI\_2024\_M [1.5%; S=7; A=0.3%] for males on non-protection business.
- CMI\_2024\_F [1.5%; S=7; A=0.4%] for females on non-protection business.

In the table above, this is abbreviated to "CMI\_2024".

### c) Expenses

Maintenance unit costs are derived based on internal expense analysis allocating costs between product groups. These allocated costs are divided by the corresponding numbers of policies in-force to derive unit costs.

Assumed expense inflation is based on RPI with an adjustment (which may be zero) to reflect the extent to which costs are expected to increase relative to RPI.

### d) Economics

For insurance and investment contracts, a market consistent valuation is used to calculate the liability. This involves placing a value on liabilities similar to the risk-adjusted market value of assets with similar cash flow patterns.

Future investment return and discount rate assumptions are set with reference to a risk-free swap-based interest rate yield curve with adjustment for default risk.

For business in the Solvency II matching adjustment fund an illiquidity premium (equal to the Solvency II Matching Adjustment) is added to the risk-free interest rate as a flat adjustment.

For certain participating and annuity products a volatility adjustment is added to the risk-free interest rate as a flat adjustment.

The options and guarantees for participating insurance and investment liabilities are calculated using a stochastic model. When valuing options and guarantees the asset model used is the Deloitte XSG model. This is a deflator model based on published financial economic theory that is capable of market-consistent valuations for multiple asset classes. The model is calibrated to market data at the reporting date representative of the nature and term of the guarantees inherent in the Group's participating insurance and investment contracts.

## Consolidation and interests in other entities

This section includes information on the Group's investments in subsidiaries, joint ventures, associates and structured entities. The accounting policy regarding the Group's investments is disclosed in Note 1.

### 33. Subsidiary undertakings

All subsidiary undertakings are included in the consolidation. The Group's holdings in subsidiary companies are listed below. All holdings are in relation to ordinary shares. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The Group and all principal undertakings are incorporated and domiciled in England and Wales. The registered office is County Gates, Bournemouth, BH1 2NF for all subsidiaries.

	Principal activity	Percentage held by Group
<b>Subsidiaries directly owned by LVFS</b>		
Frizzell Financial Services Limited (Note 1)	Property management	100%
LV Life Services Limited (Note 1)	Management services	100%
LV Commercial Mortgages Limited (Note 1)	Commercial mortgages	100%
NM Pensions Trustees Limited (Note 1)	Self-invested personal pension (SIPP) administrator	100%
Liverpool Victoria Financial Advice Services Limited (Note 1)	Financial advice services	100%
Liverpool Victoria Life Company Limited	Life insurance	100%
LV Protection Limited	Insurance	100%
LV Capital Limited (Note 1)	Holding company	100%
LV Bonds PLC	Finance company	100%
LV Equity Release Limited (Note 1)	Origination of equity release lifetime mortgages	100%
Teachers Financial Services Limited (Note 1)	Insurance and financial intermediary	100%
Teachers Assurance Company Limited	General insurance	100%
Liverpool Victoria Banking Services Limited (Note 2)	Dormant	100%
Ayresbrook Limited (Note 2)	Dormant	100%
The LV= Pension Trustee Limited (Note 2)	Dormant trustee company	Note 3
The LV= General Trustee Limited (Note 2)	Dormant trustee company	Note 3
The Ockham Pension Trustee Limited (Note 2)	Dormant trustee company	Note 3
Liverpool Victoria Trustees Limited (Note 2)	Dormant trustee company	Note 3

**Note 1** – The financial statements of these subsidiary undertakings have not been audited for the year ended 31 December 2025. These subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Companies Act 2006. In accordance with Section 479C of the Companies Act 2006, LVFS guarantees all outstanding liabilities to which these subsidiaries are subject at the end of the financial year, until they are satisfied in full.

**Note 2** – The financial statements of these dormant companies have not been audited for the year ended 31 December 2025. These companies were entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

**Note 3** – These companies are limited by Guarantee and have no issued share capital.

All the principal subsidiaries have the same year end as LVFS.

### 34. Joint ventures

The joint ventures of the Company at 31 December 2025 are shown below. They are incorporated and domiciled in England and Wales. The registered office is 33 Cavendish Square, London, W1G 0PW.

Name	Class of shares	Year end	Principal activity	Percentage held
<b>Joint ventures</b>				
Great Victoria Partnership	*	31/03/2025	Investment property	50.0%

\* The percentage held represents the share of the partnership capital and partner loans held by the Company as at 31 December 2025.

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as, under the contractual agreement, unanimous consent is required from all parties to the agreement for all relevant activities.

The Group's joint arrangement is structured as a partnership and provides the Group and the other parties to the agreement with rights to the net assets of the partnership. Therefore, this arrangement is classified as a joint venture.

The principal activity of the Great Victoria Partnership comprises investment in, and development of, freehold and leasehold property in the United Kingdom. Property investments are held by the Group to support contractual liabilities arising from investment and long-term insurance contracts. During the year the Group received dividends from the partnership of £nil (2024: £nil).

Within the Group financial statements this holding is accounted for as an investment at fair value in accordance with the exemptions permitted under FRS 102 applicable to investments in jointly controlled entities held as part of an investment portfolio and as such, is included within the Risk Management disclosures for financial instruments in Note 3 and Note 16.

#### Commitments and contingent liabilities in respect of joint ventures

There are no commitments or contingent liabilities relating to the Group's interest in the joint venture.

### 35. Investments in unconsolidated structured entities

The Group has interests in structured entities which are not consolidated as the definition of control has not been met based on the investment proportion held by the Group. The Group has not provided financial or other support to any unconsolidated structured entity. The Group's maximum exposure to loss from those investments that are not managed by Group companies is the carrying value of the investment on the Group balance sheet less the amounts reported within Assets held to cover linked liabilities reported in Note 15 b). As at 31 December 2025, the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, are shown below:

Investment	2025 £m	2024 £m
Specialised investment vehicles (*)	6,632	6,695
Unit trusts	145	140
Liquidity funds	475	498
	<b>7,252</b>	<b>7,333</b>

(\*) – Specialised investment vehicles include Open Ended Investment Companies (OEICs), Undertakings for the Collective Investment in Transferable Securities (UCITS) and Sociétés d'investissement à Capital Variable (SICAVs).

## Other disclosures

This section includes information on other disclosure matters, comprising: contingent liabilities, commitments, related party transactions and other relevant LVFS information.

### 36. Contingent liabilities

#### Accounting for contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

LVFS has granted a guarantee to the landlord of one of its leased properties, that the tenant, Frizzell Financial Services Limited, a subsidiary of LVFS, shall pay the rents reserved by the lease and observe and perform the tenant covenants of the lease and that if the tenant fails to do so, LVFS shall pay or observe and perform them.

LVFS has provided certain guarantees in relation to mortgage purchase agreements between its subsidiary LV= Equity Release Limited and Phoenix Life Limited and LV= Equity Release Limited and Scottish Widows Limited, in the event that the subsidiary fails to pay certain amounts in connection with the agreements.

LVFS has provided a limited guarantee of £3m in relation to liabilities of Liverpool Victoria Financial Advice Services Limited (LVFAS), a subsidiary of LVFS, arising out of claims related to advised and non-advised sales of financial products, where LVFAS is legally liable for the sale.

LVFS has provided an unconditional and irrevocable guarantee, on a subordinated basis, of the obligations of its subsidiary LV= Bonds PLC in respect of the Subordinated Notes (see note 21).

## 37. Commitments

### Accounting for assets held under leases

Where assets are financed by leasing arrangements and the risks and rewards are substantially transferred to the Group, such finance leases are treated as if the assets had been purchased outright and the corresponding liability to the lessor is included as an obligation in Other creditors (see Note 27). The liability is based on the present value of the minimum lease payments at the inception of the lease. Depreciation on leased assets is charged to the Statement of Comprehensive Income on a straight-line basis over the lower of the term of the lease or its estimated useful life. The capital element on finance leases is included as a Land and buildings asset on the Balance sheet.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Statement of Comprehensive Income within Other technical charges.

All other leases are operating leases and the costs in respect of operating leases are charged on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent free periods) is recognised as deferred income and is released over the life of the lease.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Capital commitments	2	2	2	2
Operating lease commitments	1	1	1	1
Finance lease commitments	26	24	-	-
Other financial commitments	49	44	49	44
	<b>78</b>	<b>71</b>	<b>52</b>	<b>47</b>

### Capital commitments

Capital commitments relate to authorised and contracted commitments payable but not provided for regarding financial investments.

### Operating lease commitments

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

### Finance lease commitments

Finance lease commitments relate to a property with a remaining lease term of 15 years. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent payments. The Group's obligations under finance leases are secured by the lessor's charges over the leased assets.

	Group					
	2025			2024		
	Gross liability £m	Finance charge £m	Present value £m	Gross liability £m	Finance charge £m	Present value £m
<b>Minimum lease payments</b>						
Within one year	2	(1)	1	1	(1)	-
Between one and five years	7	(2)	5	6	(2)	4
Over five years	17	(3)	14	17	(3)	14
	<b>26</b>	<b>(6)</b>	<b>20</b>	<b>24</b>	<b>(6)</b>	<b>18</b>

### Other financial commitments

The Group has entered into several long-term contracts following service outsourcing which will end no later than 2034. These contracted commitments have not been provided for in the financial statements, except where included in expense assumptions within the long-term business provision valuation.

The Group has no material short-term lease commitments at 31 December 2025.

### 38. Related party transactions

The Company is the ultimate parent undertaking of the Group. The Group and the Company have taken advantage of the exemption in FRS 102 not to disclose related party transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. The Group and the Company have carried out the following transactions with related parties not covered by this exemption.

#### Key management compensation

Key management personnel of the Group comprise executive and non-executive directors and an additional four members of the executive team. The summary of the compensation of key management personnel in place at the balance sheet date is as follows:

	Group	
	2025 £000	2024 £000
Short-term employment benefits	4,211	4,796
Other long-term benefits	1,059	113
Post-employment benefits	117	-
Total compensation of key management personnel	5,387	4,909

The aggregate premiums payable for the year by the key management personnel in respect of the Group's products was £100k (2024: £nil).

### 39. Subsequent events

There are no subsequent events that require disclosure.

### 40. Solvency and Financial Condition Report

The Solvency and Financial Condition Report of the Group and the Company as at 31 December 2025 will be available on LV.com after it has been submitted to the Prudential Regulation Authority or on request from the Group Company Secretary, County Gates, Bournemouth, BH1 2NF.

### 41. Company information

Liverpool Victoria Financial Services Limited is a private company limited by guarantee registered under the Companies Act 2006.

LV= and Liverpool Victoria are trademarks of Liverpool Victoria Financial Services Limited. LV= and LV= Liverpool Victoria are trading styles of the Liverpool Victoria group of companies. Liverpool Victoria Financial Services Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority and is a member of the Association of British Insurers (ABI), the Association of Financial Mutuals (AFM) and the International Cooperative and Mutual Insurance Federation (ICMIF).

Registered office:

County Gates  
Bournemouth  
BH1 2NF



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