

SCOTTISH  WIDOWS

LLOYDS
BANKING
GROUP



Scottish Widows Europe

**Solvency and Financial
Condition Report**

31 December 2025

SCOTTISH WIDOWS EUROPE

Statement of Directors' Responsibilities

This Solvency and Financial Condition Report ("SFCR") presents information in the format prescribed by the applicable Solvency II European regulations and guidelines. It includes disclosures in relation to business performance, governance, risk profile, solvency and capital management.

In doing so it sets out the financial position of Scottish Widows Europe (SWE), a Luxembourg life insurance company.

The Directors are responsible for preparing this SFCR in accordance with the Solvency II European regulations and guidelines.

Each of the Directors, confirm that, to the best of their knowledge:

- throughout the reporting period in question, SWE continuously complied in all material respects with the requirements of the Solvency II regulations as applicable and
- it is reasonable to believe that, at the date of the publication of the SFCR, the Company continues to comply and will continue so to comply in future.

On behalf of the Board: Frédéric Chandelle,
SWE Chief Risk Officer and Chief Actuary, 08 April 2026

SCOTTISH WIDOWS EUROPE

TABLE OF CONTENTS

Summary	6
Background	6
Business and performance.....	6
System of governance	7
Risk profile.....	7
Valuation for solvency purposes	8
Capital management.....	9
A. Business and performance.....	10
A.1 Business	10
A.1.1 Name and legal form of the undertaking.....	10
A.1.2 Supervision.....	10
A.1.3 External Auditors.....	10
A.1.4 Shareholders and Legal Structures.....	10
A.1.6 Material lines of business and geographical operation areas.....	11
A.1.7 Significant post 2025 business or other events with material impacts	11
A.2 Underwriting performance.....	12
A.3 Investment performance.....	13
A.4 Performance of other activities.....	13
A.5 Any other information	13
B. System of governance.....	14
B.1 General information on the system of governance	14
B.1.1 Governance overview	14
B.1.2 Changes in the system of governance over the reporting period	17
B.1.3 Remuneration policy.....	17
B.1.4 Material transactions.....	17
B.2 Fit and proper requirements.....	18
B.2.1 Requirements applicable to Board Members, Key Function Holders (KFH) and MC Members.....	18
B.2.2 “Fit and Proper” Continuous Assessment Process	19
B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA).....	20
B.3.1 Risk Management System (Framework).....	20
B.3.2 Risk Management function	21
B.3.3 Governance over the Standard Formula Model.....	22
B.3.4 Own Risk and Solvency Assessment (‘ORSA’).....	22
B.4 Internal control system.....	24
B.4.1 Internal control system	24

SCOTTISH WIDOWS EUROPE

B.4.2 Compliance function	24
B.5 Internal Audit function.....	26
B.5.1 Overview.....	26
B.5.2 Conflict of interest	27
B.6 Actuarial function.....	28
B.7 Outsourcing.....	28
B.8 Any other information	30
C. Risk profile.....	31
C.1 Underwriting risk.....	31
C.1.1 Risk measurement.....	31
C.1.2 Risk exposure.....	31
C.1.3 Risk mitigation.....	32
C.2 Market risk.....	32
C.2.1 Risk measurement.....	33
C.2.2 Risk exposure	33
C.2.3 Risk mitigation	34
C.3 Credit risk.....	34
C.3.1 Risk measurement.....	34
C.3.2 Risk exposure.....	34
C.3.3 Risk mitigation.....	35
C.4 Liquidity risk.....	35
C.4.1 Risk measurement	35
C.4.2 Risk exposure.....	35
C.4.3 Risk mitigation.....	35
C.4.4 Expected Profit Included in Future Premiums ('EPIFP').....	36
C.5 Operational risk.....	36
C.5.1 Risk Measurement.....	37
C.5.2 Risk Exposure.....	37
C.5.3 Risk Mitigation and Monitoring.....	37
C.6 Other Material Risks	38
C.7 Any other material information.....	38
C.7.1 Prudent Person Principle.....	38
C.7.2 Stress Testing	38
D. Valuation for solvency purposes.....	39
D.1 Assets.....	39
D.1.3 Variation from values assigned in the financial statements.....	41
D.1.4 Changes to the basis of recognition or valuation of assets during the reporting period	41
D.2 Technical provisions.....	41

SCOTTISH WIDOWS EUROPE

D.2.1 Valuation Methodology.....	41
D.2.2 Key assumptions in deriving the technical provisions for Life business.....	42
D.2.3 Matching adjustment.....	43
D.2.4 Volatility adjustment.....	43
D.2.5 Transitional Risk-Free Interest Rate.....	43
D.2.6 Simplifications.....	43
D.2.7 Uncertainty.....	44
D.2.8 Material differences between LUX GAAP and Solvency II.....	44
D.3 Other Liabilities.....	45
D.3.2 Variation from values assigned in the financial statements.....	47
D.4 Alternative methods for valuation.....	47
D.5 Any other material information.....	48
E. Capital Management.....	49
E.1 Own funds.....	49
E.1.1 Own Funds Components: nature, amount and quality.....	49
E.1.2 Eligible Amount of Own Funds to cover the SCR classified by Tier.....	50
E.1.3 Eligible Amount of Own Funds to cover the MCR classified by Tier.....	51
E.1.4 Material differences between Equity (as shown in the Financial Statements) and the Excess of Assets over Liabilities (as calculated for Solvency Purposes).....	51
E.2 Solvency Capital Requirement and Minimum Capital Requirement.....	52
E.2.1 Solvency Capital Requirement ('SCR').....	52
E.2.2 Minimum Capital Requirement ('MCR').....	52
E.2.3 Material changes.....	53
E.2.4 Loss Absorbing Capacity of Deferred Taxes.....	53
E.3 Use of the duration-based equity risk sub-module.....	53
E.4 Differences standard formula / internal model.....	53
E.5 Non-compliance with the MCR / SCR.....	53
E.6 Any other information.....	53
E.6.1 Capital Roll-Forward.....	53
E.6.2 Others.....	54
List of Appendices.....	55
Appendix I: Abbreviations List.....	56
Appendix II: Quantitative Reporting Templates- Year-End 2025.....	57

SCOTTISH WIDOWS EUROPE

SUMMARY

BACKGROUND

This Solvency and Financial Condition Report (“SFCR”) is presented in the format required under the Solvency II regulatory framework and its associated European guidelines. It has been prepared to inform the Company’s clients and any other stakeholders with an interest in the Company’s solvency and financial position.

In line with Solvency II requirements, the report follows a consistent structure outlining the Company’s Business and Performance, Governance System, Risk Profile, Solvency II Valuation, and Capital Management. It provides comprehensive details on the Solvency II balance sheet as at 31 December 2025, together with the corresponding capital position. These results are also summarised within the Quantitative Reporting Templates (“QRTs”) included in the appendix.

Ultimate accountability for the contents of this report rests with Scottish Widows Europe’s Board of Directors, supported by the governance and control functions established to oversee and manage the Company’s operations.

BUSINESS AND PERFORMANCE

Scottish Widows Europe S.A. (“the Company” or “SWE”) is a life insurance company incorporated in the Grand Duchy of Luxembourg. SWE was set up to allow continued servicing of Scottish Widows Limited (SWL)’s European policies following the United Kingdom’s exit from the European Union.

SWL is a subsidiary of Scottish Widows Group Limited (‘SWG’), itself part of Lloyds Banking Group plc (‘LBG’). LBG, SWE’s ultimate parent company, is a company registered in the UK and is quoted on the London Stock Exchange and the New York Stock Exchange. LBG is one of the largest companies in the FTSE 100 index of leading UK companies.

SWE’s only business is the run-off of the insurance portfolio transferred from SWL and currently the Company is not seeking new business. It manages a mix of with-profit and unit-linked bonds, endowments, deferred annuities and pensions products that have been sold in and/or from Germany, Austria, Italy and Luxembourg.

Despite current economic uncertainties, SWE keeps displaying strong solvency ratios, thanks among other elements to its hedging strategy and largely reinsured company, heavily collateralised.

SWE’s strategy is to support the needs and legitimate expectations of its customers, while delivering long-term and sustainable returns, to create value for its shareholders. Its strategy is supported by financial targets, setting how sustainable financial returns will be created without excessive risk taking and value delivered.

In 2025, SWE delivered a significantly improved financial performance, reflecting the benefits of the major operational transformations achieved over the previous years. The migration to a single modern administration platform, the centralisation of activities in Luxembourg, and the simplification of the operating model created a more efficient and stable cost base. At the same time, favourable market conditions supported strong investment performance, contributing to the turnaround from prior-year losses to a solid profit in 2025. Together, these developments demonstrate the positive impact of SWE’s strategic actions on its overall financial position.

More information on Business and Performance can be found in Section A of this report.

SCOTTISH WIDOWS EUROPE

SYSTEM OF GOVERNANCE

This section of the report provides information on the overall governance and organisational structure of the Company. Detailing the responsibilities and authority of the members of the Board and Committees. SWE follows the principles, policies, procedures and processes of LBG and adapts them, if necessary, to the specific needs of Luxembourg and European legislation.

The Company's governance framework ensures that SWE is managed responsibly, transparently and in the best interests of its policyholders, with clear structures that define decision-making, risk oversight and regulatory compliance.

The Board of Directors, composed of four members (one executive and three non-executives, including two independents), holds ultimate responsibility for overseeing the Company. The Chair leads the Board and ensures effective functioning while decisions remain collective. Supporting the Board, the Audit Committee, made up exclusively of non-executive directors, oversees the financial reporting integrity, the effectiveness of internal controls and the independence of external auditors.

Day-to-day management is the responsibility of the Chief Executive Officer (CEO), executive member of the Board of Directors, who ensures the business operates in line with Luxembourg regulatory expectations. The CEO is supported by the Management Committee, a group of senior executives responsible for operations, finance, actuarial, legal, compliance, product oversight and risk, ensuring coordination and sound execution across the business.

In addition, SWE relies on four Solvency II key functions, which provide independent oversight and have direct access to the Board.

- The Compliance Function ensures adherence to regulatory obligations, including financial crime requirements.
- The Actuarial Function, led by the Chief Actuary, reviews the adequacy of technical provisions, underwriting and reinsurance arrangements.
- The Risk Management Function, led by the Chief Risk Officer, monitors all significant risks and leads the annual Own Risk and Solvency Assessment (ORSA).
- The Internal Audit Function operates independently to assess whether controls and governance processes are working effectively.

A key part of this structure is the Risk Management Framework (RMF), aligned with LBG's approach but enhanced to meet EU and Luxembourg rules, including digital-operational requirements like DORA. The RMF provides a systematic way for SWE to identify, assess, monitor and manage all material risks, supporting safe operations, regulatory compliance and the protection of customers and financial strength.

Together, these elements form a robust governance system built on accountability, oversight and effective risk management, ensuring SWE is run soundly and continues to safeguard the interests of customers and stakeholders.

The reader is invited to refer to section B of this report for more detailed information on SWE's governance system.

RISK PROFILE

Section C describes the risk profile of SWE, with detailed information on the regulatory capital held for each category of risk, including market risk, underwriting risk and operational risk. SWE uses the Standard Formula as defined in the Solvency II framework.

SCOTTISH WIDOWS EUROPE

SWE predominantly manage a portfolio of unitised with profit (UWP) and unit-linked (UL) contracts. Most of the financial guarantees arising from UWP products are fully reinsured and collateralised by the parent company SWL. Any material death cover above a predefined level is fully reinsured. As a result, SWE has no material direct exposure to equity risk or mortality risk arising from the structure of these products.

The principal financial risks to which SWE may be exposed are equity, inflation, and interest rate risks. Equity risk arises indirectly, as charges are calculated as a percentage of funds under management and therefore influence income levels. To mitigate part of this financial exposure, SWE has implemented a hedging strategy focused on interest rate and inflation risks, which are key drivers of future fee income and capital volatility.

SWE's counterparty risk relates to exposure to banks through cash holdings and SWL defaulting. SWE's Credit risk is assessed using the Standard Formula SCR. Due to the reinsurance arrangement with SWL being heavily collateralised, the Standard Formula clearly overestimates SWE's actual exposure to credit risk.

The remaining exposure to lapses and other behavioural risks continues to contribute to the level of capital charges under the Standard Formula. Liquidity risk is actively managed and monitored to ensure that SWE has sufficient liquidity to meet its obligations and remains within approved risk appetite.

SWE is also exposed to losses arising from operational events, which may, in severe cases, create cash strain. Operational risk is monitored and mitigated through SWE's Risk Management Framework (RMF) and the ORSA process, ensuring appropriate controls, monitoring, and forward-looking assessment.

The report summarises the components of SWE's risk profile that drive the level of SCR produced under the Standard Formula of the Solvency II regime.

More information on the risk profile can be found in Section C of this report.

VALUATION FOR SOLVENCY PURPOSES

This section of the report explains the valuation principles underpinning the Solvency II balance sheet. It provides quantitative information regarding the value of assets and liabilities held at the reference date of this report and also provides information on how those asset and liability values have been calculated.

A summary of the Company Assets and Liabilities are shown below:

€	31/12/2024	31/12/2025
Assets	3,793,907,208	3,830,764,211
Total Technical Provisions	1,873,929,279	1,876,123,079
Other Liabilities	1,747,075,903	1,774,672,561
Excess of Assets over Liabilities	172,902,025	179,968,571

Assets and liabilities continue to be recorded at fair value in line with the valuation methodology described in the Solvency II Directive and its implementing measures, more particularly the delegated regulation 2015/35.

More information on these figures and their evolution over time can be found in Section D of this report.

SCOTTISH WIDOWS EUROPE

CAPITAL MANAGEMENT

Section E provides information on SWE's Own funds and capital positions.

SWE's two most important objectives about Capital management are:

- To have sufficient Own Funds to safeguard the Company's ability to continue ensuring the orderly run-off of the transferred portfolio, providing benefits to policyholders as they fall due, so that it can continue to provide returns for the shareholder and benefits for other stakeholders.
- To comply with all regulatory capital requirements as set out under Solvency II.

The regulatory SCR for SWE has been determined using the Standard Formula approach set out in the Solvency II Directive and its implementing measures.

SWE is also required to calculate a Minimum Capital Requirement ('MCR'). The MCR represents the minimum level below which the amount of financial resources may not fall.

It is calculated in accordance with a formula prescribed in the Solvency II regulations and is subject to a floor and a cap equal to 25% and 45% of the SCR respectively.

The eligible Own Funds, SCR and MCR for SWE as at 31 December 2024 and 2025 are shown in the tables below.

€	31/12/2024	31/12/2025
Eligible Own Funds to cover SCR	172,902,025	179,968,571
SCR	96,949,985	91,682,087
Ratio of Eligible Own Funds to SCR	178%	196%

The company keeps maintaining in 2024 and 2025 solvency ratios significantly in excess of 100%.

More information regarding Own Funds, SCR and MCR components can be found in Section E of this report.

SCOTTISH WIDOWS EUROPE

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Name and legal form of the undertaking

Scottish Widows Europe S.A (“the Company” or “SWE”) is a life insurance company incorporated in the Grand Duchy of Luxembourg, with its registered office at 2, rue Albert Borschette, L-1246 Luxembourg

SWE is a life insurance entity governed by Luxembourg law, incorporated on 19 October 2018 under the form of a public limited liability company (*société anonyme*).

On 1 February 2019, SWE received approval from the Luxembourg Minister of Finance

- to act as a life insurance company, and
- to conduct Class I and III life insurance business.

In practice, it may be considered that SWE began its activities on 29 March 2019, the date from which the Company manages the run-off portfolio transferred from SWL, its sole shareholder (see below).

A.1.2 Supervision

The Commissariat aux Assurances (CAA) is the supervisory authority in Luxembourg. The CAA can be contacted at the following web address: <https://www.caa.lu/>

A.1.3 External Auditors

The independent external auditor of the Company is Deloitte Audit, 20 Boulevard de Kockelscheuer, L-1821, Grand Duchy of Luxembourg

The Group external auditor and its regulated insurance subsidiaries, including SWL, is Deloitte. It can be contacted on : 1 New Street Square, London EC4A 3HQ, United Kingdom

A.1.4 Shareholders and Legal Structures

SWE is a subsidiary of Scottish Widows Limited (SWL), its immediate parent company and only shareholder. Its product range includes life assurance and pensions.

SWL is a limited company incorporated and existing under the laws of England and Wales, registered with Companies House Registrar of Companies for England and Wales under number 03196171. It has its registered office at 25 Gresham Street, London, EC2V 7HN, United Kingdom.

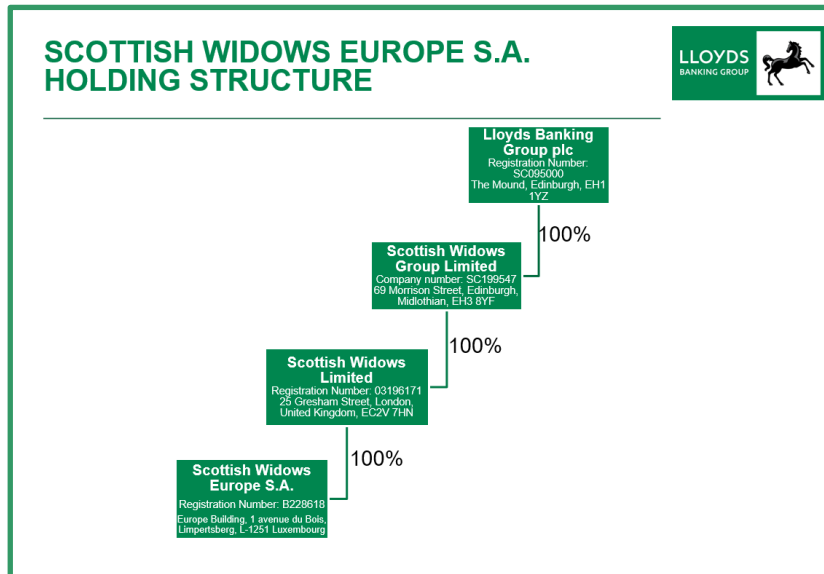
SWL is a subsidiary of Scottish Widows Group (SWG), itself part of Lloyds Banking Group plc (‘LBG’). SWE, SWL and SWG form part of the LBG Insurance, Pensions & Investments (IP&I) business unit.

LBG plc, SWE’s ultimate parent company, is a company registered in the UK and is quoted on both The London Stock Exchange, and The New York Stock Exchange and is one of the largest companies in the FTSE 100 index of leading UK companies.

For the purposes of this report, the ultimate parent company and all its subsidiaries are referred to as “Lloyds Banking Group”, the “LBG Group” or “LBG”.

The Company's shareholding structure as at 31/12/2025 is as follows:

SCOTTISH WIDOWS EUROPE



A.1.6 Material lines of business and geographical operation areas

SWE has a mix of unitised with-profit (UWP) and unit-linked (UL) endowments, pensions and deferred annuities that, for the most important part, have been sold in Germany, Austria and a smaller part, in Italy and from Luxembourg. There is also a small but increasing number of vested with-profit annuities as deferred annuities and pension policies reach maturity.

UWP policies invest in the Clerical Medical With-Profits fund of SWL via a reinsurance agreement between SWE and SWL.

A.1.7 Significant post 2025 business or other events with material impacts

On 17 February 2026, Chesnara plc, a UK-based company, announced that they had reached an agreement with SWL and LBG for the acquisition of 100% of the issued share capital of SWE. Completion of the acquisition is subject to formal regulatory approval and is expected to be effective by yearend 2026.

SCOTTISH WIDOWS EUROPE

A.2 UNDERWRITING PERFORMANCE

The table below provides a summarised profit and loss account for the financial reporting periods 2024 and 2025. The detailed figures are available in SWE's 2025 financial statements.

Underwriting performance (€)	2024	2025
1. Earned premiums, net of reinsurance	18,603,983	16,981,222
2. Investment Income	97,632,059	68,483,064
3. Unrealized gains on investments	98,651,733	184,843,930
4. Other Technical income, net of reinsurance	44,992,953	35,564,539
5. Claims incurred, net of reinsurance	(25,926,098)	(27,080,091)
6. Change in other technical provisions, net of reinsurance	(19,310,607)	57,933,055
7. Bonuses and rebates, net of reinsurance	0	0
8. Net operating expenses	(46,525,502)	(39,020,345)
9. Investment charges	(140,079,926)	(198,240,020)
10. Unrealized losses on investments	(40,249,458)	(57,875,207)
11. Other technical charges, net of reinsurance	(26,553,902)	(16,881,372)
12. Allocated investment return transferred to the non-technical account (-)	(143,621)	(301,727)
13. Sub-total: Balance on the technical account life assurance business	(38,908,386)	24,407,048

SWE manages a portfolio in run-off. As such the only premiums collected and commission paid during this two-year period are related to existing contracts.

Total turnover for the year was € 60,520,985 (2024: € 78,435,022), of which € 49,377,343 was UWP business (2024: € 66,555,988) and € 11,143,642 was UL (2024: € 11,879,034).

During 2025, SWE's underwriting performance was shaped by significant strategic investments and one-off operational changes. The migration of the three historical portfolios to a single administration platform and the centralisation of all activities in Luxembourg generated substantial project-related costs, contributing to losses in 2024, before performance returned to profit in 2025 once project delivery was completed.

In parallel, strengthened expense provisions linked to the run-off profile and the transition to the new cost model had a material negative impact on results. Positive market conditions partly offset these effects, with interest rates, inflation and equity movements contributing favourably over the period.

Additional drivers included modelling changes, model refinements, non-economic experience variances (lapsation, mortality and other items), and one-off adjustments linked to the system migration. Overall, these factors collectively explain the year-on-year fluctuations in underwriting performance during the period.

SCOTTISH WIDOWS EUROPE

A.3 INVESTMENT PERFORMANCE

The Company delegates the active management of the investment portfolio to SWL.

As at 31/12/2025, invested assets are compound of mainly investment funds (€ 1,747 m), bonds (€ 48 m), derivatives (€ 53 m) and cash (€ 165 m). As such, all investment income and expenses can be allocated to one class of asset (mutual funds).

€	2024	2025
Income from other investments	7,434,021	7,006,109
Realised gains on the sale of investments	84,158,679	61,476,955
Unrealised gains on fair value investments	104,045,434	184,843,930
Total Investment Income	195,638,134	253,326,994
Investment management charges	106,553,642	162,921,574
Realised losses on the sale of investments	33,790,184	35,318,446
Unrealised losses on fair value investments	39,603,800	57,875,207
Total Investment Charges	179,947,626	256,115,227
Net Investment result	15,690,508	(2,788,233)

Total investment management charges for 2025 amount to € 198,240,020 (2024: € 140,079,926), of which € 158,465,012 was interest charges on reinsurer deposits (Funds Withheld) (2024: € 102,227,020).

Of the investment income attributable to SWE, the return in 2025 was 0.34% (2024: 0.60%).

A.4 PERFORMANCE OF OTHER ACTIVITIES

No other material activities.

A.5 ANY OTHER INFORMATION

There are no other elements to mention. (Regulatory request)

SCOTTISH WIDOWS EUROPE

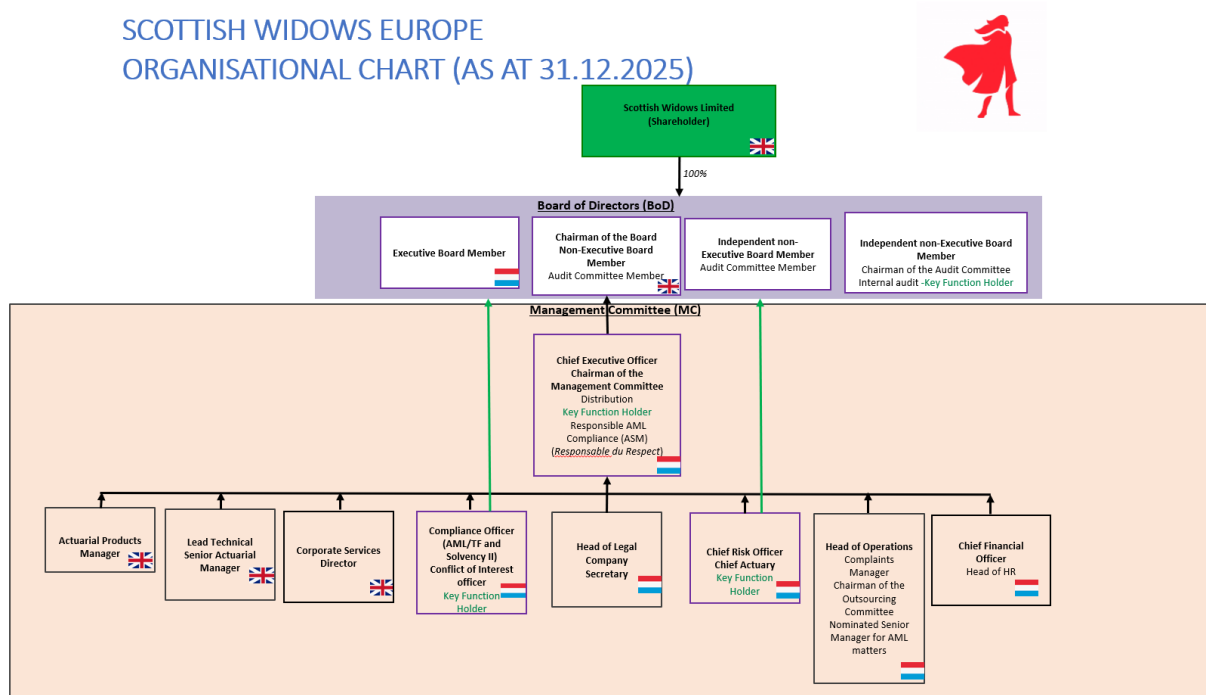
B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 Governance overview

The governance and organisational structure of the Company is set out in the Company's Articles of Association, Corporate Governance Framework and Terms of Reference. These define the responsibilities and authority of the members of the Board and Committees.

The governance structure is outlined in the diagram below:



The Board of Directors (the Board), composed of four members (one executive and three non-executives, including two independents), holds ultimate responsibility for the management of the Company in a way to achieve the Company’s purpose and in the Company’s best interests. The Board is responsible for the sound and prudent management of the Company under applicable laws and regulations and shall ensure compliance with the various Solvency II requirements.

The Chair leads the Board and ensures effective functioning while decisions remain collective. Supporting the Board, the Audit Committee, made up exclusively of non-executive directors, oversees the financial reporting integrity, the effectiveness of internal controls and the independence of external auditors.

The Board sets the Company’s strategy and ensures that the Company manages its risk effectively, monitors reports appropriately, and has the necessary financial and human resources in place for the Company to meet its objectives.

The SWE Board carries out an annual evaluation of its system of governance against relevant best practice standards to assess whether the system of governance remains adequate to the nature, scale and complexity of the risks inherent in SWE’s business.

The members of the Board are individuals with the abilities, professional background and personal character (including honesty and financial soundness) necessary and required to ensure an

SCOTTISH WIDOWS EUROPE

independent decision-making process in a critical exchange of ideas with the executive management.

The Audit Committee supports the Board by providing independent oversight of SWE's financial reporting and control environment. Its responsibilities include ensuring the integrity of the Company's financial statements and Luxembourg statutory returns, monitoring the effectiveness of internal controls over financial reporting, and overseeing the qualification, independence and performance of the external auditor. The Committee reviews key audit findings, challenges significant accounting judgements, and ensures that appropriate remediation actions are implemented. Through this oversight, the Audit Committee provides the Board with assurance that SWE's financial governance and reporting processes remain robust, transparent and aligned with regulatory expectations.

The Board of Directors further delegates authority to the SWE Management Committee, chaired by the Chief Executive Officer, comprising the Chief Risk Officer, the Chief Actuary, the Chief Financial Officer and Head of Human Resources, the Head of Legal & Company Secretariat, the Head of Compliance, the Chief Operating Officer, the Actuarial Product Manager, the Lead Technical and Senior Actuarial Manager, the Corporate Services Director, to carry out its strategy and the priorities defined by the Board. These responsibilities include, among others:

- Implementing the corporate strategy approved by the Board;
- Managing and supervising the Company's commercial, operational and financial performance;
- Developing and implementing policies, procedures and governance frameworks to support the Company's strategic objectives;
- Overseeing the Company's risk management and internal control environment;
- Leading and coordinating Human Resources planning, resource management and organisational development.

Senior Management Responsibilities

Chief Executive Officer ('CEO')

The CEO is responsible for managing the business of SWE, in accordance with the strategy and long-term objectives approved by the Board of Directors and within the parameters set out by LBG. The CEO represents the Company at the *Commissariat Aux Assurances* (CAA), is resident in Luxembourg and has been approved by the CAA.

The CEO shares their responsibility for the day-to-day management of the business through delegating elements of his authority to other Company's executives and with the assistance of the Management Committee. The CEO is the chair of the Management Committee (see below). The CEO is also acting as a key function holder for distribution and as the "Responsible for Compliance" with the Responsible for Compliance with the professional obligations relating to the fight against money laundering and terrorist financing, i.e. the accountable senior manager ("ASM") for the Company.

Chief Financial Officer ('CFO')

The CFO holds responsibility for the management of the financial resources and reporting to the Board in relation to the financial affairs. The CFO is responsible for delivering local statutory and regulatory reporting for the Company, as well as providing insightful reporting and analysis to the Management Committee, the Board, the CEO and internal LBG stakeholders (Group finance and commercial teams based in the UK).

The CFO is a direct report of the CEO and also has a dotted line to the I,P&I Chief Financial Officer. He is a member of the Management Committee and is invited as a regular attendee to the Board and the Audit Committee.

SCOTTISH WIDOWS EUROPE

Head of Legal and Company Secretariat

The Head of Legal and the Company Secretary acts as an internal legal advisor as well as providing insightful reporting and analysis to the Management Committee, the Board, the CEO and internal LBG stakeholders (IP&I Head of Legal based in the UK).

The Head Of Legal (HoL) is a direct report of the CEO and also has a dotted line to the I,P&I Head of Legal. HoL is a member of the Management Committee and a regular attendee of the Board and the Audit Committee.

Head of Operations

The COO is responsible for overseeing SWE's core operational activities, ensuring that policy administration, customer servicing and outsourced arrangements operate effectively and in line with the Company's governance and regulatory requirements. The role ensures operational efficiency, service quality and a robust control environment across all operational processes.

The COO reports directly to the CEO and is a member of the Management Committee, providing regular updates on operational performance and supporting the CEO in the day-to-day management of the business.

Solvency II key functions holders

The Board is responsible for adopting the necessary measures to implement the guidelines and policies governing the Company's key functions, and for appointing the individuals designated to represent each of these functions. It oversees and monitors the key functions to ensure they are adequately staffed with professionals who possess the appropriate qualifications, knowledge and experience to perform their duties effectively, and it retains full authority to investigate any matters falling within their respective areas of responsibility. Key function holders operate under the oversight of, and report directly to, the Board and Board Committees of the Company.

Key Function Holders are authorised to:

- obtain independent professional advice,
- request external advisors to undertake specific tasks or to obtain any information from any director, officer or employee acting on behalf of the Company, and
- secure their attendance to the relevant meetings when necessary.

In line with Solvency II requirements, the Company has implemented the four Solvency II key functions (i.e. Compliance, Actuarial, Risk Management and Internal Audit). There is a clear separation between the risk-taking and risk controlling (assurance) roles. The key functions have operational independence in performing their reporting functions with the exception of Internal Audit, which shall have complete independence in performing its reporting function.

Chief Actuary is the overall owner of the management of the Actuarial Function including but not limited to the coordination of technical provisions, monitoring the solvency position and express an opinion on the reinsurance agreements.

Chief Risk Officer is the owner of the Risk Management Function. The CRO is responsible for development and maintenance of the risk management including the development of the Company Risk Appetite, oversight of its implementation by business owners, and coordinating the overall ORSA process.

Head of Compliance is the responsible of the Compliance Function. The Compliance function is responsible for ensuring effective implementation and monitoring of compliance risks as well as for investigating potential compliance infringements.

The Internal Audit function is performed by Group Internal Audit. The Internal Audit's main task is to provide independent, objective assurance to the Board. Its goal is to perform review and consulting activities to assess the adequacy and effectiveness of the internal control environment.

SCOTTISH WIDOWS EUROPE

B.1.2 Changes in the system of governance over the reporting period

There are no material changes to report.

B.1.3 Remuneration policy

The Company applies the Lloyds Banking Group (LBG) remuneration policy, which is set at Group level by the LBG plc Remuneration Committee and applies across all subsidiaries, including the Insurance Group.

The remuneration policy is based on four core principles:

- Performance Driven – Reward should recognise collective success in delivering our purpose and strategy (aligned with the Group’s risk appetite and conduct expectations) and individual contribution to that success.
- Talent Focused – Reward should attract and retain skilled colleagues of the highest calibre across the organisation, delivering the workforce of the future.
- Values Based – Reward should be designed so that it is fair and embodies our values: People first, Inclusive, Trusted, Sustainable and Bold.
- Clear and Understood – Reward should be explained clearly and understood by colleagues, enabling increased personalisation and choice.

These principles are embedded in detailed reward policies and procedures and are designed to promote sound and effective risk management, alignment with the Group’s risk appetite, and long-term sustainable performance. Performance assessment incorporates both financial and non-financial measures, supported by a balanced scorecard approach.

Remuneration comprises fixed and variable components.

Fixed remuneration reflects the role, responsibilities and experience of the employee and includes salary and benefits. The Group adopts a median-based pay strategy, which takes into account pay levels at other major financial institutions, comparable listed companies, competitors for key talent outside financial services (e.g., technology sector) and, where appropriate, sector specific benchmarks which reflect specialised business areas e.g., Insurance, Asset Management and Corporate and Investment Banking.

Variable remuneration is linked to individual, business area and Group performance, with appropriate balance maintained between fixed and variable elements.

The primary variable remuneration arrangement is the Group Performance Share (GPS) Plan, which applies to most employees. Awards under the GPS Plan are based on risk-adjusted performance outcomes and are delivered through a combination of cash and shares, with deferral and holding periods applied where required. Variable remuneration outcomes are subject to risk and performance assessment to ensure alignment with prudent risk-taking and effective governance.

B.1.4 Material transactions

Material transactions are limited to interactions with the parent company of SWE (SWL and LBG).

Transactions between the SWE and its immediate parent shareholder, SWL

Balance sheet positions and transactions

SCOTTISH WIDOWS EUROPE

In relation to financing activities with SWL

€	Called-up Share Capital	Share Premium Account
Balance at 31 December 2019	6,000,000	175,000,000
Capital injection - December 2020	0	30,000,000
Balance at 31 December 2020	6,000,000	205,000,000
Capital movements in 2021-2025	0	0
Balance at 31 December 2025	6,000,000	205,000,000

In relation to the transfer of life insurance business to SWE and reinsurance back to SWL
The balances and transactions in respect of reinsurance back to SWL, as detailed in Section D.3.1 were as follows:

Amounts in €	Balances at	31/12/2024	31/12/2025	Counterparty
Reinsurers Share of Technical Provisions (-> Asset)		1,465,069,115	1,500,497,441	SWL
Funds Withheld (-> Liability)		1,437,267,205	1,496,246,120	SWL

During the reporting periods:

- SWE recognised
 - reinsurance premiums payable to SWL of € 45.6 million (2024: € 59.8 millions) and
 - reinsurance claims recoverable from SWL of € 155.6 million (2024: € 194.0 million)
- SWL
 - credited SWE Annual Management Charges (AMC's) of € 26.8 million (2024: € 17.2 million) and
 - recharged SWE Investment Management expenses of € 0.3 million (2024: € 0.3 million).

In relation to Policyholder Claims/Rectifications

During the reporting periods, SWE recharged SWL € 9,322,675 (2024: € 8,977,926) in respect of indemnified pre-transfer policy rectifications.

In relation to Dividends

No dividends were paid during the financial reporting periods

Transactions occurring between SWE and other LBG entities

Scottish Widows Services Limited ('SWSL'), a fellow subsidiary of LBG, is the Insurance Group's service company and as such recharges employee, pension and overhead costs to the other Insurance Group entities.

During the 2025 reporting period Scottish Widows Services Limited (SWSL) charged SWE expenses of € 7,031,475 (2024: € 15,748,671) excluding local VAT.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 Requirements applicable to Board Members, Key Function Holders (KFH) and MC Members

The Company's compliance with fit and proper requirements is assured through a combination of policies and related procedures at both LBG Group and Company level.

In particular, the Company follows:

- Strict Fit & Proper principles and criteria, in conformity with Solvency II and Group requirements, defined in SWE's "Corporate Governance Framework",

SCOTTISH WIDOWS EUROPE

- the Company’s Colleague Policy and special procedures related to appointments of Board and Management Committee Members,
- CEO, Key Function Holders and MC Members performance reviews and training.

A set of tools and templates facilitate the implementation of these policies, which collectively ensure that those who effectively run the undertaking or have other key functions

- are of good repute and integrity,
- possess the requisite skills, knowledge and expertise for their roles and
- have undergone or are undergoing all training required to enable such persons to perform their role effectively.

B.2.2 “Fit and Proper” Continuous Assessment Process

Compliance of the Board, Management Committee, Key Function Holders and MC Members with Fit & Proper requirements is reviewed at various stages, as shown in the table on the next page

Stage	Activities
Initial assessment	<p>The Company has adopted specific policies and standards describing the appointment process and the skill/experience required.</p> <p>The Company screens nominees upfront (e.g. CV, passport, criminal records, non-bankruptcy check) and uses the LBG Group approval process and fitness and propriety assessment including pre-recruitment vetting.</p>
Induction	Newly appointed members receive an induction package covering a range of Group/Company topics.
Training	<p>Training sessions are offered during the year and often integrated in the agenda of regular Board meetings, which are scheduled on a quarterly basis.</p> <p>All relevant colleagues must undertake relevant annual mandatory training, including where applicable Codes of Responsibility, Financial Crime, Market Abuse, Data Protection, Cybersecurity, Professional Secrecy, Internal Escalation and Conflicts of Interests, to ensure familiarity with their obligations.</p>
Collective Assessment	<p>A formal performance review of the Board and the Management Committee is conducted annually during a private session. Board/Management Committee members individually prepare the review with a self-assessment questionnaire and checklist, which specifically refers to Fit& Proper requirements.</p> <p>Gaps and action items (e.g. training needs, suggested changes to board committees) are documented for follow-up.</p> <p>The composition of the Board and the Management Committee is reviewed regularly. Board and Management Members must collectively possess and maintain appropriate qualification, experience and knowledge (in order to meet relevant legal and business requirements) about at least</p> <ul style="list-style-type: none"> • Insurance and financial markets • Business strategy and business model • System of governance • Finance and actuarial analysis • Regulatory framework and requirements
Ongoing and ad-hoc assessment	<p>All individuals subject to Fit & Proper requirements have to complete ad-hoc assessment to confirm that it holds the required skills to fulfil his position.</p> <p>Re-assessments are performed if</p> <ol style="list-style-type: none"> a) additional responsibilities are assigned to a concerned individual, b) if concerned individuals become aware that they no longer meet the Company’s fit and proper criteria, or c) if the performance or the behaviour of a concerned individual raises serious doubts about this person meeting the fit and proper criteria.

SCOTTISH WIDOWS EUROPE

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

B.3.1 Risk Management System (Framework)

Scottish Widows Europe (SWE) has established a comprehensive Risk Management Framework (RMF) that defines how the company identifies, assesses, manages and oversees all the material risks it faces. The framework aligns with Lloyds Banking Group's (LBG) Group RMF but is tailored to SWE's specific legal and regulatory environment in Luxembourg and the EU. It sets out the principles, roles, structures and processes needed to ensure that risks are managed consistently and prudently across all parts of the organisation, including outsourced activities.

The purpose of the RMF is to ensure that SWE supports its strategic objectives while maintaining a strong risk culture, protecting customers, and safeguarding the company's financial soundness. The framework is reviewed at least annually by the SWE Board as part of the ORSA process, with detailed design and maintenance led by the Chief Risk Officer (CRO). It applies across the entire organisation and is built on the principle that everyone at SWE shares responsibility for managing risk in their daily activities.

To provide structure and clarity, the RMF is organised into seven components. These cover SWE's strategy, culture, governance, risk oversight model, the mandate of the risk function, the organisation's risk appetite, and the architecture used to classify, control and report risks. Together, these components form a coherent and integrated system that enables SWE to make informed decisions, operate within its approved risk tolerance, and meet all regulatory expectations.

SWE Strategy and Risk Management Strategy

This component links the company's purpose and business strategy to its approach to managing risk. SWE seeks to serve customers and deliver sustainable returns while understanding the risks arising from its environment. The Risk Management Strategy ensures that the company has suitable capabilities and oversight in place to manage all material risks within the agreed risk appetite.

Culture, Values and Behaviours

Risk management at SWE is supported by a strong culture aligned with Group values—People-first, Bold, Inclusive, Sustainable, and Trust. SWE emphasises ethical behaviour, accountability and proactive risk awareness. Policies such as the Code of Ethics, Conduct Standards and Speak-Up mechanisms reinforce these expectations.

Risk Governance

This component defines the decision-making structure for risk. The Board sets strategic direction and oversees risk-taking, while the SWE Management Committee (MC) supports execution and day-to-day risk oversight. Responsibilities and delegated authorities are documented in the Corporate Governance Framework, ensuring clarity, accountability and effective reporting.

Three Lines of Defence (3LoD) Model

In line with LBG and industry best practice, SWE adopts, as part of this RMF, a "Three Lines of Defence" (3LoD) model of risk governance.

- 1st Line (Operations): manages risks within their business areas, designs controls and monitors day-to-day operations.
- 2nd Line (Risk and Compliance): provides independent oversight, challenges the 1st Line, sets risk policies and monitors compliance with risk appetite.
- 3rd Line (Internal Audit): independently assesses the effectiveness of both 1st and 2nd Line controls and risk management practices.

SCOTTISH WIDOWS EUROPE

Risk Function Mandate

This defines the responsibilities of the CRO and the Compliance Officer. Together, they ensure SWE adheres to regulatory requirements, maintains a robust RMF, manages risk in line with appetite, provides oversight and guidance to the business, and coordinates key activities such as ORSA, risk reporting and policy implementation.

Risk Appetite

Risk Appetite sets boundaries on the amount and type of risk SWE is willing to take. It includes qualitative statements and quantitative metrics (limits and triggers) for each major risk category. These metrics ensure that the company operates safely and within regulatory and Group expectations. Breaches are escalated immediately, and the Board reviews the full Risk Appetite Statement annually.

Risk Architecture and Approach

This component defines the structure used to classify and manage risks. It includes the risk taxonomy (Principal, Level 2 and Level 3 risks), the requirements for risk and control assessments, and the policies, standards and guidance used to embed risk management throughout the organisation. This architecture ensures consistency, completeness and coherence in how risks are defined, measured, monitored and reported.

B.3.2 Risk Management function

The objective of the Risk Function is to provide both proactive oversight and constructive challenge to the business (i.e. management of SWE run-off portfolio), for which the SWE CRO assumes oversight responsibilities.

It also has a key role in promoting the implementation of a strategic approach to risk management through the development, implementation and maintenance of the Risk Management Framework.

Particular focus is on:

- Developing and embedding effective risk management processes;
- Risk monitoring and reporting;
- Maintenance of a constructive dialogue with the first line through provision of advice, development of common methodologies, understanding, education and training.

Chief Risk Officer: roles and responsibilities

The SWE CRO has oversight responsibilities for the SWE business across all risk types, with the support of specialist UK teams. The SWE CRO is a member of the Management Committee and is invited as a regular attendee to the Board and the Audit Committee. The SWE CRO is a direct report of the SWE CEO.

Key accountabilities of the SWE CRO are:

- Develop, implement and maintain a governance system and an effective Risk Management Framework (RMF) that
 - comply with all applicable legal-regulatory-mandatory requirements and Group's risk policies
 - meet the local regulators' requirements and expectations
 - ensure an appropriate balance between profitability and risk
 - promote the optimum use and adequacy of the Group's resources
 - enable the Board and Management to discharge their duties
- Enhance SWE's RMF to make it more efficient and proportional to SWE's risks
- Advise and recommend on Risk Appetite to the Board
- Conduct the SWE ORSA process, co-ordinate and oversee its implementation
- Maintain a constructive dialogue with the first line through provision of advice, development of common methodologies, understanding, education and training

SCOTTISH WIDOWS EUROPE

- Develop the required overseeing processes to ensure the business is managed optimally within the risk appetite constraints
- Develop the risk management and internal control systems (identify, measure, monitor, manage and report risks and their interdependencies),
- Monitor SWE risk profile and provide a regular comprehensive view of it, taking account of both current and emerging risks, as well as pending regulatory changes,
- Advise on future management actions to ensure continuous compliance with SWE's overall Risk Appetite Framework.

B.3.3 Governance over the Standard Formula Model

SWE uses the Solvency II Standard Formula to calculate the capital it must hold, and the calculation is subject to strong governance to ensure accuracy, consistency and regulatory compliance. The Standard Formula is treated as a formal model within the Group's Model Governance Framework, meaning it is documented, monitored and reviewed like any other key risk or financial model. Oversight sits with the Insurance Model Governance Committee (IMGC), which approves the policies and frameworks that govern model use and confirms the Standard Formula each year. During the reporting period, the governance arrangements remained unchanged, and the Standard Formula continued to be formally approved for SWE's use as a standalone legal entity.

To ensure the model remains reliable, the Standard Formula undergoes a structured validation process every year. Through this process, SWE ensures that its capital calculation remains robust, well-controlled and aligned with regulatory expectations.

B.3.4 Own Risk and Solvency Assessment ('ORSA')

Overview

The business objective of the ORSA is to ensure that all risks are appropriately identified, assessed, measured, monitored and managed within prescribed limits and to ensure that the organisation has sufficient capital and liquidity to meet liabilities as they become due, including under stressed conditions.

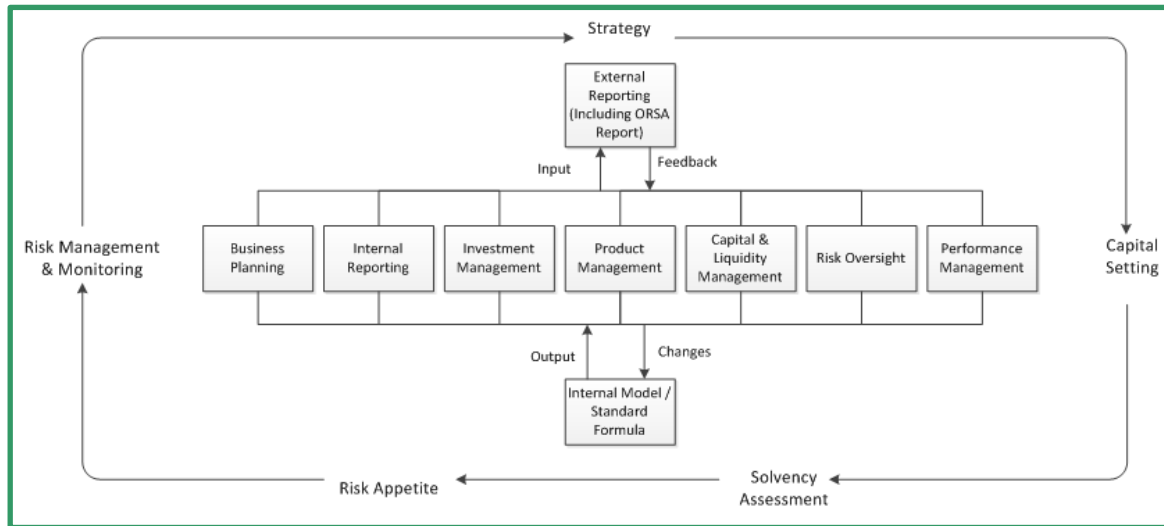
The ORSA is integrated into day-to-day management and decision-making through a defined ORSA process, which considers whether in scope activities are undertaken to the required quality and by the appropriate parties on a timely basis.

At the hub of this is the solvency assessment and the understanding of how the assessment is expected to change in both base and adverse scenarios moving forward.

Critical to a successful ongoing ORSA process is that the insights gained from one assessment inform the next process, creating a virtuous circle of improvement.

In practice, the sub-processes of the ORSA are performed by a variety of functional areas in the normal performance of their responsibilities. An overview of the ORSA process and the associated sub-processes is summarised below:

SCOTTISH WIDOWS EUROPE



The primary objective of ORSA reporting is to enable the SWE Directors and Management Committee Members to assess the overall solvency position, risk profile and risk strategy of the business, including the status of any key actions identified. This information can then be used to refine the risk and capital management strategy.

The ORSA report consolidates key data and outputs from the underlying ORSA processes and seeks to highlight areas of specific current or future concern, with recommendations for action required made where appropriate. The report highlights any key changes made to processes, issues identified and key decisions made impacting the risk and capital profile.

The SWE Board of Directors is actively involved in the ORSA process and is asked each year to approve the SWE ORSA procedure to be followed for the next ORSA exercise.

The results and conclusions of the ORSA are reported at least annually and are presented to a range of audiences for review and endorsement before going to SWE Board of Directors for approval.

The SWE CRO & Chief Actuary is responsible for overall production of SWE ORSA Report. The ultimate responsibility for the ORSA rest with the Board, which reviews and approves the results of the ORSA process at least annually.

Determination of SWE’s Overall Solvency Needs (OSN)

Scottish Widows Europe needs to maintain sufficient financial resources to:

- meet liabilities to policyholders as they fall due,
- support the ongoing operations of the business,
- meet regulatory and internal capital requirements and
- ultimately generate excess capital to fund distributions or invest in new initiatives.

As a reminder, SWE’s Overall Solvency Needs equals the sum of

- SWE’s internal (Pillar 2) SCR, which is the sum of
 - the regulatory (Pillar 1) SCR, calculated using the standard formula and
 - a capital requirement held on a voluntary basis to cover the litigation risk
- a Capital Buffer over and above this internal SCR, calculated in such a way SWE can withstand a 1-in-10-year event for its entire business (level set consistently with LBG’s Risk Appetite Framework).

SCOTTISH WIDOWS EUROPE

Climate Risk and Sustainability

Climate and Sustainability are assessed as part of the SWE's broader risk identification process. SWE is developing its sustainability strategy in line with evolving regulatory requirements, including CSRD, Solvency II, and aligns its approach with that of Lloyds Banking Group. These risks are managed through enhanced governance, compliance and change management arrangements and are integrated into the RMF.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Internal control system

Scottish Widows Europe's (SWE) internal control system is established through its Risk Management Framework (RMF). The RMF is aligned with the Group framework, adopting Group principles, policies and mechanisms, while incorporating insurance-specific controls to address SWE's regulatory and operational requirements. At its core, the RMF provides a structured approach to identifying, assessing, monitoring and managing material risks. It also defines the governance, review and assurance processes that demonstrate risks are being effectively controlled, thereby fulfilling the requirement for an internal control policy.

Risk Inventory and Identification Processes

SWE's risk identification process requires all business areas to identify and document the material risks relevant to their activities and to ensure appropriate controls are in place and operating effectively. The focus is on risks that could have a significant impact on customers, the firm's reputation, or its financial position and resources. Particular emphasis is placed on risks arising from financial, prudential and regulatory reporting, the ORSA process and governance, and compliance with LBG Risk Policies. This ensures that the risk inventory captures the most significant threats to the business and provides a clear basis for control design and ongoing oversight.

Risk Measurement, Monitoring and Reporting Processes

Identified risks are subject to ongoing measurement, monitoring and reporting to ensure that they remain within approved risk appetite. Risks are assessed both before and after the application of controls, allowing SWE to evaluate the effectiveness of those controls and identify where enhancements may be required. Assessments are regularly updated to reflect emerging risks or issues identified through monitoring activities. Quantification of risks is performed using the Standard Model, and exposures are managed in line with risk appetite limits set by the SWE Board and approved by the Insurance Board.

Risk Assurance

Risk assurance within SWE is designed to provide confidence that key risks and controls are operating effectively and that issues are identified and addressed in a timely manner. The control framework is supported by established UK processes, outsourced policy administration arrangements, and the ongoing development of SWE's operational infrastructure across Luxembourg and other European markets. Assurance is achieved through a combination of business self-assessments and independent reviews by control functions. These assessments consider regulatory findings, audit outcomes, significant or material events, and any known policy gaps or waivers. Independent audits are carried out by Group Internal Audit under an annual plan, with oversight of issues and control effectiveness maintained by the SWE Board and the wider LBG Insurance, Pensions & Investments Division.

B.4.2 Compliance function

The "Three Lines of Defence (3LoD)" model is considered as an effective organization model for managing risks within insurance companies and therefore is applied to the compliance function that is responsible for second line compliance risk management, including advising and supporting the first line in its risk owner related responsibilities and including second line monitoring.

SCOTTISH WIDOWS EUROPE

The second line compliance function (2LoD) forms an expert judgement independent from the business (the first line of defence). This independence is safeguarded by the condition that the 2LoD will have no operational involvement in day-to-day business operations and individual business decisions. Indirectly the 2LoD can be involved by means of its advising and supporting role.

The 2LoD is also subject to the review of the Internal Audit Department (third line of defence) on regular basis.

The SWE 2LoD is mandated by the SWE Board of Director to promote the integrity of the organization, its clients, its employees and the markets in which SWE operates and monitors compliance with rules, regulations and internal standards.

The aim of the 2LoD is to:

- Ensure compliance with all relevant laws, regulations, rules and professional standards, by control and a cross-border regulatory watch monitoring process;
- Assist senior management in ensuring the adherence to ethical rules;
- Identify and assess the compliance risks as described below;
- Assist senior management in the management and control of such risks;
- Report directly to senior management on material issues; and
- Inform and educate staff.

By setting up and performing an adequate compliance risk management process, the 2LoD ensures that SWE acts in line with the respective risk appetites.

In order to safeguard its independence, the 2LoD is fulfilled by a separate department under the responsibility of the Compliance Officer, who is hierarchically positioned directly under the CEO.

The SWE Compliance Charter defines the objective and scope of the 2LoD and explains the nature, position, authority, roles and responsibilities of the compliance function. The Charter is reviewed at least once a year by the Compliance Officer and is subject to the approval of the SWE Board of Directors.

The 2LoD is covering the compliance risk area that include a variety of risks such as:

- the reputational risk,
- legal and regulatory compliance risk (risk of non-compliance with laws, regulations and supervisory requirements),
- risk of dispute,
- risk of sanctions,
- other operational risk aspects, in connection with all the SWE's activities. This concerns the integrity risk (risk of non-compliance with corporate values, policy and procedure; codes of conduct; generally accepted social standards and values; financial crime risk; internal and external fraud risk).

The above compliance risks are monitored by controls on different topics as listed in the Compliance Charter:

- Anti-Money Laundering and Counter-Terrorism Financing
- Financial sanctions
- Fraud
- Complaints Handling
- Distribution network
- Conflicts of interest (including gift and hospitality)
- Fit and proper
- Remuneration policy
- Outsourcing
- Regulatory reporting
- Record keeping

SCOTTISH WIDOWS EUROPE

- Data Protection
- FATCA-CRS
- Professional secrecy
- Dormant policies
- Italian information obligations towards clients

For all these topics, a compliance risk assessment is performed and based on this risk assessment a complete compliance monitoring plan on a three-year basis is developed. The list of topic and compliance monitoring plan might be updated from time to time and following new laws and regulations.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 Overview

LBG has a Group Audit (GA) function which is the third line of defence within the Group's Risk Management Framework. As the third line of defence GA's primary role is to provide independent assurance to help the Boards and Executive Management protect the assets, reputation, and sustainability of the Group. GA does this by:

- assessing whether all significant risks are identified and reported appropriately to the Boards and Executive Management of the Group;
- assessing the design and operation of key controls to determine whether they are effective at mitigating significant risks; and
- challenging and influencing Executive Management to improve the effectiveness of governance, risk management, and internal controls, by providing assurance over the effectiveness of the first and second line of defence functions.

Where appropriate, GA may also:

- Undertake assurance projects or related engagements at the request of an Audit Committee of the Group or Executive Management;
- provide assurance to external parties including regulators and similar industry bodies;
- provide advisory services, such as : advising on the design and implementation of new policies, processes, systems and products; providing forensic services; providing training; and facilitating discussions about risks and controls. The exact nature and scope of advisory services is subject to agreement with relevant stakeholders and requires the approval of the Group CIA. Appropriate safeguards are put in place to maintain independence and objectivity.

GA is independent of the Group's operational management and has no direct operational responsibility of authority over the activities it reviews.

GA are committed to adhering to the IIA's International Professional Practices Framework (2024), which includes the GIAS. Additionally, GA operates in accordance with the CIIA Code, as well as legal and regulatory requirements and guidelines for internal audit in applicable jurisdictions.

GA receives its mandate and authority from the Group Audit Committee.

The Group Chief Internal Auditor (Group CIA) has a direct reporting line to the Chair of the Group Audit Committee and a secondary reporting line to the Group Chief Executive for administrative Purposes only (for example travel and expenses, personal account dealing requests, system access permissions and leave request approval). The Group CIA attends the Group Executive Committee and has appropriate standing and authority within the organisation.

All GA colleagues report directly or indirectly to the CIA, including the Audit Director, Insurance, Pensions & Investments. The Audit Director, Insurance, Pensions & Investments also serves as Chief Internal Auditor for Scottish Widows, reporting to the Chair of the Insurance Audit Committee as well as the Group CIA. They have a secondary reporting line to the Group Director, Insurance and Chief Executive Officer, Scottish Widows.

SCOTTISH WIDOWS EUROPE

The Audit Director, Insurance, Pensions & Investments also has a close working relationship with the Scottish Widows Europe ('SWE') Audit Director who is the SWE Key Function Holder for GA and responsible for the management of the internal audit function. The SWE Audit Director is an Independent Non-Executive Board member, who chairs and attends the SWE Audit Committee, providing a clear escalation route to the SWE Board's Chairman. Together they ensure the SWE audit plan is fit for purpose and provide regular updates on progress against this plan and other relevant audit activities to the SWE Audit Committee and SWE Board.

GA colleagues are responsible for being independent, objective, and constructive in the conduct of their work and avoiding conflicts of interest and personal, business, or other issues that may impair impartiality.

GA colleagues are required to conform with Domain II: Ethics and Professionalism within the GIAS which outlines the behavioural expectations for professional internal auditors as well as the Group's Code of Ethics and Responsibility.

The scope and frequency of GA's work is unrestricted and based on GA's independent assessment of the key risks faced by the Group and how effectively these risks are being managed. Audit Directors or Heads of Audit who are CIAs of subgroups and subsidiaries report directly/indirectly to the Group CIA, in addition to any required reporting line to the governance structure of the subgroup/subsidiary.

The Audit Director, Insurance, Pensions & Investments attends the SWE Audit Committee and SWE Board.

GA has a full, free, and unrestricted right of access to all of the Group's data, records, personnel, fora, property, and management information, necessary to fulfil its mandate. This is considered to give a right to audit over the whole Group. Furthermore the Board expects management to support GA to achieve its purpose.

Furthermore, Audit Committee responsibilities are reflected within the individual Audit Committee Terms of Reference. The Group Audit Committee is responsible for ensuring that GA has the necessary resources and access to information to enable it to perform its mandate; and obtaining an independent external assessment of the GA function in line with the CIIA standards, at least once every five years.

The Group Audit Committee oversee the relationship with the Group's external auditors.

B.5.2 Conflict of interest

In discharging any part of its mandate, GA avoids conflicts of interest and any other activity that could possibly threaten the independence, objectivity, integrity, confidentiality or reputation of GA. Professional standards require GA to take reasonable steps to identify circumstances that could pose a conflict of interest, and apply appropriate safeguards to eliminate threats or reduce them to an acceptable level.

With respect to conflicts of interest, it is each individual's responsibility to identify / consider if a situation creates either an actual or potential conflict of interest. Colleagues should disclose any threats to independence or objectivity that arise immediately to their line manager who must then decide and note any remedial action that is necessary to address this threat.

In addition, the GA Risk team in the Chief Operating Office ('COO') maintain the "Confirmation of Independence" process that all colleagues must complete when they join GA, experience a significant change in circumstances and annually. Responses are automatically sent to the colleague's line manager for 1st review and to add remedial actions if required.

SCOTTISH WIDOWS EUROPE

It then receives a 2nd review & approval by the first approver's line manager to conclude and confirm they are comfortable with the remedial action. For any Audit Director threats, the CIA will conclude and confirm they are comfortable with any remedial actions. In many cases, GA can safeguard any threat or perceived threat to independence by, for example, segregation of duties, increased oversight or restrictions in undertaking audits in certain areas.

B.6 ACTUARIAL FUNCTION

In accordance with Solvency II requirements, Scottish Widows Europe ("SWE") maintains an Actuarial Function led by the Chief Actuary. The Chief Actuary provides an independent opinion on the adequacy of technical provisions, underwriting and pricing policy, and reinsurance arrangements. This opinion is formally documented in the annual Actuarial Function Report, which is submitted to the Board. In the most recent report, the Chief Actuary confirmed that SWE's technical provisions are adequate and compliant with Solvency II requirements, underwriting and pricing are fair and prudent, reinsurance and hedging arrangements are appropriate, and that the Actuarial Function makes an effective contribution to SWE's overall Risk Management System.

The Actuarial Function, with support from Group and Insurance, Pensions & Investment colleagues, is responsible for:

- Recommending to the Board the methodologies and assumptions used to calculate technical provisions;
- Performing independent validation of actuarial models used in the calculation of technical provisions and risk exposures;
- Providing an annual opinion to the Board on the adequacy of technical provisions, taking into account:
 - the appropriateness of methodologies and assumptions,
 - the reliability of models,
 - the quality and sufficiency of data,
 - sensitivity to changes in assumptions, and
 - analysis of actual versus expected experience (back-testing);
- Providing an annual opinion on underwriting policy and pricing, including their consistency with risk appetite;
- Assessing and reporting on the adequacy of reinsurance arrangements;
- Supporting the quantification of risks and calculation of the Solvency Capital Requirement (SCR);
- Monitoring and reporting on solvency and risk positions relative to risk appetite, including forward-looking analysis;
- Contributing to the ORSA process and report, as well as Solvency II reporting (SFCR and RSR);
- Supporting capital and liquidity management, including asset-liability management.

The Chief Actuary has overall responsibility for the management of the Actuarial Function and for continuous monitoring of solvency and capital adequacy. The Chief Actuary is a member of the Management Committee, regularly attends the Board and Audit Committee, provides actuarial advice to the Board on risk and capital management, and reports to the CEO with a dotted reporting line to the Insurance Finance Director.

B.7 Outsourcing

Scottish Widows Europe ("SWE") makes extensive use of outsourcing as part of its operating model. Outsourcing arrangements are used where services and expertise can be provided more effectively, efficiently or flexibly, while ensuring that SWE retains full responsibility for meeting its regulatory obligations under Solvency II.

SCOTTISH WIDOWS EUROPE

SWE’s outsourcing framework is aligned with Lloyds Banking Group (“LBG”) policies and standards and is supplemented by Luxembourg-specific requirements. The framework ensures that outsourcing does not materially impair the system of governance, increase operational risk, undermine regulatory supervision or adversely affect service to policyholders.

Outsourcing Model and Scope

SWE operates two outsourcing models:

- Intra-group outsourcing, where services are provided by other LBG entities; and
- External outsourcing, where services are provided by third-party suppliers.

Outsourced activities include, among others, policy administration, claims and complaints handling, ICT services, investment management, reserving, accounting and reporting, and data protection services. These arrangements may be classified as critical or important functions where disruption could materially impact SWE’s operations, regulatory compliance, financial position or policyholders.

Outsourced Activities	Location	Intra Group or External
Policy Contract Administration	Luxembourg	External
Claims and Complaints Handling	Luxembourg	External
HR Services	Luxembourg	External
Economic Crime Prevention	Luxembourg	Partial - External
Actuarial Services	UK	Partial - Intra Group
Accounting and Reporting	UK	Partial - Intra Group
Internal Audit Services	UK	Intra Group
Data Privacy Officer	Luxembourg	External
Investment	UK	Intra Group - External

Policy and Governance

In addition to the Group Sourcing & Supply Chain Management Policy, the Board adopted as well SWE Outsourcing Policy, which outlines the principles, responsibilities and regulatory compliance requirements for outsourcing operational activities or functions. It complements the Lloyds Banking Group’s core sourcing policies and adheres to Luxembourg’s legal and regulatory framework for insurance sector outsourcing. The policy applies to both external and intra-group outsourcing and is reviewed annually.

Under this policy:

- The SWE Board retains ultimate responsibility for outsourcing and oversight of associated risks.
- An Outsourcing Committee meets regularly to review outsourcing arrangements, assess risks, monitor performance and ensure regulatory compliance.
- Each outsourcing arrangement has a designated Business Owner, accountable for day-to-day oversight.
- The Compliance Function oversees compliance with Solvency II and Luxembourg regulatory requirements and confirms regulatory notifications where required.

Risk Assessment and Approval

Before entering into an outsourcing arrangement, SWE performs a documented risk assessment to determine whether the activity is critical or important. This assessment considers operational resilience, control, data protection, professional secrecy, financial and reputational risks.

Outsourcing of critical or important functions is subject to enhanced governance, contractual safeguards and, where required, prior notification to the Luxembourg supervisory authority (CAA).

SCOTTISH WIDOWS EUROPE

Monitoring, Assurance and Reporting

The Outsourcing Committee oversees all outsourcing arrangements by reviewing risks, monitoring supplier performance, ensuring regulatory compliance, and providing effective governance and escalation for outsourced activities. Performance is assessed against agreed service levels, key performance indicators and management information.

SWE maintains a central outsourcing register, which records all outsourcing arrangements and supports effective oversight. The register is reviewed regularly and approved by the Board.

Additional assurance may be obtained through independent reviews, audits or on-site visits. Any material issues identified are escalated through SWE's governance structures and addressed in a timely manner.

Business Continuity and Exit Planning

For all critical or important outsourcing arrangements, SWE ensures that appropriate business continuity and disaster recovery plans are in place. Each arrangement includes a documented exit strategy designed to ensure continuity of service, protection of policyholders and ongoing regulatory compliance in the event of termination.

Exit strategies are reviewed periodically and overseen by the Outsourcing Committee.

Intra-Group Outsourcing

Intra-group services are governed by formal Intra-Group Agreements, supported by a Service Provision Policy that ensures clear definition of services, performance standards, escalation mechanisms and governance arrangements. These agreements are Solvency II compliant and are reviewed regularly to ensure continued alignment with regulatory expectations.

B.8 ANY OTHER INFORMATION

There is no other information regarding SWE Governance issues to report.

SCOTTISH WIDOWS EUROPE

C. RISK PROFILE

C.1 UNDERWRITING RISK

Underwriting (or insurance) risk is defined as “the risk of adverse developments in the timing, frequency and severity of claims for insured/underwritten events and in customer behaviour, leading to reductions or volatility in earnings and/or value”.

The principal risk that SWE faces under insurance contracts is that the actual claims (including future expenses associated with their settlement) and benefit payments exceed the amounts expected at the time of determining the best estimate of insurance liabilities.

C.1.1 Risk measurement

Current and potential future risk exposures are assessed using a range of stress scenarios, including the 1-in-200-year stresses applied under the Standard Formula Solvency Capital Requirement and additional sensitivity and resilience analyses used for the ORSA.

Life underwriting risks are assessed at sub-module level and aggregated in line with the Standard Formula, using the correlation matrix prescribed by Delegated Regulation (EU) 2015/35, with their composition and evolution over the last two financial years presented in the accompanying table.

Risk type (Life Underwriting Risks) €	31/12/2024	31/12/2025
Mortality	3,424,637	2,690,063
Longevity	3,420,686	2,156,400
Disability / morbidity	500,000	500,000
Expenses	49,236,247	43,875,634
Lapse	26,444,246	25,146,307
Life catastrophe	611,321	564,126
<i>Diversification effects</i>	<i>(15,027,580)</i>	<i>(12,910,883)</i>
Total underwriting SCR	68,609,558	62,021,647

There have been no changes to how underwriting risks are measured and the underwriting risk profile in 2025 is similar to that of 2024.

C.1.2 Risk exposure

The nature of Scottish Widows Europe’s (“SWE”) business involves accepting insurance risks that primarily relate to expenses and persistency (lapse) risk, and to a much lesser extent mortality and longevity risk. SWE has written insurance contracts providing the following main benefits:

- Life assurance, where benefits are payable on the death of the policyholder, typically for predetermined amounts; and
- With-profits annuities, where regular payments are made to policyholders and generally cease on death.

Persistency (Lapse) Risk

Persistency risk arises on profitable unitised business due to the reliance on fund-based charges. Higher-than-expected lapse rates would reduce assets under management and, consequently, future fee-based income. Persistency risk represents the second most significant component of SWE’s Life underwriting risk capital requirement.

Expense Risk

Expense risk is the most significant insurance risk for SWE under the Life underwriting SCR. As SWE’s business is in run-off, per-policy expenses are expected to increase over time, reflecting the limited ability to increase charges to offset higher unit costs as the portfolio reduces in size.

SCOTTISH WIDOWS EUROPE

Mortality Risk

Mortality risk represents the risk of losses arising from actual mortality experience being higher than expected. This risk is not material for SWE due to the nature of its business and the use of reinsurance arrangements.

Longevity Risk

Longevity risk arises where policyholders live longer than expected and is most relevant for annuity business. While present, this risk is not material for SWE.

Disability and Morbidity Risk

Disability and morbidity risk has limited contribution due to the business type and the reinsurance program in place.

Others

SWE has no underwriting risk exposure arising from off-balance-sheet arrangements and does not transfer insurance risk to special purpose vehicles.

C.1.3 Risk mitigation

Insurance risk at SWE is mitigated through pooling and diversification across large portfolios, geographies and risk types, supported by robust claims management, product design, reinsurance arrangements and ongoing cost controls.

The liabilities associated with the business, especially after considering the annuities vesting in future, will have a long duration, resulting in limited exposure to interest rate risk.

Higher inflation rates increase the present value of both SWE's future expenses and Life Expense Inflation risk. SWE has a hedging strategy aiming to manage interest rates and inflation risks through swaps with SWL and/or other parties to mitigate these two key risks, thus better protecting its solvency position and reducing the volatility of its financial results.

Insurance risk is continuously monitored through experience analysis against expectations (including claims, persistency, expenses and non-disclosure), tracking of insurance risk capital against limits, and monitoring of the sensitivity of profit and solvency to key insurance risks, notably life expense inflation risk.

The effectiveness of controls is regularly assessed, with significant deviations investigated and remedial actions taken, and sensitivities and stress scenarios are formally assessed as part of the ORSA to evaluate the impact of adverse movements in insurance risks on SWE's capital position and solvency.

C.2 MARKET RISK

Market risk is defined as *"the risk that unfavourable market movements (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and prices for bonds, foreign exchange rates, equity, property and commodity prices and other instruments) lead to reductions in earnings and/or value"*.

The credit risk component of the market risk SCR relates to credit spread widening on fixed interest securities (including loans) as a result of an increase in the market expectations of future defaults and downgrade risk.

Credit risk arising from reinsurance exposures and certain receivables generates a separate SCR, which is covered in Section C.3.

SCOTTISH WIDOWS EUROPE

C.2.1 Risk measurement

Current and potential future market risk exposures are assessed using a range of stress scenarios, including the 1-in-200-year stresses applied under the Standard Formula Solvency Capital Requirement and additional sensitivity and resilience analyses used for the ORSA.

Market risk is assessed by sub-module and aggregated in accordance with the Standard Formula, using the correlation matrix prescribed, with the composition of market risk and its evolution over the last two financial years presented in the accompanying table.

As of 31 December 2025, the Market Risks have been determined as follows:

Risk type (Market Risks) €	31/12/2024	31/12/2025
Interest rates	16,909,658	9,398,809
Equity	27,914,611	27,445,966
Property	0	0
Credit spread	7,269,442	6,306,444
Concentration	0	0
Currency	11,994,829	9,803,356
<i>Diversification effects</i>	<i>(20,744,616)</i>	<i>(14,893,588)</i>
Total Market SCR	43,343,925	38,060,987

There have been no changes to how market risks are measured.

C.2.2 Risk exposure

The majority of SWE's business comprises unitised with-profits business, for which the investment element is reinsured with Scottish Widows Limited ("SWL") into the Clerical Medical With-Profits Fund. For unit-linked business, the majority of market risk is borne directly by policyholders.

Equity Risk

Equity risk arises indirectly through charges that are calculated as a percentage of funds under management. A fall in asset values reduces policy values and, consequently, future fee income earned by SWE.

Interest Rate Risk

Interest rate risk reflects the potential loss arising from changes in the term structure of interest rates. This is one of the most significant market risks for SWE. All else being equal, a decrease in interest rates increases the value of the interest rate risk sub-module under the Standard Formula.

Credit Spread Risk

Credit spread risk represents the risk that the value of debt investments declines as a result of a deterioration in the perceived creditworthiness of issuers, leading to wider credit spreads. This is the least significant component of the market risk module for SWE.

Currency Risk

Currency risk arises from movements in foreign exchange rates affecting the value of non-euro-denominated assets and fee income. This exposure mainly reflects the reinsurance of unitised with-profits business to SWL, where assets and services are held or provided in non-euro currencies.

Other Market Risks

SWE has no market risk exposure arising from off-balance-sheet arrangements and does not transfer risk to special purpose vehicles. No additional capital required for concentration risk under the Standard Formula as at 31 December 2025.

SCOTTISH WIDOWS EUROPE

C.2.3 Risk mitigation

Market risk at SWE is largely mitigated through the reinsurance of investment risks to Scottish Widows Limited, with further mitigation achieved through interest rate swap hedging to reduce exposure to interest rate movements and protect the solvency position, which is monitored on an ongoing basis.

Market risk exposures are overseen in line with the Group's investment strategy, ensuring consistent monitoring across all business lines, while market concentration risk is managed through investment strategy and processes, with no additional capital required for concentration risk under the Standard Formula as at 31 December 2025.

C.3 CREDIT RISK

Credit (Counterparty Default) risk is defined as *“the risk that counterparties with whom we have contracted default and fail to meet their financial obligations, resulting in losses to SWE”*. The risk exists with reinsurers and policyholder debtors (but such exposures are very minor). Note that capital is held for the risk of credit spread widening on fixed interest securities (including loans) within the market risk capital requirement (see Section C.2 above).

C.3.1 Risk measurement

Current and potential future market risk exposures are assessed using a range of stress scenarios, including the 1-in-200-year stresses applied under the Standard Formula Solvency Capital Requirement and additional sensitivity and resilience analyses used for the ORSA.

The breakdown of the Counterparty Default (Credit) Risk between its two main components, as well as their evolution over the last two financial years under review, is given in the table below.

Credit sub-modules of risk are here all assessed and aggregated according to the Standard Formula provisions, that is, considering

- the 'probability of default' by the counterparty on its contractual obligations;
- the current exposures to the counterparty; and
- the likely loss ratio on the defaulted obligations (the 'loss given default').

Counterparty default risk is split into Type 1 and Type 2. Type 1 covers diversified exposures like reinsurance, derivatives and cash while Type 2 covers less diversified exposures like receivables and specific loans.

Risk type (Counterparty Default Risks) €	31/12/2024	31/12/2025
Default - Type 1	14,735,912	15,550,324
Default - Type 2	0	0
<i>Diversification effects</i>	0	0
Total Counterparty Default SCR	14,735,912	15,550,324

There have been no changes to how credit risks are measured.

C.3.2 Risk exposure

SWE's counterparty risk relates to single counterparty exposure to

- banks, through cash holdings and
- counterparties to the hedge assets (interest rate and inflation swaps), which are assessed in the counterparty default calculation
- Scottish Widows Limited (SWL) defaulting under the (although heavily collateralised) Reinsurance Agreement and the Indemnity Agreement.

SCOTTISH WIDOWS EUROPE

The Charge Arrangement that is in place to protect against SWL's possible insolvency or downgrade reduces the economic exposure of such an event to SWE; however, credit cannot be taken for this Charge agreement within the Standard Formula calculation of SWE's capital requirements.

There is no risk exposure from off-balance sheet positions, or from the transfer of risk to special purpose vehicles.

C.3.3 Risk mitigation

Credit risk is largely mitigated through collateralisation, with almost all default risk arising from ceded reinsurance covered by collateral received from Scottish Widows Limited. Exposures are monitored on a regular basis against approved limits and triggers, with reporting by the Risk function and escalation procedures applied where necessary.

SWE's credit risk appetite is aligned with that of the wider Insurance Group and is subject to regular oversight. An annual review is performed of both SWE's reinsurance arrangements and the counterparties used for interest rate and inflation swap hedging.

SWE's asset allocation is structured to avoid material counterparty default risk concentration, and this position is expected to be maintained going forward.

C.4 LIQUIDITY RISK

Liquidity risk is defined as *"the risk that SWE has insufficient financial resources to meet its commitments as they fall due or can only secure them at excessive cost"*.

C.4.1 Risk measurement

Liquidity risk in SWE is managed in line with SWE Liquidity Risk Policy, and the monthly position is reported through the production of Insurance Group's liquidity scorecard.

As a result of the policies and processes in place and active management, the Board believes that liquidity risk is adequately mitigated, therefore no additional capital is held.

There have been no changes to how liquidity risk is measured.

C.4.2 Risk exposure

Liquidity risk may result from

- the inability to sell financial assets quickly at their fair values (which may make matched position recovery difficult after a stress event);
- an insurance liability falling due for payment earlier than expected;
- the inability to generate cash inflows as anticipated.

There is no risk exposure from off-balance sheet positions, or from the transfer of risk to special purpose vehicles.

C.4.3 Risk mitigation

Liquidity is actively monitored to ensure that, even under stress conditions, there is sufficient liquidity to meet obligations and remain within approved risk appetite, which is reviewed and set annually by the Board.

Liquidity risk in respect of each of the major product areas is primarily mitigated as follows.

For **With-profit business ((Unitised With-Profits and Vested Annuities)**, a portfolio of assets is held in line with investment mandates, which is consistent with policyholders' reasonable expectations. Liquidity is maintained within the portfolio via the holding of cash balances and a substantial number of highly liquid assets, principally gilts, bonds and listed equities.

SCOTTISH WIDOWS EUROPE

Management also may sell less-liquid assets at a reduced price if necessary. However, less-liquid assets such as property are managed on a prospective basis to avoid having to potentially sell in future at a reduced price. Losses are managed and mitigated by anticipating policyholder claim payments to plan sales of underlying assets within funds.

For **unit-linked business**, portfolios are invested in accordance with unit fund mandates. Deferral clauses are included in policyholder contracts to give time, when necessary, to realise linked assets without being a forced seller (e.g. within property-linked funds). As at 31 December 2025, there were no funds subject to deferral.

As described above, liquidity is actively monitored to ensure that, even under stress conditions, there is sufficient liquidity to meet SWE's obligations and remain within approved risk appetite. Routine reporting is in place to senior management and through the Group's committee structure.

In a stress situation the level of monitoring and reporting is increased commensurate with the nature of the stress event.

Liquidity risk is controlled via approved liquidity policies which are subject to independent internal oversight and maintenance of liquidity facilities with LBG.

Liquidity coverage ratios are provided to SWE Board on a quarterly basis. Their latest values continue to remain well above the 100% threshold that we currently manage our liquidity position against.

These positions provide comfort that SWE has on a continuous basis sufficient liquidity to meet its current needs and the balance of different demands on liquidity.

Risk concentration

Liquidity concentration risk arises where SWE could be unable to meet its obligations as they fall due or could do so only at an excessive cost, due to over-concentration of investments in particular financial assets or classes of financial asset.

As most of the invested assets are diversified across a range of marketable equity and debt securities in line with the investment options offered to policyholders, it is unlikely that a material concentration of liquidity could arise.

C.4.4 Expected Profit Included in Future Premiums ('EPIFP')

Article 260 of Delegated Regulation 2015/35 defines EPIFP as *"the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy"*.

As at 31 December 2025, the value of the EPIFP is € 4,380,489 (31/12/2024: € 8,926,019).

C.5 OPERATIONAL RISK

Operational risk may be defined as *"the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which may result in financial loss, disruption or reputational damage"*.

For SWE, this includes risks related to IT systems and cyber security, people, governance, regulatory and legal obligations, customer processes and outsourced activities.

SCOTTISH WIDOWS EUROPE

The most significant sources of operational risk for SWE relate to regulatory and legal risk, litigation risk, financial reporting, conduct, outsourcing and service provision, and information security and cyber risk. Other operational risks, such as governance and people risks, are considered non-material and are managed through the Risk Management Framework.

C.5.1 Risk Measurement

For regulatory purposes, operational risk is measured using the Standard Formula SCR. As at 31 December 2025, the operational risk capital requirement was €7,313,299 million, (31/12/2024: €7,299,017). There have been no changes to the methodology used to measure operational risk.

SWE has no operational risk exposure arising from off-balance-sheet arrangements or the use of special purpose vehicles.

C.5.2 Risk Exposure

Regulatory and legal risk arises from the possibility of fines, enforcement action or legal proceedings. SWE manages this risk through a robust governance and compliance framework and maintains regular engagement with its supervisory authorities.

Litigation risk mainly relates to historical mis-selling claims in Germany, and to a lesser extent Austria and Italy. SWE holds provisions for these liabilities and, for internal risk management purposes, also maintains a voluntary capital buffer to reflect potential adverse developments. This approach is consistent with SWE's RMF and risk appetite.

Financial reporting risk is managed through strong governance over accounting policies, Board oversight of key assumptions, and formal sign-off processes to ensure accurate and timely reporting under Luxembourg GAAP.

Conduct risk relates to the risk of poor customer outcomes or regulatory censure. SWE places strong emphasis on fair customer treatment and monitors conduct risks through its embedded risk framework.

Business risk, including risks arising from outsourced activities, is managed through strategic planning, governance oversight and regular monitoring of performance against the four-year operating plan.

Information security, IT and cyber risks are managed through a dedicated ICT risk management framework, ensuring compliance with regulatory requirements such as DORA and GDPR.

Financial crime and fraud risk is managed in line with Group standards, with no tolerance for breaches of economic crime legislation.

Governance and people risks are assessed as non-material and are managed through established Group and local frameworks, including succession planning for key function holders.

C.5.3 Risk Mitigation and Monitoring

Operational risks are monitored on a risk-based basis, proportionate to their materiality. Key controls are in place for all material risks, supported by key risk indicators and regular management reporting. The operational risk profile is reviewed regularly, with material changes escalated through governance forums. An indemnity arrangement with Scottish Widows Limited limits SWE's exposure to litigation risk.

SWE's operational risk appetite is designed to protect customers, stakeholders and shareholders. It is expressed through Board-approved limits and triggers, which are monitored regularly. SWE has zero tolerance for breaches of money laundering and terrorist financing legislation.

SCOTTISH WIDOWS EUROPE

Operational risks arise from diverse sources and do not give rise to material risk concentrations. The combined exposure is nevertheless assessed, and the most significant risks are reported and monitored in line with the RMF.

C.6 OTHER MATERIAL RISKS

There are no other material risks to be reported.

C.7 ANY OTHER MATERIAL INFORMATION

C.7.1 Prudent Person Principle

SWE applies the Prudent Person Principle through a Board-approved Investment Policy, which sets out clear requirements and controls to ensure assets are invested in the best interests of policyholders and shareholders. Compliance with the policy is subject to regular reporting and an annual review, and the Principle is a standing agenda item at investment decision-making committees to ensure ongoing oversight and alignment with policy requirements.

Investment strategy is defined in the Market Risk Policy and reflects the nature of the underlying funds. For non-linked funds, exposures are subject to defined limits, including limits by counterparty, credit rating, sector and geography, with additional controls to avoid concentration risk in property investments.

C.7.2 Stress Testing

As part of the ORSA, SWE performs regular stress and scenario testing to assess the impact of adverse events on its risk profile and solvency position. The most recent stress testing focused on the potential economic effects of heightened geopolitical tensions and adverse financial market conditions, and the SWE Board confirmed in December 2025 that both the overall risk profile and the Standard Formula SCR remain appropriate and adequate.

SCOTTISH WIDOWS EUROPE

D. VALUATION FOR SOLVENCY PURPOSES

This section of the report explains the valuation principles underpinning the Solvency II balance sheet, represented in the simplified table below.

€	31/12/2024	31/12/2025
Total Assets	3,793,907,208	3,830,764,211
Total Technical Provisions	1,873,929,279	1,876,123,079
Total Other Liabilities	1,747,075,903	1,774,672,561
Excess of Assets over Liabilities	172,902,025	179,968,571

D.1 ASSETS

The assets of the Company are shown in the table below.

The commentary which follows sets out the nature of each asset class and its valuation principles, analysed at a level reflecting the materiality, nature, function and inherent risk of each type of asset.

€	31/12/2024	31/12/2025
Deferred Tax Assets	0	0
Bonds	37,315,306	47,610,330
Collective Investments	1,679,425,983	1,746,954,575
Derivatives	64,324,822	53,073,810
Assets held for Unit-Linked Contracts	264,533,231	267,119,827
Reinsurance Recoverables	1,451,596,523	1,484,776,693
Insurance Receivables	7,895,278	5,656,757
Trade Receivables	83,948,748	60,284,517
Cash and Cash Equivalents	204,867,317	165,287,703
Total Assets	3,793,907,208	3,830,764,211

SWE values assets at fair value in accordance with Solvency II principles, reflecting the price at which assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction.

Valuations primarily use quoted market prices, with mark-to-model approaches applied where markets are not active, calibrated to observable market data wherever possible; no value is attributed to intangible assets.

Asset valuations are broadly consistent with Luxembourg accounting principles, with any material differences disclosed separately.

Where judgement or estimation is required, assumptions are regularly reviewed and supported by market evidence, internal governance processes, and expert oversight to ensure appropriateness and consistency.

Deferred Tax Assets

Deferred tax is measured using the liability method on temporary differences between the tax bases of assets and liabilities and their Solvency II carrying amounts, applying tax rates and legislation enacted at the reporting date and reflecting the expected manner of settlement. Deferred tax assets are recognised only where it is probable that the associated tax benefits will be realised, including in respect of carried-forward trading losses where sufficient future taxable profits are expected to arise within a 17-year period.

SCOTTISH WIDOWS EUROPE

Bonds

Bonds are valued at fair value. The fair value of financial investments refers to value determined with reference to:

- a) quoted (unadjusted) prices in active markets;
- b) when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets.

Collective Investments

The Group sponsors a range of collective investment vehicles and limited partnerships where it acts as the decision maker over the investment activities and markets the funds under one of LBG's brands.

These pooled fund vehicles, such as unit trusts, OEICs (open ended investment companies) and SICAVs (*Société d'Investissement à Capital Variable*) then invest in underlying assets of varying classes.

The significant majority of holdings are in active market quoted unit trusts, OEICs and SICAVs. There are no non-quoted investments included within the collective investments category.

Investments in collective investment vehicles are primarily held to match policyholder liabilities and most of the financial risk (possible decrease in the value of SWE's investment covering SWE's liabilities to the policyholders) is reinsured to SWL.

The fair value of the SWE holdings is determined using the last published price applicable at the reporting date. The Group earns fees from managing the investments of these funds.

Derivatives

Derivatives (including Swaps) are valued at fair value as defined in section D.1.2.2 "Bonds".

Assets held for unit-linked contracts

These assets comprise the same investment asset classes described throughout this section, applying the same valuation principles. The assets are segregated to enable direct matching to unit-linked policyholder liabilities.

Reinsurance recoverable

Represents the share of technical provisions for reinsured business determined in a manner consistent with the underlying contractual agreement and the underlying gross business data per treaty, explained in Section D.2.

Insurance receivables

These balances represent monies owed during SWE's insurance business and are determined to be short term in nature and therefore recorded in the balance sheet at the contractual value which represents a value consistent with Solvency II principles. They refer to outstanding premiums and commissions receivable at the balance sheet date.

Trade receivables

Trade receivables are other amounts which are receivable by SWE. They are recorded in the balance sheet at their contractual value at the reporting date, which represents a value consistent with Solvency II principles. The main component of trade receivables relates to an indemnity from SWL to SWE in respect of litigation as detailed in Section D.3.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term highly liquid investments with original maturities of three months or less and bank overdrafts where a legal right of set off exists. Cash

SCOTTISH WIDOWS EUROPE

is carried within the Solvency II balance sheet at a value not less than the amount payable on demand, which represents a value consistent with Solvency II principles.

D.1.3 Variation from values assigned in the financial statements

There are no material differences in the valuation techniques which have been adopted for Solvency II and those used to prepare the financial statements under Luxembourg accounting principles.

D.1.4 Changes to the basis of recognition or valuation of assets during the reporting period

There have been no other changes to the basis of recognition or valuation of assets during the reporting period.

D.2 TECHNICAL PROVISIONS

The table below shows the technical provisions for SWE, split by business category and gross of reinsurance. Note that in the QRTs for SWE we classify all contracts, and hence technical provisions, as having an option or guarantee as we deem that all products have a degree of an option or guarantee (for example, vested annuities are guaranteed to be paid until death, for all other policies policyholders have the option to surrender, etc).

Life Insurance Gross Technical Provisions, €	31/12/2024	31/12/2025
a) With-Profit (Unitised WP and Vested Annuities)		
Best Estimates of the Liabilities	1,470,355,739	1,480,396,532
Risk Margin	57,005,831	47,601,479
Total With-Profit	1,527,361,570	1,527,998,011
b) Unit-linked		
Best Estimates of the Liabilities	336,451,127	339,068,327
Risk Margin	10,116,582	9,056,742
Total Unit-Linked	346,567,709	348,125,069
Total (With-Profit & Unit-Linked)		
Best Estimates of the Liabilities	1,806,806,866	1,819,464,859
Risk Margin	67,122,414	56,658,221
Total With-Profit and Unit-Linked	1,873,929,279	1,876,123,079

D.2.1 Valuation Methodology

The Solvency II technical provisions represent the value of the insurance company's obligations if they were to be transferred to a third party at the valuation date. The value of the technical provisions is the sum of the Best Estimate Liability (BEL) and Risk Margin.

There are no Technical Provisions calculated as a whole.

D.2.1.1 Best Estimate Liability

The Best Estimate Liability (BEL) represents SWE's best estimate of the total cost of meeting its future obligations to policyholders, calculated on a market-consistent basis. In simple terms, it reflects the expected value today of future payments to customers and expenses, offset by future income such as premiums and charges.

The calculation includes:

- Expected payments to policyholders (for example claims, maturities, or annuity payments),
- Ongoing administration and investment expenses,
- Allowance for taxation,
- Less future premiums and policy charges expected to be received.

SCOTTISH WIDOWS EUROPE

Future cashflows are projected using realistic assumptions and discounted using risk-free interest rates prescribed by the regulator (EIOPA). The approach differs by product type.

Unit-linked business

For unit-linked policies, the BEL mainly reflects:

- The current value of policyholder investments, including any guarantees attached to them, and
- The expected future costs of running the policies, net of the fees charged to policyholders.

Where guarantees apply, their potential future cost is included. The overall BEL can be negative, as Solvency II does not impose a minimum value.

With-profits business

For with-profits policies, the BEL reflects:

- The value built up for policyholders through past investment performance,
- The expected future cost of guarantees, bonuses, and options, and
- The expected future expenses, net of charges.

Some guarantee risks are reinsured with Scottish Widows Limited (SWL). Where guarantees are triggered, the cost is met by the with-profits fund held by SWL rather than by SWE.

Under Solvency II, only future premiums falling within the contract boundary are included in the BEL, with the boundary depending on product features such as guarantees or life cover; most SWE products have long contract boundaries, while a small number of unit-linked products have short boundaries. For valuation purposes, business is grouped into homogeneous risk groups so that assumptions appropriately reflect similar risks, with grouping also used to manage modelling complexity for with-profits business. Hybrid unit-linked and with-profits policies are unbundled where required, except where insurance cover is fully integrated with the savings element and cannot be separated.

Recoverables from reinsurance contracts and special purpose vehicles

The reinsurance arrangement with SWL is described above. Two non-material external reinsurance arrangements are in place, whereby life, critical illness and waiver of premium benefits are reinsured.

There are no special purpose vehicles within SWE.

D.2.1.2 Risk Margin methodology

The Risk Margin is included within the technical provisions to ensure that their overall value reflects the cost of holding capital for non-hedgeable risks, consistent with the amount that a third-party transferee would require when assuming the insurance obligations. It is determined by reference to the cost of capital (6% as defined by EIOPA) that such an acquirer would incur in holding Solvency Capital Requirements over the lifetime of the portfolio, under the assumption that the business is managed so as to minimise capital needs.

For the purposes of calculating the Risk Margin, SWE has applied a simplified approach in accordance with Method 1 as set out in the Guidelines on the valuation of Technical Provisions. This method projects the future run-off of each component of the initial Solvency Capital Requirement over the lifetime of the portfolio using a defined set of risk drivers.

D.2.2 Key assumptions in deriving the technical provisions for Life business

As covered in the Best Estimate Liability methodology section above, future cash flows are projected with an allowance for best estimate demographic and expense assumptions.

Discount rate

Solvency II liabilities are valued on a market consistent basis using

- a EUR risk-free yield curve for Euro denominated cashflows and

SCOTTISH WIDOWS EUROPE

- a GBP risk-free yield curve for the future cashflows which are denominated in GBP (note that this relates only for some of SWE's future expenses).

Lapses

Lapse assumptions are significant for products where income from future charges is dependent on the continuation of premium payments and/or the policy remaining in force.

Experience is reviewed annually to set the assumptions. Assumptions are set by country and contract type (single/regular premium). Where the information is available, assumptions are based on the average of recent experience, typically over the last four years. Where data is not available, or if past data is not deemed to be representative of the future due to changes in the business and/or regulatory environment, expert judgement is applied in order to set appropriate rates. All such judgements are set by suitably qualified subject matter experts.

Longevity

Future longevity is a key assumption for the vested with-profit annuity business, as policyholders living longer than expected will result in more annuity payments being paid than anticipated, resulting in higher technical provisions.

Expenses

Future cash flows include allowance for expected levels of maintenance and claim / benefits expenses. The levels of expenses are based on the year prior to the valuation date. Adjustments are applied for any business plans where the impacts are starting to materialise.

Non-recurring expenses, such as project related costs, are excluded from the expenses allocated to the "per policy" assumptions. Renewal expenses are assumed to increase in line with the relevant price inflation. SWE incurs the majority of its expenses in Euro, but some GBP expenses are incurred via functions provided by the wider group. Separate reference indices are used for the Euro and GBP expenses. The UK component contains an additional allowance for salary growth in excess of the reference index.

D.2.3 Matching adjustment

SWE does not use the matching adjustment.

D.2.4 Volatility adjustment

SWE does not use the volatility adjustment.

D.2.5 Transitional Risk-Free Interest Rate

SWE does not use the transitional risk-free interest rate-term structure.

D.2.6 Simplifications

There are areas in the valuation of the BEL and Risk Margin where simplifications are adopted after considering the impact of the simplification and proportionality.

Best Estimate Liabilities (BEL)

The Best Estimate Liabilities (BEL) are intended to represent the probability-weighted average of future cash flows, recognising that movements in liabilities may not be symmetric to changes in assumptions. For practical reasons, SWE applies the simplifying assumption that projections based on best-estimate non-economic assumptions produce a probability-weighted average outcome; this approach is consistent with industry practice and is not expected to be material.

For Unitised With-Profits (UWP) business, non-linked cashflows are calculated using grouped policies, and further simplifications are applied in respect of management actions and investment strategy when determining the UWP reinsurance asset.

SCOTTISH WIDOWS EUROPE

Risk Margin

The Risk Margin is calculated by projecting the non-hedgeable SCR, assuming that diversified risk exposures for each non-hedgeable risk type and each class of business run off in proportion to a suitable driver.

In addition, the calculation of the Risk Margin assumes that the reference entity taking on the business of SWE would be able to invest its assets in such a way as to remove all market risk. This is a simplifying assumption for a complex calculation.

D.2.7 Uncertainty

Setting assumptions for technical provisions inevitably involves uncertainty. Some assumptions are largely prescribed by regulation, particularly for market-related risks, while others require judgement, balancing past experience, current conditions, and expectations of the future.

Expert judgement is sometimes needed where data alone is insufficient, as there may be several reasonable outcomes. Judgement is also applied when deciding which data to use, how far back to look, how to group similar policies, and whether past experience is a reliable guide to future behaviour. Consideration is also given to how future social, economic, regulatory, or business changes could affect outcomes.

Most assumptions are set using fixed (deterministic) values. However, for with-profits business, economic risks such as interest rates and equity returns are modelled using multiple scenarios to capture the cost of options and guarantees, while non-financial risks (such as longevity and lapses) use best-estimate assumptions. For example, lapse assumptions are set by averaging historical experience over an appropriate period, placing greater weight on recent and relevant data, and by grouping similar products with comparable expected behaviour.

D.2.8 Material differences between LUX GAAP and Solvency II

As of 31 December 2025, for SWE, the movements from the LUX GAAP reserves reported in the financial statements to the Solvency II technical provisions are provided below, split by line of business.

Technical provisions	With-Profit Products	Unit-Linked Products	Total
LUX GAAP Framework			
Technical Provisions (Gross of reinsurance)	1,682,163,314	267,119,827	1,949,283,141
Reinsurance recoverables	1,500,497,441	0	1,500,497,441
Technical provisions (net of reinsurance)	181,665,873	267,119,827	448,785,700
Solvency II Adjustments			
1) Future expenses and Financial Guarantees related to Unit-Linked Products but included in the category "C.II. (With Profit) Life assurance Technical Provision" of the Lux GAAP Balance Sheet	(58,172,895)	58,172,895	0
* Future expenses (Gross = Net of reinsurance)	(57,818,595)	57,818,595	0
* Financial Guarantees (Gross = Net of reinsurance)	(354,300)	354,300	0
2) Less VIF (Net of reinsurance)	(127,975,144)	13,364,297	(114,610,848)
3) Allow for contract boundaries (Net of reinsurance)	0	513,313	513,313
4) Risk Margin (Gross = Net of reinsurance)	47,601,479	9,056,742	56,658,221
Solvency II Framework			
Technical provisions (net of reinsurance)	43,119,313	348,227,074	391,346,387
5) Reinsurance recoverables (D.1)	1,484,878,698	(102,005)	1,484,776,693
Technical Provisions (Gross of reinsurance)	1,527,998,011	348,125,069	1,876,123,079

SCOTTISH WIDOWS EUROPE

1. In SWE's Lux GAAP balance sheet, future expenses and financial guarantees related to Unit-Linked Products are allocated to the category "C.II. Life assurance T.P." and not to the category "D. Technical provisions for life assurance policies where the investment risk is borne by the policyholders". This correction is required to avoid, in the S.II framework, underestimating UL TPs and overestimating WP TPs.
2. The Value in Force (which represents the value generated from the in-force business, i.e. Present value of Future profits less Time Value of Options and Guarantees and Cost of Capital) needs to be deducted from the LUX GAAP TPs, which are valued on a prudent basis (whereas Solvency II TPs are valued on a best estimate basis)
3. The Solvency II definition of contract boundaries differs from LUX GAAP. Solvency II does not allow for future premiums falling outside the contract boundary for a subset of Unit linked business whereas LUX GAAP allows for all expected future premiums
4. Addition of the Risk Margin is required for the Solvency II technical provisions
5. The UL reinsurance value is shown as a negative amount (2025: € -102,005; 2024: € -152,308) as SWE expects to pay more in reinsurance premiums (2025: € 219,671; 2024: € 360,150), than it should recover from the reinsurer (2025: € 117,666; 2024: € 207,842).

D.3 OTHER LIABILITIES

D.3.1 Other Liabilities Valuation under Solvency II

The amounts recognised in SWE's balance sheet are shown in the table below. The commentary which follows sets out the nature of each class of liability and its valuation principles, analysed at a level reflecting the materiality, nature, function and inherent risk of each type of liability.

Other liabilities, €	31/12/2024	31/12/2025
Provisions other than technical provisions	60,436,257	60,405,548
Deposits from Reinsurers	1,437,267,205	1,496,235,235
Net Deferred tax liabilities (DTL*)	5,820,946	2,207,953
Derivatives	137,425,413	144,426,086
Debts owed to credit institutions	50,625,175	40,449,259
Insurance and intermediaries payables	31,832,680	20,704,575
Trade payables	23,668,228	10,243,906
Total other liabilities	1,747,075,903	1,774,672,561

SWE had no subordinated liabilities during, or at the end of the reporting period. Other liabilities are recorded at fair value as required under Solvency II principles, the underlying concept being that items are valued at an amount for which they could be exchanged, transferred or settled, between knowledgeable willing parties in an arm's length transaction.

In general, these liability values are consistent with Luxembourg accounting principles, which underpin the valuation in the individual company financial statements. Any material differences between valuation for solvency purposes and the valuation basis used in the financial statements are detailed in Section D.3.2.

The Board of SWE may make use of assumptions, judgement or estimation in determining the reported value of other liabilities. Any such assumptions, judgement or estimation are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where the valuation of specific liabilities has been determined by way of assumptions, judgement or estimation, commentary is given below on how the value has been derived.

Provisions other than Technical Provisions: Provision for Litigation Risk

This provision relates to claims from customers with policies transferred to the Company by SWL, which it had issued under its former name of Clerical Medical Investment Group Limited.

SCOTTISH WIDOWS EUROPE

€	31/12/2024	31/12/2025
Insurance business litigation	60,436,257	60,405,548
Total provisions	60,436,257	60,405,548

An intercompany balance representing the amount recoverable under the indemnity agreement entered into with SWL is included within 'receivables (trade not insurance)'.

The validity of the claims facing SWE depends upon the facts and circumstances in respect of each claim. As a result, the ultimate financial effect, which could be significantly different from the current provision, will only be known once all relevant claims have been resolved.

Deposits from Reinsurers

Immediately following the portfolio transfer, SWE entered into a reinsurance agreement with its parent company SWL, whereby all the risks relating to contracts with a profit-sharing feature were reinsured back to SWL.

This arrangement enables customers to keep their investments in the SWL Clerical Medical With-Profits Fund. Although the investment components of the policies (and the associated risks) are reinsured, policy charges are retained by SWE to meet ongoing expenses and the cost of additional risk benefits.

To mitigate the counterparty risk arising from this reinsurance arrangement, a security arrangement has also been put in place to ensure the transferring policyholders are ranked alongside other SWL policyholders and their status preserved.

To comply with the tied asset requirements in the Grand Duchy of Luxembourg, SWE withheld the initial reinsurance premium payable to SWL. Consequently, SWE recognised a liability under 'deposits from reinsurers': the Funds Withheld ("FWH").

The assets covering SWE's FWH are legally held by SWE and are represented on the Asset side of its balance sheet ("Reinsurer's shares of technical provisions").

The amount of these assets withheld by SWE and, therefore, this liability is re-measured and rebalanced quarterly and set to equal to the higher of

- the Solvency II Best Estimate Liabilities backing the reinsured business (excluding the with-profit estate) and
- the Luxembourg GAAP reserves.

Deferred Tax Liabilities

Similarly to the description of Deferred Tax Assets, deferred tax liabilities are calculated using the liability method and reflects the full amount of tax expected to be payable when there are differences arising between the tax bases of assets and liabilities and their carrying amounts within the Solvency II balance sheet at the reporting date.

Deferred tax assets and liabilities (DTA/DTL) are undiscounted although those relating to the BEL and risk margin are based on the discounted gross asset/liability. Deferred tax assets and liabilities are offset when there is a legally enforceable right and when the deferred taxes relate to the same fiscal authority. As a result, SWE recognised on 31/12/2025 a net deferred tax liability of € 2,207,953 (31/12/2024: 5,820,946).

As of 31/12/2025, the following elements of DTA/DTL generate a net deferred tax liability, which, as a reminder, reduces both SWE's available own funds and solvency capital requirements.

SCOTTISH WIDOWS EUROPE

Gross Deferred Tax Asset resulting from financial loss carried forward, €	31/12/2024	31/12/2025
	14,322,000	11,460,000
Timing differences resulting from basis changes for technical provisions, €	31/12/2024	31/12/2025
Difference between SII BEL and tax basis (Lux GAAP) policyholder liabilities (<i>Source of DTL</i>)	36,165,066	27,192,270
Risk margin (<i>Source of DTA</i>)	(16,022,120)	(13,524,317)
Gross Deferred Tax Liability	20,142,946	13,667,953
Net DTA / DTL (as in SII Balance Sheet) , €	31/12/2024	31/12/2025
Net Deferred Tax Asset	0	0
Net Deferred Tax Liability	5,820,946	2,207,953
Loss Absorbing Capacity of the DT	5,820,946	2,207,953

Derivatives

Derivatives (including Swaps) are valued at fair value. The fair value of other financial investments (including derivatives) refers to value determined with reference to:

- a) quoted (unadjusted) prices in active markets;
- b) when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets.

A derivative represents a liability when its fair value is negative, meaning the entity has an obligation to transfer economic value to the counterparty.

Debts owed to credit institutions

Amounts owed to credit institutions represent the liability to pay back any cash received on OTC bilateral trades and variation of margin received on centrally cleared trades.

Insurance and intermediaries payables

These balances represent monies owed in the course of SWE's direct business and are determined to be short term in nature and therefore recorded in the balance sheet at the contractual value. They refer predominantly to outstanding claims and commission at the balance sheet date.

Trade payables

Amounts which are payable to suppliers of SWE and which are expected to be settled in the short term, in less than one year. They are therefore recorded in the balance sheet at their contractual value at the reporting date, which represents a value consistent with Solvency II principles.

D.3.2 Variation from values assigned in the financial statements

The material differences in the valuation of other liabilities between the Solvency II balance sheet and the financial statements concern Deferred tax liabilities: these will differ between the financial statements and Solvency II valuation basis, reflecting the difference in the underlying tax timing differences affected by the differences between Solvency II technical provisions and Lux GAAP liabilities described in Section D.2.

D.4 ALTERNATIVE METHODS FOR VALUATION

Any alternative valuation methods applied in determining the fair value of assets are set out for each asset category in Section D.1.

SCOTTISH WIDOWS EUROPE

D.5 ANY OTHER MATERIAL INFORMATION

There is no other material information to report.

SCOTTISH WIDOWS EUROPE

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

For the purposes of Solvency II, insurers must maintain sufficient Own Funds, of appropriate quality, to cover the regulatory Solvency Capital Requirement ('SCR').

SWE's objectives when managing Own Funds are:

- To have sufficient Own Funds to safeguard the Company's ability to continue ensuring the orderly run-off of the transferred portfolio, providing benefits to policyholders as they fall due, so that it can continue to provide returns for the shareholder and benefits for other stakeholders.
- To comply with all regulatory capital requirements as set out under Solvency II.
- To provide an adequate return to the shareholder by pricing insurance and investment contracts according to the level of risk and capital associated with the business written.
- In respect of with-profit business, to continue to meet the requirements of the Part VII Scheme of Transfer effected on 29 March 2019.
- To maintain an appropriate quality of Own Funds.

The capital management strategy is such that SWE will hold additional buffer capital in line with the stated risk appetite for the business. Any surplus Own Funds above the capital buffer is available for distribution to the parent to the extent it is not required for other purposes over the 6-year business planning period.

As at 31 December 2025 SWE's solvency ratio was and is expected to remain well above internal and regulatory requirements.

The capital management strategy is aligned to the requirements of the Lloyds Banking Group Capital Policy. Policy and procedures are operated within SWE to comply with the Group Capital Policy and these include:

- Setting SWE Risk Appetite.
- Managing Own Funds within the SWE Risk Appetite.
- Monitoring Own Funds against Risk Appetite metrics.
- Maintaining a capital buffer in conjunction with minimum limits relating to capital quality.
- Future capital projections are produced annually as part of the 6 Year Operating Plan ('6YOP') and summarised within the ORSA. A 'forward looking' capital assessment is compared to risk appetite under a range of stress scenarios, with management plans established as appropriate where a breach of risk appetite is projected to occur.
- Capital stress testing is undertaken on a regular basis. In particular, stress testing is completed annually as part of the 6YOP and ORSA report.
- Regulatory Solvency Capital Requirements are measured using the SCR Standard Formula.
- There have been no material changes to the policies, processes and objectives for management of Own Funds over the reporting period. Further details of the role of the SWE Board and Risk Appetite can be found in Section B of this report.

E.1.1 Own Funds Components: nature, amount and quality

Excess of Assets over Liabilities

The excess of assets over liabilities (*which must be reduced by foreseeable dividend payments*) in SWE's Solvency II balance sheet (as described in Section D of this report) forms the basis of the available and eligible own funds to cover both the SCR and the MCR.

SCOTTISH WIDOWS EUROPE

Not all the items comprising Own Funds have the same ability to absorb losses. It is therefore necessary to classify the Own Funds into different tiers. There are two main criteria used to determine the classification of Own Funds into the tiering levels. These criteria are:

- how available is the item under both going concern and winding up scenarios;
- how does it rank in terms of subordination relative to policyholder liabilities.

Depending on how an item matches these criteria, it is then classed as Tier 1, Tier 2 or Tier 3, with Tier 1 having the greatest loss absorbing capacity (*and hence is the highest quality capital such as paid-in ordinary share capital*). Target levels of capital are determined for each tier such that there is not expected to be a de-recognition of capital in the event of a stress, calibrated to a level consistent with SWE's internal risk appetite.

Other Basic Own Funds Items

Equity: Subscribed / Ordinary Share Capital and Share Premium account

The share capital at 31/12/2025 comprises 6m shares of €1 each, issued and fully paid and a share premium of €205m. The share capital is undated, subordinate to all other liabilities and is immediately available to absorb losses. Distributions can be cancelled where there is non-compliance with the SCR or where payment of the distribution would result in non-compliance with the SCR.

As at 31/12/2025, subscribed capital accounts for € 6m, and share Premium, for € 205m. Both elements are classified as **unrestricted Tier 1**.

Net Deferred Tax Assets (Net DTA)

Please refer to sections D.1.2.1 and D.3.1.3 above in this report for additional information on the way Net DTAs are calculated. In accordance with Solvency II regulation, Net DTA (only when greater than zero) is classified as a “**Tier 3**” element of available own fund, eligible to the cover of the SCR but not the MCR.

Reconciliation reserve: definition

The reconciliation reserve represents the Solvency II total excess of assets over liabilities (*reduced by foreseeable dividend payments*), minus the accounting “Basic Own Funds items” (Including Net DTA). The table below gives its evolution in 2024 and 2025.

When this reserve is positive, the company is flexible on the payment of any dividends from it and it is subordinate to all other liabilities. It is therefore immediately available for loss absorption, and is classified as **unrestricted Tier 1**, in line with the ordinary share capital. When it is negative as this is the case in 2024 and 2025, it simply reduces the amount of unrestricted Tier 1 SWE's own funds.

Reconciliation Reserve , €	31/12/2024	31/12/2025
SII Excess of assets over liabilities => (+)	172,902,025	179,968,571
Foreseeable dividends => (-)	0	0
Other basic own fund items => (-)	211,000,000	211,000,000
Ordinary share capital	6,000,000	6,000,000
Share premium account	205,000,000	205,000,000
Net Deferred Tax Assets	0	0
Reconciliation reserve	(38,097,975)	(31,031,429)

E.1.2 Eligible Amount of Own Funds to cover the SCR classified by Tier

The excess of assets over liabilities in the reported balance sheet position of SWE as described in Section D of this report, forms the basis of the own funds available and eligible to meet the SCR.

The components of Solvency II Available and Eligible Own Funds, their nature and quality are detailed in the table below. SWE Own Funds are all unrestricted Tier 1, except the amount of net deferred tax asset, which, in accordance with Solvency II regulation, is classified as Tier 3.

SCOTTISH WIDOWS EUROPE

Own Funds components, €	31/12/2024	31/12/2025
Tier 1 (Unrestricted)	172,902,025	179,968,571
Ordinary share capital	6,000,000	6,000,000
Share premium account	205,000,000	205,000,000
Reconciliation reserve	(38,097,975)	(31,031,429)
Tier 2	0	0
- Not applicable	0	0
Tier 3	0	0
Net Deferred Tax Assets	0	0
Available Own Funds to cover SCR	172,902,025	179,968,571
Eligible Own Funds to cover SCR	172,902,025	179,968,571

SWE has no Ancillary Own Funds, no Own Funds items subject to transitional arrangements under Solvency II, and no Own Funds items that are subject to restrictions on their availability or transferability.

The evolution of Eligible Own Funds and SCR for SWE are shown in the table below. No Tier limits apply to SWE as of 31 December 2025.

€	31/12/2024	31/12/2025
Eligible Own Funds to cover SCR	172,902,025	179,968,571
SCR	96,949,985	91,682,087
Ratio of Eligible Own Funds to SCR	1.78	1.96

SWE retains on a continuous basis sufficient capital to cover the SCR throughout the reporting period.

E.1.3 Eligible Amount of Own Funds to cover the MCR classified by Tier

The Eligible Own Funds and MCR for SWE are shown in the table below.

€	31/12/2024	31/12/2025
Eligible Own Funds to cover MCR	172,902,025	179,968,571
MCR	24,237,496	22,920,522
Ratio of Eligible Own Funds to MCR	7.13	7.85

SWE retains on a continuous basis sufficient capital to cover the MCR throughout the reporting period.

E.1.4 Material differences between Equity (as shown in the Financial Statements) and the Excess of Assets over Liabilities (as calculated for Solvency Purposes)

The table below presents a comparison of equity and reserves shown in SWE financial statements and the excess of assets over liabilities calculated for solvency purposes.

SCOTTISH WIDOWS EUROPE

€	31/12/2024	31/12/2025
Equity per LUX GAAP financial statements	95,829,691	125,614,097
Valuation differences (SII - Lux GAAP) Please refer also to descriptions given in Section D.2		
Deferred tax Assets (SII Framework only)		
Reinsurance Recoverables	(13,472,592)	(15,720,748)
Receivables (trade, not insurance)	56,407	(943,064)
All Assets	(13,416,185)	(16,702,775)
Technical provisions	(97,858,592)	(73,160,062)
* Best Estimates of Liabilities Minus LUX GAAP TP	(164,981,005)	(129,818,282)
* Risk Margin (Solvency II Framework only)	67,122,414	56,658,221
Deferred tax Liabilities (Solvency II Framework only)	5,820,946	2,207,953
Others	1,549,126	(105,139)
All Liabilities	(90,488,520)	(71,057,248)
Excess of Assets over Liabilities (Solvency II balance sheet)	172,902,025	179,968,571

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Solvency Capital Requirement ('SCR')

The SCR for SWE has been calculated using the Standard Formula approach set out in the Directive. The resulting capital requirements on 31 December 2024 and 2025 are as follows:

Solvency Capital Requirement €	31/12/2024	31/12/2025
Market risk	43,343,925	38,060,987
Counterparty default risk	14,735,912	15,550,324
Life underwriting risk	68,609,558	62,021,647
<i>Diversification within basic SCR</i>	<i>(31,217,480)</i>	<i>(29,055,841)</i>
Basic SCR	95,471,915	86,577,117
Operational risk	7,299,017	7,312,922
Loss absorbing capacity of deferred taxes	(5,820,946)	(2,207,953)
Total SCR	96,949,985	91,682,087

Use of simplifications within the Standard Formula

There are no risk modules or sub-modules of the Standard Formula calculation for which the Company applies simplified calculations.

Use of Undertaking-Specific Parameters

The Company does not use any undertaking-specific parameters within the Standard Formula calculation.

E.2.2 Minimum Capital Requirement ('MCR')

The Minimum Capital Requirement (MCR) represents the minimum level of own funds an insurer must maintain, calculated using a Solvency II prescribed formula based on technical provisions and capital at risk, and constrained to fall between 25% and 45% of the SCR.

SCOTTISH WIDOWS EUROPE

The components of the calculation of the MCR as of 31 December 2024 and 2025 are presented below.

For SWE the minimum 25% floor of the SCR bites compared to the linear component.

Minimum Capital Requirement €	31/12/2024	31/12/2025
Linear MCR	3,107,133	2,437,537
SCR	96,949,985	91,682,087
MCR Cap	43,627,493	41,256,939
MCR Floor	24,237,496	22,920,522
MCR	24,237,496	22,920,522

E.2.3 Material changes

The MCR keeps being based on the floor of the SCR and as such, the change in MCR over this period is driven by the same factors as the change in SCR. Changes observed during the reporting period are shown and explained in Section E.6.1 of this report.

E.2.4 Loss Absorbing Capacity of Deferred Taxes

The amount by which the SCR has been adjusted in respect of the loss-absorbing capacity of deferred taxes (LAC DT) on 31 December 2025 was € 2,207,953 (31/12/2024: € 5,820,946).

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE

SWE does not use the duration-based equity risk sub-module in the calculation of the SCR (option set out in Article 304 of Directive 2009/138/EC).

E.4 DIFFERENCES STANDARD FORMULA / INTERNAL MODEL

SWE calculates its SCR in conformity with the Standard Formula and does not use any partial or full internal model.

E.5 NON-COMPLIANCE WITH THE MCR / SCR

SWE retained sufficient capital to cover both the MCR and the SCR throughout the reporting period.

E.6 ANY OTHER INFORMATION

E.6.1 Capital Roll-Forward

The Group to which SWE belongs is a member of the CFO Forum ('CFOF'). In 2018, the CFOF agreed a structure and content for a common "roll-forward" disclosure.

The aim of the table below is to provide users of the disclosures with sufficient information to understand the movements in the Solvency II capital position.

SCOTTISH WIDOWS EUROPE

Capital Roll-Forward Table (As proposed by CFOF Solvency II Disclosures Working Group)

Capital Roll-Forward (€ m)	Eligible Own Funds	SCR
Initial Calculation as at 31 December 2024	173	97
Mergers, acquisitions & disposals (1)		
Regulatory & other model changes (2)		
Operating impacts:		
New business contribution (3)	0	0
Expected in-force contribution	1	(5)
Assumption changes & experience variances	3	3
Debt costs	0	0
Market variances	3	(3)
Material miscellaneous items (4)		
Other non-operating changes		
Capital management		
Closing balance as at 31 December 2025	180	92

E.6.2 Others

All important information regarding the capital management of SWE has been addressed in the sections above.

SCOTTISH WIDOWS EUROPE

LIST OF APPENDICES

Appendix I: Abbreviation List

Appendix II: Quantitative Reporting Templates (All amounts in euro)

SCOTTISH WIDOWS EUROPE

APPENDIX I: ABBREVIATIONS LIST

6YOP : Six-Year Operating Plan
(SWE)AC: SWE Audit Committee
AML: Anti Money Laundering
BAU: Business As Usual
BE(L): Best Estimate (of Liabilities)
BoD: Board of Directors
CAA: Commissariat Aux Assurances
CTF: Counter Terrorism Financing
DORA: Digital Operational Resilience Act
EUC: End User Computing
GAAP: Generally Accepted Accounting Principles
HRG: Homogeneous Risk Groups
ICT: Information & Communication Technologies
IM: Internal Model (the one from SWL, approved by the PRA)
IP&I: Insurance, Pensions and Investments (one of the seven Business Units within LBG)
IP&IALCO: Insurance, Pensions & Investment –Liability Committee
IP&IRC: Insurance, Pensions & Investment Risk Committee
IT: Information Technology
LAC DT / TP: Loss Absorbing Capacity of Deferred Taxes / Technical Provisions
LBG: Lloyds Banking Group
LoD: Line of Defence
MLRO: Money Laundering Reporting Officer
OF: Own Funds
PRA: Prudential Control Authority
QRT: Quantitative Reporting Template (=> Pillar 3 Solvency II, Pillar 1 Figures)
RASCI: Responsible (=> Performer), Accountable (=> Approver), Concerned, Support, Informed
RAS: Risk Appetite Statement
RM: Risk Margin
RM(F): Risk Management (Framework)
SCR: Solvency capital Requirement (In this report, otherwise mentioned: Pillar 1 Standard Formula)
SF: Standard Formula (=> SCR Calculation)
SoG: System of Governance
MC : Management Committee
SWG, SWL: Scottish Widows Group, Scottish Widows Limited
TP: Technical Provisions
UL: Unit Linked
UWP: Unitised With Profit
HoL: Head of Legal

SCOTTISH WIDOWS EUROPE

APPENDIX II: QUANTITATIVE REPORTING TEMPLATES- YEAR-END 2025

(All amounts in euro)

S.02.01.01

Balance sheet

	Solvency II value	Statutory accounts value
	C0010	C0020
Assets		
R0010 Goodwill		
R0020 Deferred acquisition costs		
R0030 Intangible assets		
R0040 Deferred tax assets		
R0050 Pension benefit surplus		
R0060 Property, plant & equipment held for own use	0	
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	1,847,638,715	1,847,638,715
R0080 <i>Property (other than for own use)</i>	0	
R0090 <i>Holdings in related undertakings, including participations</i>	0	
R0100 <i>Equities</i>	0	0
R0110 <i>Equities - listed</i>		
R0120 <i>Equities - unlisted</i>		
R0130 <i>Bonds</i>	47,610,330	47,610,330
R0140 <i>Government Bonds</i>	47,610,330	47,610,330
R0150 <i>Corporate Bonds</i>	0	
R0160 <i>Structured notes</i>	0	
R0170 <i>Collateralised securities</i>	0	
R0180 <i>Collective Investments Undertakings</i>	1,746,954,575	1,746,954,575
R0190 <i>Derivatives</i>	53,073,810	53,073,810
R0200 <i>Deposits other than cash equivalents</i>	0	
R0210 <i>Other investments</i>	0	
R0220 Assets held for index-linked and unit-linked contracts	267,119,827	267,119,827
R0230 Loans and mortgages	0	0
R0240 <i>Loans on policies</i>		
R0250 <i>Loans and mortgages to individuals</i>		
R0260 <i>Other loans and mortgages</i>		
R0270 Reinsurance recoverables from:	1,484,776,693	1,500,497,441
R0280 <i>Non-life and health similar to non-life</i>	0	0
R0290 <i>Non-life excluding health</i>		
R0300 <i>Health similar to non-life</i>		
R0310 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	1,484,878,698	1,500,497,441
R0320 <i>Health similar to life</i>	0	
R0330 <i>Life excluding health and index-linked and unit-linked</i>	1,484,878,698	1,500,497,441
R0340 <i>Life index-linked and unit-linked</i>	-102,005	0
R0350 Deposits to cedants	0	
R0360 Insurance and intermediaries receivables	5,656,643	5,702,029
R0370 Reinsurance receivables	114	
R0380 Receivables (trade, not insurance)	60,284,517	61,227,581
R0390 Own shares (held directly)		
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	
R0410 Cash and cash equivalents	165,287,703	165,281,393
R0420 Any other assets, not elsewhere shown		
R0500 Total assets	3,830,764,211	3,847,466,986

SCOTTISH WIDOWS EUROPE

S.02.01.01 - Balance Sheet

	Solvency II	Statutory accounts
	value	value
	C0010	C0020
Liabilities		
R0510 Technical provisions - non-life	0	0
R0520 <i>Technical provisions - non-life (excluding health)</i>	0	
R0530 <i>TP calculated as a whole</i>		
R0540 <i>Best Estimate</i>		
R0550 <i>Risk margin</i>		
R0560 <i>Technical provisions - health (similar to non-life)</i>	0	
R0570 <i>TP calculated as a whole</i>		
R0580 <i>Best Estimate</i>		
R0590 <i>Risk margin</i>		
R0600 Technical provisions - life (excluding index-linked and unit-linked)	1,527,998,011	1,682,163,314
R0610 <i>Technical provisions - health (similar to life)</i>	0	
R0620 <i>TP calculated as a whole</i>	0	
R0630 <i>Best Estimate</i>	0	
R0640 <i>Risk margin</i>	0	
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	1,527,998,011	1,682,163,314
R0660 <i>TP calculated as a whole</i>		
R0670 <i>Best Estimate</i>	1,480,396,532	
R0680 <i>Risk margin</i>	47,601,479	
R0690 Technical provisions - index-linked and unit-linked	348,125,069	267,119,827
R0700 <i>TP calculated as a whole</i>		
R0710 <i>Best Estimate</i>	339,068,327	
R0720 <i>Risk margin</i>	9,056,742	
R0730 Other technical provisions		
R0740 Contingent liabilities	0	
R0750 Provisions other than technical provisions	60,405,548	60,405,548
R0760 Pension benefit obligations		
R0770 Deposits from reinsurers	1,496,235,235	1,496,246,120
R0780 Deferred tax liabilities	2,207,953	
R0790 Derivatives	144,426,086	0
R0800 Debts owed to credit institutions	40,449,259	184,875,345
R0810 Financial liabilities other than debts owed to credit institutions		
R0820 Insurance & intermediaries payables	20,704,575	20,797,062
R0830 Reinsurance payables	510,769	510,769
R0840 Payables (trade, not insurance)	9,733,137	9,734,905
R0850 Subordinated liabilities	0	0
R0860 <i>Subordinated liabilities not in BOF</i>		
R0870 <i>Subordinated liabilities in BOF</i>	0	
R0880 Any other liabilities, not elsewhere shown		
R0900 Total liabilities	3,650,795,641	3,721,852,889
R1000 Excess of assets over liabilities	179,968,571	125,614,097

SCOTTISH WIDOWS EUROPE

S.05.01.01

Premiums, claims and expenses by line of business

Life	Line of Business for: life insurance obligations		Total
	Insurance with profit participation	Index-linked and unit-linked insurance	
	C0220	C0230	C0300
Premiums written			
R1410 Gross	49,499,039.66	11,021,945.41	60,520,985.07
R1420 Reinsurers' share	43,511,341.25	28,421.59	43,539,762.84
R1500 Net	5,987,698.41	10,993,523.82	16,981,222.23
Premiums earned			
R1510 Gross	49,499,039.66	11,021,945.41	60,520,985.07
R1520 Reinsurers' share	43,511,341.25	28,421.59	43,539,762.84
R1600 Net	5,987,698.41	10,993,523.82	16,981,222.23
Claims incurred			
R1610 Gross	156,031,313.02	26,390,755.20	182,422,068.22
R1620 Reinsurers' share	155,639,505.87		155,639,505.87
R1700 Net	391,807.15	26,390,755.20	26,782,562.35
R1900 Expenses incurred	179,407,133.91	23,482,314.19	202,889,448.10
Administrative expenses			
R1910 Gross	2,947,143.38	3,037,939.12	5,985,082.50
R1920 Reinsurers' share			0.00
R2000 Net	2,947,143.38	3,037,939.12	5,985,082.50
Investment management expenses			
R2010 Gross	162,881,763.01	39,810.95	162,921,573.96
R2020 Reinsurers' share			0.00
R2100 Net	162,881,763.01	39,810.95	162,921,573.96
Claims management expenses			
R2110 Gross	254,486.00	43,043.14	297,529.14
R2120 Reinsurers' share			0.00
R2200 Net	254,486.00	43,043.14	297,529.14
Acquisition expenses			
R2210 Gross	8,477,651.36	1,887,717.64	10,365,369.00
R2220 Reinsurers' share			0.00
R2300 Net	8,477,651.36	1,887,717.64	10,365,369.00
Overhead expenses			
R2310 Gross	4,846,090.16	18,473,803.34	23,319,893.50
R2320 Reinsurers' share			0.00
R2400 Net	4,846,090.16	18,473,803.34	23,319,893.50
R2510 Balance - other technical expenses/income			-19,333,167.00
R2600 Total technical expenses			183,556,281.10
R2700 Total amount of surrenders	86,175,223.62	15,015,403.68	101,190,627.30

SCOTTISH WIDOWS EUROPE

S.12.01.01

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance				Total (Life other than health insurance, incl Unit-linked)
	Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees	
	C0020	C0030	C0040	C0050	C0150
R0010 Technical provisions calculated as a whole					0.00
R0020 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated					0.00
Technical provisions calculated as a sum of BE and RM					
Best estimate					
R0030 Gross Best Estimate	1,480,396,532			339,068,327	1,819,464,859
R0040 Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	1,484,878,698		0	-102,005	1,484,776,693
R0050 Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses	1,484,878,698			-102,005	1,484,776,693
R0060 Recoverables from SPV before adjustment for expected losses					0
R0070 Recoverables from Finite Re before adjustment for expected losses					0
R0080 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,484,878,698			-102,005	1,484,776,693
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re	-4,482,166		0	339,170,332	334,688,166
R0100 Risk margin	47,601,479	9,056,742			56,658,221
Amount of the transitional on Technical Provisions					
R0110 Technical Provisions calculated as a whole					0
R0120 Best estimate					0
R0130 Risk margin					0
R0200 Technical provisions - total	1,527,998,011	348,125,069			1,876,123,079
R0210 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	43,119,313	348,227,074			391,346,387
R0220 Best estimate of products with a surrender option	1,398,099,129	161,245,052			1,559,344,181
Gross BE for cash flow					
Cash out-flows					
R0230 Future guaranteed and discretionary benefits		280,056,817			1,867,565,490
R0240 Future guaranteed benefits	735,550,284				735,550,284
R0250 Future discretionary benefits	851,958,389				851,958,389
R0260 Future expenses and other cash out-flows	235,407,417	90,791,832			326,199,249
Cash in-flows					
R0270 Future premiums	342,519,558	31,780,322			374,299,880
R0280 Other cash in-flows	0	0			0
R0290 Percentage of gross Best Estimate calculated using approximations	4.15%	6.32%			
R0300 Surrender value	1,363,375,867	162,198,755			1,525,574,622
R0310 Best estimate subject to transitional of the interest rate					0
R0320 Technical provisions without transitional on interest rate					0
R0330 Best estimate subject to volatility adjustment					0
R0340 Technical provisions without volatility adjustment and without others transitional measures	1,527,998,011	348,125,069			1,876,123,079
R0350 Best estimate subject to matching adjustment					0
R0360 Technical provisions without matching adjustment and without all the others	1,527,998,011	348,125,069			1,876,123,079
R0370 Expected profits included in future premiums (EPIFP)	3,052,124	1,328,365			4,380,489

SCOTTISH WIDOWS EUROPE

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010

Article 112

Regular reporting

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

- R0120 Adjustment due to RFF/MAP nSCR aggregation
- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 Solvency Capital Requirement excluding capital add-on
- R0210 Capital add-ons already set
- R0211 of which, capital add-ons already set - Article 37 (1) Type a
- R0212 of which, capital add-ons already set - Article 37 (1) Type b
- R0213 of which, capital add-ons already set - Article 37 (1) Type c
- R0214 of which, capital add-ons already set - Article 37 (1) Type d
- R0220 Solvency capital requirement

Other information on SCR

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring-fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304
- R0450 Method used to calculate the adjustment due to RFF/MAP nSCR aggregation
- R0460 Net future discretionary benefits

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

- R0600 DTA
- R0610 DTA carry forward
- R0620 DTA due to deductible temporary differences
- R0630 DTL

R0640 LAC DT

- R0650 LAC DT justified by reversion of deferred tax liabilities
- R0660 LAC DT justified by reference to probable future taxable economic profit
- R0670 LAC DT justified by carry back, current year
- R0680 LAC DT justified by carry back, future years
- R0690 Maximum LAC DT

	Regular reporting		
	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
	C0030	C0040	C0050
R0010	38,060,987.37	38,060,987.37	0.00
R0020	15,550,323.80	15,550,323.80	0.00
R0030	62,021,646.95	62,021,646.95	0.00
R0040			0.00
R0050		0.00	0.00
R0060	-29,055,840.67	-29,055,840.67	
R0070	0.00	0.00	
R0100	86,577,117.45	86,577,117.45	
	C0100		
R0120			
R0130	7,312,922.46		
R0140	0.00		
R0150	-2,207,952.61		
R0160			
R0200	91,682,087.29		
R0210	0.00		
R0211			
R0212			
R0213			
R0214			
R0220	91,682,087.29		
	Other information on SCR		
R0400			
R0410			
R0420			
R0430			
R0440			
R0450	4		
R0460			
	Approach to tax rate		
R0590	Yes		
	Calculation of loss absorbing capacity of deferred taxes		
	Before the shock	After the shock	LAC DT
	C0110	C0120	C0130
R0600	0.00		
R0610			
R0620			
R0630	2,207,952.61		
R0640			-2,207,952.61
R0650			-2,207,952.61
R0660			
R0670			
R0680			
R0690			-22,411,552.53

SCOTTISH WIDOWS EUROPE

Contacts and Editorial Responsibility

Scottish Widows Europe S.A.
K2 Forte Building
2, rue Albert Borschette
L-1246 Luxembourg, Grand-Duché du Luxembourg

www.scottishwidowseurope.com

© Scottish Widows Europe, Grand-duché de Luxembourg, 2026