

Legal & General Reinsurance Company No.2 Limited Report and Accounts 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Legal & General Reinsurance Company No.2 Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Legal & General Reinsurance Company No.2 Limited ("the Company"), which comprise the statement of financial position as at December 31, 2025, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Bermuda. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 27, 2026

Statement of Comprehensive Income

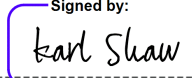
		2025	2024
For the year ended 31 December 2025	Notes	CA\$m	CA\$m
Insurance revenue	14	197	113
Insurance service expenses	14	(184)	(112)
Insurance service result		13	1
Investment return	3	63	112
Finance expense from insurance contracts issued		(40)	(90)
Insurance and investment result		36	23
Other operational income/(expense)	4	2	(1)
Other expenses	5	(23)	(16)
Total other expenses		(21)	(17)
Profit before tax		15	6
Tax expense	6	(2)	(1)
Profit for the year		13	5
Total comprehensive income		13	5

Statement of Financial Position

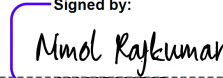
As at 31 December 2025	Notes	2025 CA\$m	2024 CA\$m
Assets			
Investment in subsidiaries		355	–
Financial investments	8	1,610	2,507
Deferred tax assets	10	7	7
Cash and cash equivalents	11	175	159
Total assets		2,147	2,673
Equity			
Share capital	12	743	388
Retained earnings		24	11
Total equity		767	399
Liabilities			
Insurance contract liabilities	14	1,373	2,156
Payables and other financial liabilities	16	7	118
Total liabilities		1,380	2,274
Total equity and liabilities		2,147	2,673

The Notes on pages 7 to 30 are an integral part of these financial statements.

The financial statements on pages 3 to 6 were approved by the Board of Directors on 21 April 2026 and were signed on their behalf by:

Signed by:


 0A49AB2FF80B40B...
 K Shaw
 Chairperson

Signed by:


 C89C9D2007CB411...
 N Rajkumar
 Director

DocuSigned by:


 9DC16EB325D4406...
 A Ellison
 Director

Statement of Changes in Equity

For the year ended 31 December 2025	Notes	Share Capital	Retained earnings	Total equity
		CA\$m	CA\$m	CA\$m
As at 1 January 2025		388	11	399
Profit for the year		–	13	13
Total Comprehensive Income for the year		–	13	13
Shares Issued	12	355	–	355
As at 31 December 2025		743	24	767

For the year ended 31 December 2024	Notes	Share Capital	Retained earnings	Total equity
		CA\$m	CA\$m	CA\$m
As at 1 January 2024		316	6	322
Profit for the year		–	5	5
Total Comprehensive Income for the year		–	5	5
Shares Issued	12	72	–	72
As at 31 December 2024		388	11	399

Statement of Cash Flows

For the year ended 31 December 2025	Notes	2025 CA\$m	2024 CA\$m
Cash flows from operating activities			
Profit for the year		13	5
Adjustments for non-cash movements in net profit for the year			
Net (gains)/losses on financial investments		36	(26)
Investment income		(99)	(86)
Tax expense	6	2	1
Other adjustments		–	2
Net (increase)/decrease in operational assets			
Investments mandatorily measured at fair value through profit or loss		854	(884)
Other assets		1	(2)
Net (decrease)/increase in operational liabilities			
Insurance contracts		(783)	732
Other liabilities		(110)	97
Cash (utilised in)/generated from operations			
Interest received		101	80
Tax paid		(2)	–
Dividends received		3	–
Net cash flows from operations			
		16	(81)
Cash flows from investing activities			
Investment in subsidiary		(355)	–
Net cash flows utilised in investing activities			
		(355)	–
Cash flows from financing activities			
Proceeds from share issuance	12	355	72
Net cash flows utilised in financing activities			
		355	72
Net (decrease)/increase in cash and cash equivalents			
		16	(9)
Cash and cash equivalents at 1 January		159	168
Total cash and cash equivalents at 31 December	11	175	159

Notes to the financial statements

1. Summary of significant accounting policies

(i) Basis of preparation

The Company's financial statements have been prepared in accordance with international accounting standards, comprising International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and related interpretations issued by the IFRS Interpretations Committee.

The Company has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been consistently applied to all years presented unless otherwise stated.

Financial assets and financial liabilities are disclosed gross in the Statement of Financial Position unless a legally enforceable right of offset exists and there is an intention to settle recognised amounts on a net basis. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by any accounting standard or International Financial Reporting Interpretations Committee (IFRIC) interpretation, as detailed in the applicable accounting policies of the Company.

(ii) Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position in the current economic environment are set out in the Company's financial statements. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in these financial statements. Principal risks and uncertainties are detailed in Note 22.

The Board of Directors have made an assessment of the Company's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of these financial statements, using the information available up to the date of issue of these financial statements.

The Company manages and monitors its capital and liquidity, and applies various stresses, including adverse inflation and interest rate scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses are disclosed in Note 22. These stresses do not give rise to any material uncertainties over the ability of the Company to continue as a going concern. Based upon the available information, the Board of Directors consider that the Company has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic environment, as detailed in Note 22, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

(iii) New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has applied Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' for the first time in the year commencing 1 January 2025, which did not have a material impact on its financial statements.

(iv) Standards, interpretations and amendments to published standards which are not yet effective

Amendments to IFRS 9, 'Financial Instruments' and IFRS 7, 'Financial Instruments: Disclosures': 'Amendments to the Classification and Measurement of Financial Instruments'

These amendments, issued in May 2024, provide the following:

- clarification around the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system
- clarification and guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion
- new disclosure requirements for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets)
- an update to the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI)

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. These amendments are not expected to give rise to a material impact on the Company's financial statements.

Annual Improvements to IFRS Accounting Standards—Volume 11

The IASB issued its annual improvements in July 2024, which include a collection of minor amendments to accounting standards, applicable for annual reporting periods beginning on or after 1 January 2026. These are not expected to give rise to a material impact on the Company's financial statements.

IFRS 18, 'Presentation and Disclosure in Financial Statements'

IFRS 18, issued in April 2024, will replace IAS 1, 'Presentation of Financial Statements'. IFRS 18 introduces new requirements for presentation within the Statement of Comprehensive Income, including specified totals and subtotals, which aim at increasing comparability of the financial performance of similar entities, as well as provide more relevant information and transparency to users.

The standard is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. The Company is currently assessing the impacts of the amendments on the Company's financial statements, in particular around the presentation of its results within the statement of comprehensive income and the definition and disclosure of management-defined performance measures.

1. Summary of significant accounting policies (continued)

IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'

IFRS 19, issued in May 2024, allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. IFRS 19 is effective for reporting periods beginning on or after 1 January 2027, with early application permitted. The Company is not eligible to apply IFRS 19.

(v) Critical accounting judgements and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Statement of Financial Position and Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year. The Company Audit Committee reviews the reasonableness of judgements associated with, and the application of material accounting policies.

The major areas of critical accounting judgement on policy application are considered below:

Insurance contract liabilities (Note 14): Product classification and the assessment of the significance of insurance risk transferred to the Company in determining whether a contract should be accounted for as an insurance or investment contract

Contracts which transfer significant insurance risk to the Company are classified as insurance contracts.

Judgement is required in order to assess the significance of the transfer of insurance risk within a contract. This assessment is based on whether the occurrence of an insured event could cause the Company to make significant additional payments, i.e. if the occurrence of the event causes significantly higher cash out flows for the Company than its non-occurrence.

Certain contracts, which are both insurance and investment, can contain discretionary features representing the contractual right to receive additional benefits as a supplement to guaranteed benefits under certain conditions, being:

- that the additional benefits are a significant portion of the total contractual benefits
- the timing and amount of the additional benefits is at the discretion of the Company
- that the additional benefits are contractually dependent upon the performance of an entity, fund or specified pool of assets

Insurance contracts and investment contracts with such discretionary participation features are accounted for under IFRS 17, while investment contracts without discretionary participation features are accounted for as financial instruments under IFRS 9. There are no discretionary participation features in the insurance contracts held by the Company.

Judgement is therefore required in order to establish whether any additional benefits in an insurance or investment contract meet the above requirements for being considered discretionary participation features.

The following sets out information about the critical accounting assumptions made by the Company about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of insurance contract liabilities (Note 15)

The key judgements around the valuation of insurance contract liabilities relate to the following assumptions:

- determination of the longevity, mortality and morbidity assumptions used in the calculation of the insurance contract liabilities; the assumptions for the rate of future longevity, mortality and morbidity are based on the Company's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data. The long-term assumptions are adjusted to reflect the Company's view on the effects of the Covid-19 pandemic on claims experience in the medium to long-term, informed by emerging experience and industry studies
- determination of the directly attributable expense assumptions used in the calculation of the insurance liabilities. These represent the expected future costs that relate directly to the fulfilment of the underlying insurance policies, and are based on management's best estimate of these future costs, and on an appropriate allocation between servicing new and existing business
- determination of valuation interest rates used to discount the liabilities, which are sensitive to the assumptions made, for example, on credit default of the backing assets. These assumptions take into account consideration of market experience and historic internal data. The valuation interest rate is also sensitive to the selection of the reference portfolio of assets chosen to back the liabilities
- determination of the compensation required for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risks as insurance contracts are fulfilled, in the calculation of the Risk Adjustment
- determination of the weighting of the coverage units, used to calculate the Contractual Service Margin (CSM) amortisation in the year, between the payment phase and the deferral phase for deferred annuities. Judgement is required to combine the different coverage units so that they fairly reflect the services provided
- determination of the transition date CSM under IFRS 17 incorporated judgement. In particular, judgements made in the calculation of the CSM for portfolios transitioned using the fair value approach at 1 January 2022 continue to be a component of the current valuation of the CSM until those portfolios expire

Note 22 includes a sensitivity analysis on post-tax Company profit and Company equity to reasonable alternative assumptions.

(vi) Consideration of climate change

The Company recognises emerging risks from both climate change and the crisis with nature, and the interrelationship between our climate and the natural world. Climate change is the Company's most material sustainability issue, but the Company continues to develop its understanding of its impacts and dependencies on nature, concurrently with its consideration of the impacts from climate change.

The Company is exposed to climate change through two broad categories: transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the economy; and physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

1. Summary of significant accounting policies (continued)

At the current time, the Company does not consider climate risk to represent a significant area of judgement or of estimation uncertainty. As at 31 December 2025, no material impacts on the Company's financial position, nor on the valuation of assets or liabilities on the Statement of Financial Position as a result of climate change risk have been identified. In arriving at this determination, the Company has in particular taken into account the following areas of judgement, which we consider to be those most exposed to the potential impact of climate change in the preparation of the financial statements:

Going concern and viability

In preparing the financial statements, the Board of Directors are required to assess the Company's ability to continue as a going concern, by taking into account all available information related to at least 12 months from the date of their approval. Climate-related matters have been considered as part of these assessments and have not been deemed to create material uncertainties as to their conclusions or to require specific disclosure.

Valuation of Level 3 financial investments and investment property

The valuation of unquoted illiquid assets has been separately identified as an area of significant estimation uncertainty. The assumptions used in the models underpinning these assets' valuations, such as cash flows forecasts, discount rates, and multiples, are often unobservable. Due to the need to apply significant judgements, these assumptions can be impacted by transition risk, with climate related inputs gaining more traction (e.g. construction methods and materials, EPC ratings, ESG credentials and climate resilience). This is particularly relevant for the Company's direct investments portfolio, including alternative assets. Where possible, the Company's assets are valued using standard market pricing sources or appropriately qualified external valuers, and therefore reflect current market sentiments around climate risk. In this respect market and investor expectations have also been evolving, with greater demand towards net zero-aligned assets, and away from traditional carbon-intensive methods, impacting expected investor returns and therefore discount rates and multiples. Exposure to the risks of climate change is minimised through rigorous assessment of potential investments and active monitoring of the carbon intensity of the current portfolio.

Insurance contract liabilities

The Company's insurance contracts are valued using discount rates derived from the backing asset portfolios with deductions made to remove risks that are present in the assets but are not relevant to the insurance liability. Climate-related risks could impact on the Company's exposure to future credit losses which would impact on the appropriate yield deductions in the discount rate calculation and therefore the insurance contract valuations.

Provisions and contingent liabilities

The recognition, measurement and disclosure of provisions and contingent liabilities is subject to setting assumptions around future events and the probability of their occurrence. Climate-related matters could affect these elements, for example by requiring recognition or disclosure of a legal obligation (e.g. levies imposed for failing climate related targets) or of a constructive obligation (e.g. requirements to remediate environmental damage caused by the Company's operations and investment portfolios).

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits, to the extent it is probable that future taxable profit will be available, against which those amounts can be utilised. Climate-related matters could affect the Company's estimate of future taxable profits, and therefore it may be required to derecognise deferred tax assets previously on the Statement of Financial Position.

(vii) Material accounting policies

Insurance contracts

Long term insurance contracts – initial measurement

Insurance contracts are contracts which transfer significant insurance risk to the insurer at the inception of the contract. This is the case if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, other than a scenario which lacks commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

At inception, the Company separates the following components from an insurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument
- distinct investment components, i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction

After separating any financial instrument components, the Company separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts).

A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

Recognition and level of aggregation

An insurance contract is recognised at the earliest of the following:

- (a) the beginning of the coverage period
- (b) the date when the first payment from a policyholder becomes due
- (c) for onerous contracts, when the contract becomes onerous

1. Summary of significant accounting policies (continued)

The level of aggregation determines the unit of account at which IFRS 17 calculations are performed. This is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of subsequently becoming onerous, and the remainder. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The insurance contract disclosures have been aggregated at the level of the major product lines of the business, annuities and protection. This disaggregation reflects their similar main characteristics and avoids the presentation of insignificant detail.

All of the Company's in scope insurance contracts are accounted for under the general measurement model which measures a group of insurance contracts as the total of:

- fulfilment cash flows
- CSM representing the unearned profit the Company will recognise as it provides services under the insurance contract

Fulfilment cash flows

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows. The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary. The cash flows include:

- premiums and related cash flows
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- investment management costs incurred in the provision of an investment return service or to enhance the benefits of an insurance contract
- payments to policyholders resulting from embedded surrender value options
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- claims handling costs
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries for future services
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- transaction-based taxes

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders
- other information about the known or estimated characteristics of the insurance contracts
- historical data about the Company's own experience, supplemented when necessary, with data from other sources (historical data is adjusted to reflect current conditions)
- current pricing information, when available

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract.

Pre-recognition, insurance acquisition cash flow assets are recognized on the Statement of Financial Position prior to allocation to new insurance contracts and are considered for impairment at each reporting date.

Risk Adjustment

The Risk Adjustment for non-financial risk for a group of insurance contracts reflects the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk after diversification. The Company's Risk Adjustment is calibrated using a Value at Risk (VAR) methodology. In some cases, the compensation for risk on reinsured business is linked directly to the price paid for reinsurance.

Discounting

The insurance contract fulfilment cash flows are discounted at rates that reflect the characteristics of the insurance contract liabilities. These are determined by starting from an appropriate asset portfolio with deductions to remove risks in the assets that are not present in the insurance liabilities.

Contractual service margin

The Company's CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- initial recognition of the fulfilment cash flows
- any cash flows arising from the contracts in the group at that date
- the derecognition at the date of initial recognition of:
 - any asset for insurance acquisition cash flows
 - any other asset or liability previously recognised related to the group of insurance contracts

Onerous contracts

For groups of contracts assessed as onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component is established by the Company for the liability for remaining coverage for an onerous group, which represents the losses recognised.

1. Summary of significant accounting policies (continued)

Long term insurance contracts – subsequent measurement

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of:

- the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date
- the liability for incurred claims for the group reflecting the fulfilment cash flows related to current/past service allocated to the group at that date

Contractual service margin - measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of that group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted for:

- the effect of any new contracts added
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- changes in fulfilment cash flows relating to future service, except to the extent that:
 - such increases in the fulfilment cash flows exceed the current carrying amount of the CSM, giving rise to a loss
 - such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by allocation of the CSM at the end of the period over the current and remaining coverage period, and the effect of any currency exchange differences on the CSM

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise:

- experience adjustments that arise from the difference between the premium receipts (net of refunds) and any related cash flows such as insurance acquisition cash flows and insurance premium taxes and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) in respect of current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted in the CSM
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (which are instead recognised in the Statement of Comprehensive Income).
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period
- changes in the Risk Adjustment for non-financial risk that relate to future service

Adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (i.e. the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period).

Onerous contracts

Groups of contracts that were not onerous at initial recognition can subsequently become onerous if assumptions and experience extinguish the CSM. In this case, the Company establishes a loss component for the future losses recognised. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have materialised in the form of incurred claims). The loss component ensures that over the duration of the contract, the correct amounts are recognised as insurance revenue and insurance service expenses.

Contractual service margin – recognition

The amount of CSM recognised in the Statement of Comprehensive Income for a group of insurance contracts reflects the insurance contract services provided. The proportion of the CSM earned is calculated as the amount of coverage units provided in the period divided by the sum of all the future and current period coverage units. The Company has elected to discount the future coverage units in this calculation. The table below indicates the main insurance contracts services provided under the Company's insurance contracts and selected coverage unit(s) used to measure those services.

Insurance Contract	Insurance Service	Coverage unit(s)
Immediate annuity	Payment of insurance claims	Expected annual claims payments
	Payment of insurance claims (payment phase)	Expected annual claims payments
Deferred annuity	Investment return service (deferral phase)	Expected investment return on backing assets
	Lump sum death benefits (deferral phase)	Sum assured

Where a specific unit of account contains a mixture of services, and therefore coverage units, it is necessary to weight the coverage units so that the resulting profile of CSM release reflects the overall package of benefits provided. This is particularly pertinent to units of account incorporating a combination of immediate and deferred annuities. Under IFRS 17, deferred annuities usually provide multiple services, split between the two phases of benefit provision (the deferral phase and the payment phase). Judgement is therefore required to combine the different coverage units so that they fairly reflect the services provided. The weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return provided and the probability weighted delivery of any lump sum death benefits, both adjusted so that all of the CSM is earned in the deferral phase for all contracts which do not enter the payment phase either through transfer out, withdrawal of funds or death.

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. Investment components are not included in insurance revenue and insurance service expenses.

1. Summary of significant accounting policies (continued)

Insurance finance income and expense

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. Finance income and expense has been included in profit or loss for all insurance products except for the Company's protection business where it has been disaggregated between profit and loss and other comprehensive income. Where insurance finance income and expense has been disaggregated the amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts, using the discount rates determined on initial recognition.

Changes in the Risk Adjustment for non-financial risk have been disaggregated between insurance service result and insurance finance income and expenses.

Derecognition and contract modification of insurance contracts

The Company derecognises a contract when it is extinguished, i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Measurement on transition to IFRS 17

On transition to IFRS 17, the insurance contract liabilities were restated, retrospectively applying the Company's accounting policies. In line with the provisions available in IFRS 17, the Company applied the full retrospective approach. The full retrospective approach required the Company to:

- identify, recognise and measure each group of insurance and reinsurance contracts as if IFRS 17 had always applied
- derecognise any existing balances that would not exist had IFRS 17 always applied
- recognise any resulting net difference in equity

If it was impracticable to apply a full retrospective approach to a group of contracts then the Company selected an approach between the modified retrospective approach and the fair value approach. If the Company could not obtain reasonable and supportable information necessary to apply the modified retrospective approach, then the fair value approach was selected.

Financial instruments

Recognition and derecognition

Initial recognition of financial assets and liabilities is on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Company recognises the difference as follows:

- when the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss
- in all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership to another entity.

The Company enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements and non-cash collateral pledged, unless the Company defaults on its obligations under the relevant agreement.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial asset or financial liability, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Modification

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

1. Summary of significant accounting policies (continued)

Classification and measurement of financial assets

The Company classifies its financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification and measurement of financial assets depends on their contractual cash flow characteristics and how they are managed (the entity's business model). The contractual cash flow characteristics test aims to identify those assets with cash flows consistent with a basic lending arrangement, i.e. which are 'solely payments of principal and interest' (SPPI). The business model test refers to how an entity manages its financial assets with the objectives of generating cash flows. These factors determine whether the financial assets are measured at amortised cost, FVOCI or FVTPL. Assets are therefore typically characterised as follows:

- amortised cost: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is to hold the assets to collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
- FVOCI: financial assets with contractual terms that give rise solely to interest and principal cash flows, and which are held in a business model whose objective is achieved by holding the assets to collect their cash flows and selling them. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- FVTPL: all other financial assets. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in cash flow or net investment hedges.

Notwithstanding the above, on initial recognition the Company may irrevocably designate to FVTPL a financial asset that would otherwise be measured at amortised cost or FVOCI if doing so eliminates or greatly reduces an accounting mismatch.

Receivables are accounted for at amortised cost.

Classification and measurement of financial liabilities

The Company classifies and subsequently measures financial liabilities at amortised cost or FVTPL.

Other financial liabilities

Other financial liabilities include derivative liabilities, repurchase agreements and trail commission, which are measured at FVTPL, while other payable balances are measured at amortised cost.

Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into. The Company's derivatives are instruments held for trading and are therefore accounted for at FVTPL.

Derivatives may be embedded in another contractual arrangement. If such a hybrid contract contains a host that is a financial asset, the Company assesses the entire contract for classification and measurement purposes. Otherwise, the Company accounts for an embedded derivative separately from the host contract when:

- its economic characteristics and risks are not closely related to those of the host contract
- the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract
- the hybrid contract is not measured at FVTPL

These embedded derivatives are separately accounted for at FVTPL, unless the Company chooses to designate the entire hybrid contract at FVTPL.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. In certain circumstances, the fair value at initial recognition differs from the transaction price. If the fair value is evidenced by comparison by a quoted price in an active market for an identical instrument, or is based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the Statement of Comprehensive Income. In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred and recognised in the Statement of Comprehensive Income over the life of the instrument to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the instrument.

Revenue

Insurance revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts, reflecting the consideration the Company expects to be entitled to in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e. the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components).

1. Summary of significant accounting policies (continued)

The total consideration for a group of contracts covers amounts related to the provision of services and comprises:

- the release of the CSM
- changes in the Risk Adjustment for non-financial risk relating to current service
- claims and other insurance service expenses expected at the beginning of the period
- experience adjustments arising from premiums received in the period other than those that relate to future service
- insurance acquisition cost recovery determined by allocating the portion of premiums related to the recovery of those costs on the basis of insurance coverage provided
- other amounts, including any other pre-recognition cash flow assets derecognised at the date of initial recognition

Investment return

Investment return includes unrealised fair value gains and losses on financial investments at fair value through profit or loss, realised gains and losses, dividends, rent and interest. Dividends are accrued on an ex-dividend basis. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transactions cost and its original cost or amortised cost, as appropriate.

Unrealised gains and losses represent the difference between the carrying value at the end of the year and the carrying value at the previous year end or purchase value during the year, less the reversal of previously unrealised gains and losses in respect of disposals made during the year.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. They exclude repayments of investment components and comprise the following items:

- incurred claims and benefits, excluding investment components reduced by loss component allocations;
- incurred directly attributable expenses
- insurance acquisition cost amortisation
- insurance acquisition cost asset impairment

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

Tax

Current tax

Current tax comprises tax payable on current year profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Statement of Comprehensive Income.

Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Statement of Comprehensive Income.

Use of estimates

Tax balances include the use of estimates and assumptions which affect items reported in the Statement of Financial Position and Statement of Comprehensive Income. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.

For tax this includes the determination of assets and liabilities recognised in respect of uncertain tax positions and the estimation of future taxable income supporting deferred tax asset recognition.

Foreign exchange and exchange rates

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income.

The principal foreign exchange rates used for translation are:

	2025	2025	2024	2024
	Average	Year-End	Average	Year-End
United States Dollar	0.716	0.729	0.730	0.695
Sterling	0.543	0.541	0.571	0.556

2. Company information

The principal activity of the Company is the provision of life reinsurance solutions globally, focusing on pension risk transfer (PRT) in selected international markets. The Company currently has long term PRT business in Canada.

The Company was capitalised in 2021 with CA\$111m. Legal & General Re Holdings Limited ('Re Holdings') is the direct parent and Legal & General Plc is the ultimate parent. During 2022, on 28 September and 25 November the Company issued additional CA\$60m and CA\$145m of share capital, respectively, followed by additional share capital issued on 21 October 2024 of CA\$72m. During 2025, additional share capital was issued on 12 September of CA\$11m, and 25 December of CA\$344m.

The Company is incorporated and domiciled in Bermuda and its registered office and principal place of business is 19 Par-la-Ville Road, Hamilton, HM 11, Bermuda.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Canadian Dollars ('CA\$'), which is the Company's functional currency.

3. Investment return

Total investment return for the year was:

	Annuities CA\$m	Other Assets CA\$m	Total CA\$m
For the year ended 31 December 2025			
Financial investment return			
Dividend income	–	3	3
Interest income on financial investments at fair value through profit or loss	84	12	96
(Losses)/gains on financial investments mandatorily measured at fair value through profit or loss	(43)	5	(38)
Gains on derivative instruments mandatorily measured at fair value through profit or loss	–	2	2
Total investment return	41	22	63

¹ includes income of CA\$43m from funds withheld.

	Annuities CA\$m	Other Assets CA\$m	Total CA\$m
For the year ended 31 December 2024			
Financial investment return			
Interest income on financial investments at fair value through profit or loss	75	11	86
Gains on financial investments mandatorily measured at fair value through profit or loss	27	3	30
Losses on derivative instruments mandatorily measured at fair value through profit or loss	–	(4)	(4)
Total investment return	102	10	112

¹ includes income of CA\$7m from funds withheld.

All finance investment return is recognised in profit or loss (2024: consistent with 2025).

4. Other operational expenses

	2025 CA\$m	2024 CA\$m
Foreign exchange losses (not related to insurance contracts)	–	(2)
Other	2	1
Total other operational expenses	2	(1)

5. Insurance service and other expenses

	2025 CA\$m	2024 CA\$m
Claims and benefits	182	111
Fees and commissions	3	1
Other administrative expenses	21	16
Total other expenses	206	128
Amortisation of insurance acquisition cash flows	1	–
Represented by:		
Insurance service expenses	(184)	(112)
Other expenses	(23)	(16)

6. Income tax

	2025 CA\$m	2024 CA\$m
Current tax	(2)	(1)
Tax expense	(2)	(1)

	2025 CA\$m	2024 CA\$m
Profit before income tax	15	6
Tax expense calculated at 25% (2024: 25%)	(4)	(2)
Adjusting for the effects of:		
Recurring reconciling items:		
Different rate of tax on profits and losses taxed overseas	2	1
Tax expense	(2)	(1)
Effective tax rate¹	13.3 %	16.7 %

¹ The effective tax rate is calculated by dividing the tax expense over profit before income tax.

Legal & General Reinsurance Company No.2 Limited is tax resident in the UK and therefore subject to UK income tax at 25% (2024: 25%). Tax affected profits of the Bermuda branch are then adjusted as a reconciling item for the effective tax rate of 15% (2024: 0%) in Bermuda.

The deferred tax asset of CA\$7m (2024: CA\$7m) is included within the deferred tax disclosure in Note 10 and is within the line item for the difference between tax and accounting value of insurance contracts.

7. Dividend

The Company did not declare or pay a dividend to Re Holdings during the year (2024: CA\$Nil).

8. Financial investments

(i) Financial investments at fair value

	Notes	2025 CA\$m	2024 CA\$m
Financial investments at fair value classified as:			
Fair value through profit or loss ¹		1,609	2,507
Fair value through profit or loss - derivatives ¹		1	-
Total financial investments	8(ii)	1,610	2,507
Expected to be received within 12 months		12	112
Expected to be received after 12 months		1,598	2,395

¹ Mandatorily measured at fair value through profit and loss.

The risks associated with financial investments are outlined in Note 22. Financial investments have been allocated between those expected to be settled within 12 months and after 12 months in line with the expected settlement of the backed liabilities.

Financial investments include CA\$1,460m (2024: CA\$2,188m) of debt securities pledged as collateral in the course of writing treaties with the Company's counterparties. The assets used as collateral are AAA, AA, A, BBB and BB (2024: AAA, AA, A, BBB and BB) having a residual maturity of up to 39 years (2024: 57 years). The Company is entitled to receive all of the cash flows from the assets during the year when they are pledged as collateral and has the economic benefits on assets. The Company can decide to substitute an asset which is designated as collateral at any time, provided the relevant terms and conditions of the security deed between the cedant and the Company are met.

(ii) Fair value hierarchy of financial investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The Levels of fair value measurement basis are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

8. Financial investments (continued)

The following table presents the Company's assets by IFRS 13 hierarchy Levels:

	Total	Level 1	Level 2	Level 3
	CA\$m	CA\$m	CA\$m	CA\$m
For the year ended 31 December 2025				
Equity securities	46	–	–	46
Debt securities	1,563	182	578	803
Derivative assets	1	–	1	–
Total financial investments at fair value	1,610	182	579	849
	Total	Level 1	Level 2	Level 3
	CA\$m	CA\$m	CA\$m	CA\$m
For the year ended 31 December 2024				
Equity securities	38	–	–	38
Debt securities	2,469	460	1,813	196
Derivative assets	–	–	–	–
Total financial investments at fair value	2,507	460	1,813	234

The Company's financial assets are valued, where possible, using standard market pricing sources, or index providers such as FTSE. Each uses mathematical modelling and multiple source validation in order to determine consensus prices. In normal market conditions, the Company would consider these market prices to be observable and therefore classify them as Level 1. Where inputs to the valuation have been sourced from a market that is not suitably active the prices have been classified as Level 2. Refer to Level 3 assets section below for methodology.

(a) Significant transfers between Level 1 and Level 2

The Company's policy is to re-assess categorisation of financial assets at the end of each reporting period and to recognise transfers between Levels at that point in time. The following table presents the transfers that occurred in the Company during the year:

	2025	2024
	CA\$m	CA\$m
For the year ended 31 December 2025		
Transfer into Level 1 from Level 2	16	–
Transfer into Level 2 from Level 1	56	94

(b) Level 3 assets measured at fair value

The Company holds regular discussion with pricing providers to determine whether transfers or classifications between Levels of the fair value hierarchy have occurred.

	Equity securities	Debt securities	Total	Equity securities	Debt securities	Total
	2025	2025	2025	2024	2024	2024
	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
As at 1 January	38	196	234	33	62	95
Total gains/(losses) for the period:						
• Realised gains/(losses)	4	(4)	–	–	–	–
• Unrealised gains/(losses)	4	(31)	(27)	4	5	9
Purchases/additions	–	196	196	–	217	217
Sales/disposals	–	(122)	(122)	–	(88)	(88)
FX Translation adjustment	–	–	–	1	–	1
Transfers into level 3	–	568	568	–	–	–
As at 31 December	46	803	849	38	196	234

Level 3 assets

Level 3 assets, where modelling techniques are used, comprise unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, and investments in private equity. Untraded debt securities include private placements.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different Levels of the fair value hierarchy. In these situations, the Company determines the Level in which the fair value falls based upon the lowest Level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Company has classified within Level 3.

The Company determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Company also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the Company's credit standing, and liquidity and risk margins on unobservable inputs.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker.

Equity securities

Level 3 equity securities amount to CA\$46m (2024: CA\$38m), of which the majority is made up of holdings of investment vehicles and private investment funds. They are valued at the proportion of the Company's holding of the Net Asset Value reported by the investment vehicles.

8. Financial investments (continued)

Other financial investments

Other debt securities which are not traded in an active market have been valued using third party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transactions.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker.

(c) Effect of changes in significant unobservable inputs (Level 3) to reasonable possible alternative assumptions

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the Company assesses the sensitivity of fair values of Level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impacts of applying these sensitivities on the fair value of Level 3 assets as at 31 December 2025:

	Fair value	Sensitivities		Fair value	Sensitivities	
	2025	Positive impact	Negative impact	2024	Positive impact	Negative impact
	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Equity securities	46	5	(5)	38	4	(4)
Debt securities	803	16	(14)	196	11	(11)
Total Level 3 investments	849	21	(19)	234	15	(15)

The sensitivity for all Level 3 assets has been executed by calculating the present value of the anticipated future cash flows, using the stressed discount rates. The base Internal Rate of Return is adjusted to incorporate each stress scenarios, leading to a stressed fair value and from which the impact of the stress scenarios on the portfolio can be derived. The stresses applied are equity prices by increasing and decreasing by 10%, a 100bps increase in interest rates, a 100bps decrease in interest rates, and a 50bps increase and decrease in future inflation.

9. Derivative assets and liabilities

The contractual undiscounted cash flows in relation to derivatives have the following maturity profile:

	As at 31 December 2025			As at 31 December 2024		
	Maturity profile of undiscounted cash flows			Maturity profile of undiscounted cash flows		
	Fair values	Within 1 year	Total	Fair values	Within 1 year	Total
	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Cash inflows						
Derivative assets	1	181	181	–	–	–
Derivative liabilities	–	–	–	(2)	181	181
Total	1	181	181	(2)	181	181
Cash outflows						
Derivative assets	1	(180)	(180)	–	–	–
Derivative liabilities	–	–	–	(2)	(183)	(183)
Total	1	(180)	(180)	(2)	(183)	(183)
Net derivative cash flows	–	1	1	–	(2)	(2)

The Company uses derivatives to reduce short term currency risk. The most widely used derivatives are over the counter and exchange-traded swaps. Derivative counterparty risk is managed by the posting of collateral on a daily basis. Derivatives are presented on a net basis as the Company has the right to offset due to settlement of the derivatives being on a net basis.

10. Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is recognised to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity.

During 2023 the Bermudian Government enacted a local corporate income tax (CIT) with effect from 1 January 2025 which applies to Legal & General Reinsurance Company No.2 Limited. This resulted in a deferred tax asset of CA\$7m in 2023 being recognised in respect of tax reliefs permitted under the Bermuda CIT regime which is expected to unwind from 2025 over 10 years on a straight-line basis. The Company expects to have sufficient future taxable profits to offset the unwind of temporary differences.

Legal & General Reinsurance Company No.2 Limited is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the UK, the jurisdiction in which the entity is tax resident, and is effective in 2025. Under the legislation the Legal & General Group is liable to pay a top-up tax on the difference between the Global Anti-base Erosion (GloBE) effective tax rate for each jurisdiction and the 15% minimum rate. In addition, top-up taxes are payable locally where qualifying domestic minimum top-up taxes have been legislated and are in effect. The entity applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

On 15 January 2025 the OECD issued Administrative Guidance on Article 9.1 of the GloBE Model Rules, which is expected to impact how the amortisation of the CA\$7.4m Bermuda deferred tax asset recognised at 31 December 2023 (carrying value of CA\$6.7m (2024: CA\$7.4m) at 31 December 2025, reflecting unwind to date) is included in Pillar Two top up tax calculations from 1 January 2027. We continue to await further and substantive guidance on this matter, noting that the Administrative Guidance does not of itself change the recognition of the Bermuda deferred tax asset. There are some outcomes where there will be a material reduction to the Bermuda deferred tax asset and some increase in current taxes is likely. The expected outcome is an increase in the effective tax rate of the Bermuda business in certain future years. No Pillar Two top-up tax has been accrued in Legal & General Reinsurance Company No.2 Limited in 2025 (2024: CA\$Nil).

Deferred tax assets have been recognised for the following types of temporary differences and unused tax losses. The movement in these balances during the year is as follows:

	Net tax asset as at 1 January 2025	Tax credited to the Statement of Comprehensive Income	Tax credited to OCI or equity	Net tax asset as at 31 December 2025
	CA\$m	CA\$m	CA\$m	CA\$m
Difference between the tax and accounting value of insurance contracts	7	–	–	7
Deferred tax assets	7	–	–	7

	Net tax asset as at 1 January 2024	Tax credited to the Statement of Comprehensive Income	Tax credited to OCI or equity	Net tax asset as at 31 December 2024
	CA\$m	CA\$m	CA\$m	CA\$m
Difference between the tax and accounting value of insurance contracts	7	–	–	7
Deferred tax assets	7	–	–	7

11. Cash and cash equivalents

	2025	2024
	CA\$m	CA\$m
Cash at bank and in hand	102	13
Cash equivalents	73	146
Total cash and cash equivalents	175	159

12. Share capital

	2025	2025	2024	2024
	Number of shares	CA\$	Number of shares	CA\$
Authorised share capital:				
Ordinary shares of US\$1 each	2,000,000,000	2,738,480,367	500,000,000	643,128,271
Issued share capital:				
Fully paid ordinary shares of US\$1 each	549,968,000	742,648,545	291,968,000	387,319,825

On 25 September 2025, 8,000,000 authorised and issued ordinary shares of US\$1.00 were subscribed to by Re Holdings, and on 12 December 2025, 250,000,000 authorised and issued ordinary shares of US\$1.00 were subscribed to by Re Holdings (2024: 21 October 2024 51,932,000 authorised and issued ordinary shares of US\$1.00 were subscribed to by Re Holdings). There is one class of ordinary shares. All shares issued carry equal voting rights.

The holder of the Company's ordinary shares is entitled to receive dividends as declared and is entitled to one vote per share at shareholder meetings of the Company.

13. Investment in subsidiaries

	2025	2024
	CA\$m	CA\$m
As at 1 January 2025	–	–
Additions	355	–
As at 31 December 2025	355	–

Further details in relation to the Company's investment in subsidiaries are included in Note 19.

14. Insurance contract liabilities

(i) Insurance contract revenue and expenses

	Annuities	Total	Annuities	Total
	2025	2025	2024	2024
For the year ended 31 December 2025	CA\$m	CA\$m	CA\$m	CA\$m
Insurance revenue				
Amounts relating to changes in liabilities for remaining coverage:				
• CSM recognised for services provided	12	12	4	4
• Expected incurred claims and other insurance service expenses	183	183	107	107
• Change in the Risk Adjustment for non-financial risk for the risk expired	1	1	2	2
Recovery of insurance acquisition cashflows	1	1	–	–
Total insurance revenue	197	197	113	113
Total insurance service expenses	(184)	(184)	(112)	(112)
Total insurance service result	13	13	1	1

(ii) Insurance contracts

	Assets	Liabilities	Assets	Liabilities
	2025	2025	2024	2024
For the year ended 31 December 2025	CA\$m	CA\$m	CA\$m	CA\$m
Insurance contracts issued				
Annuities				
Insurance contract balances	–	1,373	–	2,156
Total insurance contracts issued¹	–	1,373	–	2,156

¹ CA\$267m (2024: CA\$192m) of the insurance contract balance of CA\$1,373 (2024: CA\$2,156m) is expected to run off within 12 months.

(iii) Annuities – Insurance contracts issued

(a) Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	2025	2025			2024	2024		
	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Opening insurance contract liabilities	2,156	–	–	2,156	1,424	–	–	1,424
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	2,156	–	–	2,156	1,424	–	–	1,424
Insurance revenue	(197)	–	–	(197)	(113)	–	–	(113)
Insurance service expenses								
Incurred claims and other insurance service expenses	–	–	184	184	–	–	112	112
Insurance service expenses	–	–	184	184	–	–	112	112
Insurance service result	(197)	–	184	(13)	(113)	–	112	(1)
Finance expenses from insurance contracts	40	–	–	40	90	–	–	90
Effect of movements in exchange rates								
Total amount recognised in comprehensive income	(157)	–	184	27	(23)	–	112	89
Investment components	(11)	–	11	–	–	–	–	–
Cash flows								
Premiums received	(613)	–	–	(613)	762	–	–	762
Claims and other directly attributable expenses	–	–	(195)	(195)	–	–	(112)	(112)
Insurance acquisition cash flows	(2)	–	–	(2)	(7)	–	–	(7)
Total cash flows	(615)	–	(195)	(810)	755	–	(112)	643
Closing insurance contract liabilities	1,373	–	–	1,373	2,156	–	–	2,156
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	1,373	–	–	1,373	2,156	–	–	2,156

The annuities insurance liability includes the funds withheld balance of CA\$1,549m (2024: CA\$265m).

Premiums received includes CA\$(1,242)m (2024: CA\$(224)m) of funds withheld.

This table does not include Deferred Acquisition Costs which are presented separately in Note 14(vi)).

14. Insurance contract liabilities (continued)

(b) Reconciliation of the measurement components of insurance contract liabilities

	Present value of future cash flows	Risk Adjustment for non- financial risk	CSM	Total	Present value of future cash flows	Risk Adjustment for non-financial risk	CSM	Total
	2025	2025	2025	2025	2024	2024	2024	2024
	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Opening insurance contract liabilities	1,983	28	145	2,156	1,364	15	45	1,424
Opening insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 1 January	1,983	28	145	2,156	1,364	15	45	1,424
Changes that relate to current service								
CSM recognised for services provided	–	–	(12)	(12)	–	–	(4)	(4)
Release of Risk Adjustment	–	(1)	–	(1)	–	(2)	–	(2)
Experience adjustments	–	–	–	–	5	–	–	5
Total changes that relate to current service	–	(1)	(12)	(13)	5	(2)	(4)	(1)
Changes that relate to future service								
Changes in estimates which adjust the CSM	33	(6)	(27)	–	(18)	(1)	19	–
Contracts initially recognised in the year	(50)	7	43	–	(95)	12	83	–
Total changes that relate to future service	(17)	1	16	–	(113)	11	102	–
Insurance service result	(17)	–	4	(13)	(108)	9	98	(1)
Finance expenses from insurance contracts	33	–	7	40	84	4	2	90
Total amount recognised in comprehensive income	16	–	11	27	(24)	13	100	89
Cash flows								
Premiums received	(613)	–	–	(613)	762	–	–	762
Claims and other directly attributable expenses	(195)	–	–	(195)	(112)	–	–	(112)
Insurance acquisition cash flows	(2)	–	–	(2)	(7)	–	–	(7)
Total cash flows	(810)	–	–	(810)	643	–	–	643
Closing insurance contract liabilities	1,189	28	156	1,373	1,983	28	145	2,156
Closing insurance contract assets	–	–	–	–	–	–	–	–
Net balance as at 31 December	1,189	28	156	1,373	1,983	28	145	2,156

The annuities insurance liability includes the funds withheld balance of CA\$1,549m (2024: CA\$265m).

Premiums received includes CA\$(1,242)m (2024: CA\$(224)m) of funds withheld.

This table does not include Deferred Acquisition Costs which are presented separately in Note 14(vi)).

IFRS 17 requires the insurance liabilities to be presented net of assets held within the funds withheld collateral structure. This treatment means that c\$1.5bn of assets backing insurance liabilities which are in the funds withheld collateral structure are offset from the insurance liability line item rather than as investments. This has the impact of netting down the balance sheet to exclude a significant portion of the assets (and liabilities). If funds withheld were presented as investments, in line with the other assets backing insurance liabilities and in line with the approach for regulatory reporting, then the balance sheet would show the below:

Financial Investments: \$3,159m (2024: CA\$2,772m).

Insurance Liabilities: \$2,925m (2024: CA\$2,248m).

The Total assets in the Statement of Financial Position would therefore be \$3,696m (2024: CA\$2,938m).

(c) Impact of contracts recognised in the year

	Total impact of contracts recognised in the year	Total impact of contracts recognised in the year
	2025	2024
	CA\$m	CA\$m
Estimates of present value of cash outflows	–	–
Insurance acquisition cash flows	2	7
Claims and other insurance service expenses payable	581	883
Estimates of present value of cash outflows	583	890
Estimates of present value of cash inflows	(633)	(985)
Risk Adjustment for non-financial risk	7	12
CSM	43	83
Increase in insurance contract liabilities from contracts recognised in the year	–	–

14. Insurance contract liabilities (continued)

(iv) Maturity of contractual undiscounted cashflows

Number of years until expected to be recognised	Insurance contracts issued		Insurance contracts issued	
	Annuities	Total	Annuities	Total
	2025	2025	2024	2024
	CA\$m	CA\$m	CA\$m	CA\$m
1 year or less	250	250	183	183
1 - 2 years	265	265	199	199
2 - 3 years	256	256	194	194
3 - 4 years	247	247	189	189
4 - 5 years	239	239	184	184
5 - 10 years	1,068	1,068	844	844
10 - 20 years	1,485	1,485	1,230	1,230
Over 20 years	830	830	734	734
Total	4,640	4,640	3,757	3,757

(v) CSM maturity profile

Number of years until expected to be recognised	Insurance contracts issued		Insurance contracts issued	
	Annuities	Total	Annuities	Total
	2025	2025	2024	2024
	CA\$m	CA\$m	CA\$m	CA\$m
1 year or less	12	12	12	12
1 - 2 years	14	14	12	12
2 - 3 years	13	13	11	11
3 - 4 years	12	12	11	11
4 - 5 years	11	11	10	10
5 - 10 years	42	42	38	38
10 - 20 years	40	40	38	38
Over 20 years	12	12	13	13
Total	156	156	145	145

The amounts presented reflect the amount of CSM amortisation expected to be recognised in insurance service result in future periods. Actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM, changes in the future coverage units as well as interest accretion, which will be presented in Finance income and expense.

(vi) Deferred acquisition costs

	Annuities		Total	
	2025	2025	2024	2024
	CA\$m	CA\$m	CA\$m	CA\$m
Opening Balance	-	-	-	-
Amounts incurred during the year	2	2	7	7
Amounts derecognised and included in the measurement of insurance contracts	(2)	(2)	(7)	(7)
Closing Balance	-	-	-	-

15. Long term insurance valuation assumptions

(i) Insurance business

The Company only writes long-term insurance business and it seeks to make assumptions about its future experience based on current market conditions and recent experience. The assumptions reflect our best estimate view based on recent experience and expert judgement.

(ii) IFRS discount rates

For the year-end 2025, the IFRS discount rate applied to the underlying Canadian annuity business is approximately 4.91% (2024: 5.05%). This rate is based on a reference asset portfolio designed to align with the Company's at-scale operations.

For discount rate assumption, asset yields are adjusted to reflect the risk of default associated with the investments held. The Company applied a prudent c37bps (2024: c40bps) per annum reduction to asset yield to allow for the risk of default for all business, overall this leads to a total default provision of CA\$86m (2024: CA\$84m).

The Company believes the total default allowance is adequate to cover all reasonably foreseeable circumstances.

(iii) Annuitant Mortality

Base mortality assumptions are set with reference to standard Canadian mortality tables drawn up by Club Vita. These tables are based on industry wide mortality experience. Mortality improvement rates, which reflect expected improvements in longevity in the future, were derived internally and are based on published Canadian population data.

(iv) Expenses

IFRS 17 expense reserve includes only directly attributable maintenance costs which for the Company consists of the costs incurred paying claims to external business. The rest of the cost base under IFRS 17 is either classified as non-directly attributable (i.e. impacts P&L when incurred) in line with the Group IFRS 17 expenses policy, or is classified as an acquisition expense. A Deferred Acquisition Cost (DAC) adjustment is held on the balance sheet until it is offset against the CSM when new business is recognised.

(v) Risk Adjustment

The Risk Adjustment is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. For the majority of risks, the Company's view on the compensation required for non-financial risks is determined with reference to an 85th percentile confidence level (2024: 85th percentile), calculated using a one-year Value-at-Risk (VaR) measure. This VaR measure reflects the Company's view on how non-financial risks behave (risk distributions), diversification of risks across the Company (risk correlations), and the costs and benefits from reinsurance in place (risk mitigation). Where the Company has less appetite for a risk (and requires proportionally higher compensation) a higher confidence level is used. This is consistent with how risks are priced for and managed across the Company. The calculation uses a capital basis appropriate for the territory, the type of business, and how it is priced.

We have estimated the equivalent confidence level for the entire Company on a multi-year basis, using a weighted average of the key risks. Overall the Company Risk Adjustment as at 2025 is aligned to a c75th percentile multi-year confidence level (2024: c75th percentile) over the full run-off of the portfolio.

The Company calculates its Risk Adjustment at contract level using a Provision for Adverse Deviations (PADs) approach, where adjustments are applied to best estimate non-financial risk assumptions to calculate the Risk Adjustment required over and above the best estimate liability for each contract. These adjustments (which vary by risk) are calibrated such that the total Company Risk Adjustment calculated aligns to the Company's view of compensation for non-financial risks determined with reference to the 85th percentile (as described above) and the Risk Adjustment at contract level is representative of the compensation required by the Company for that contract.

The principle assumptions are:

	2025	2024
	Canada	Canada
(i) Rate of interest / discount rate		
Annuities in deferment	4.91% pa	5.05% pa
Vested annuities	4.91% pa	5.05% pa
(ii) Mortality tables		
Annuities in deferment ¹		
- Bulk purchase annuities	Club Vita Curves Mortality model	Club Vita Curves Mortality model
Vested annuities ²		
- Bulk purchase annuities	Club Vita Curves Mortality model	Club Vita Curves Mortality model

¹ IFRS cashflows are discounted using a RF curve + liquidity premium. Both vested and deferred annuities use the same discount rate. The value provided is an averaged discount rate weighted by the total cashflows

² For vested and deferred annuities, mortality rates are assumed to reduce according to an adjusted CMI's mortality improvement model. The model reflects population experience and projects current rates of mortality improvements to a user defined Long Term Rate. The Long Term Rate has been determined using a combination of L&Gs internal Cause of Death model and expert judgment. With the following parameters:

- Males (Canadian): Long Term Rate of 1.75% p.a. up to age 85 tapering to 0% at 110 (2024: Long Term Rate of 1.75% p.a. up to age 85 tapering to 0% at 110).
- Females (Canadian): Long Term Rate of 1.25% p.a. up to age 85 tapering to 0% at 110 (2024: Long Term Rate of 1.25% p.a. up to age 85 tapering to 0% at 110).

16. Payables and other financial liabilities

	Notes	2025 CA\$m	2024 CA\$m
Derivative liabilities	9	–	2
Other balances due		7	116
Payables and other financial liabilities		7	118
Settled within 12 months		7	117
Settled after 12 months		–	1

17. Contingent liabilities, guarantees and indemnities

The Company has entered into two letter of credit facility agreements totalling CA\$233m (2024: CA\$208m) of which CA\$233m (2024: CA\$163m) has been utilised. These letter of credit facilities expire in March 2027 and August 2028, respectively.

The Company does not have any other contingent liabilities, guarantees, or indemnities (2024: CA\$Nil) arising as part of its normal course of business.

18. Parent companies

The immediate parent company of Legal & General Reinsurance Company No.2 Limited is Re Holdings, a company incorporated in England and Wales. The ultimate holding company for both of those entities is Legal & General Group Plc. These accounts provide information about Legal & General Reinsurance Company No.2 Limited as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available on the Legal & General Group Plc website at <https://group.legalandgeneral.com/en/investors/results-reports-and-presentations>.

19. Subsidiary undertaking

The subsidiary undertaking of the Company is listed below. The undertaking operates in the United States of America and has only one class of issued ordinary shares. The subsidiary was incorporated in the State of Delaware, United States of America on 15 April 2025. The subsidiary is 100% owned and has a 31 December financial year end.

Held directly by the Company	Nature of Business	Incorporated in
L&G Reinsurance USA Holdings Limited	Reinsurance	Delaware

20. Related party transactions

(i) Payables and other financial liabilities

As at 31 December	2025 CA\$m	2024 CA\$m
Management charges due to L&G Resources Bermuda ¹	6	9
Total	6	9

¹ The management charges due relate to expenses owed by the Company to Legal & General Resources Bermuda. These charges have accrued over the year and relate to the operation costs including employee benefits.

(ii) Other expenses

For the year ended 31 December	2025 CA\$m	2024 CA\$m
Management charges paid to L&G Resources Bermuda	22	21
Asset Management Fees	1	–
Total	23	21

21. Management of capital resources

(i) Capital management policies and objectives

The Company aims to manage its capital resources to maintain financial strength, ensure policyholder security, meet local capital requirements and maintain the Company's strong financial strength rating which provides a competitive advantage.

(ii) Capital measures

The Company measures its capital on a number of different bases, including those which comply with the regulatory framework within which the Company operates, and those which the Board of Directors consider most appropriate for managing the business. The measures used by the Company include Bermuda Economic Balance Sheet ('EBS') regulatory capital and a model used in the Company's annual CISSA (Commercial Insurer's Solvency Self-Assessment) exercise.

21. Management of capital resources (continued)

(iii) Accounting bases

Management uses the primary financial statements prepared on an IFRS basis to manage capital and cash flow usage and to determine dividend paying capacity.

(iv) Bermuda statutory requirements

The Company is licensed as a long-term Class E reinsurer under the Bermuda's Insurance Act 1978. Under the Act, the Company is required to maintain a minimum capital and surplus. There are no statutory restrictions on the payment of dividends from retained earnings of the Company as the minimum statutory capital and surplus requirements are satisfied by the share capital and additional paid in capital. However, approval from the Bermuda Monetary Authority must be obtained before the statutory capital is reduced by more than 25% of the previous year's statutory filing. In all cases, the Approved Actuary needs to provide support for any proposed dividends.

(v) Capital resources

The financial strength of the Company is measured by reference to its Bermudian statutory accounts which are a requirement of all Class E reinsurers. The Company's total capital resources of CA\$760m (2024: CA\$392m) comprise CA\$743m (2024: CA\$388m) of issued share capital to the ultimate parent including a further CA\$355m (2024: CA\$72m) of shares issued in 2025 and retained gain of CA\$17m (2024: CA\$4m).

The Bermuda Monetary Authority have made it optional whether to reflect the deferred tax asset related to the Bermuda CIT in the year ended 31 December 2024 or 31 December 2025 in the statutory financial statements. The Company has elected to recognise it in 2025 for the purposes of statutory reporting.

These capital resources are in excess of the required minimum capital and solvency requirements.

(vi) Available regulatory capital resource risks

The Company's capital resources are sensitive to changes in market conditions, due to both changes in the value of the assets and to the effect that changes in investment conditions may have on the value of the liabilities. Capital resources are also sensitive to assumptions and experience relating to mortality, longevity and to a lesser extent expenses.

The most significant risks arise from:

- Credit risk: this materialises if the default and downgrade experience of the assets backing the liabilities exceed the reserving assumptions
- Longevity risk: losses occur if the mortality of annuitants is lower than the assumptions used for reserving

22. Risk management and control

This section describes the Company's approach to risk management. It covers the overall approach that applies to all risks and includes a detailed review of risks within the Company's business.

(i) Insurance risk

Exposure to loss arising from claims experience being different to that anticipated.

Insurance risk is implicit in the Company's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks. Insurance risk is managed with policies for underwriting, pricing, and reinsurance. The Company's insurance risk policy sets out the overall framework for the management of insurance risk. Areas where the Company is primarily exposed to insurance risk are longevity, rates of longevity improvement and mortality. Insurance risk also arises from incomplete scheme demographic data, specifically where information concerning spouses is unavailable (spouse risk).

Pricing is based on a fixed set of assumptions, such as mortality, which consider past experience, recent trends, and expert opinion. Actual experience may vary from the pricing assumptions, leading to profits or losses. Insurance exposures are limited through reinsurance for specific cohorts of business. Overall, the Company seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits.

(ii) Operational risk

Exposure to loss arising from inadequate or failed internal processes, people, systems or external events.

Potential for exposure to operational risk extends to all aspects of the business. The Company has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action or reputational damage.

(iii) Concentration risk

Exposure to loss arising from a specific geographic location or type of loss event.

As part of the ongoing risk assessment processes the Company considers the concentration of risk. The Company seeks to manage concentrations by setting limits around the maximum exposure to loss that it can tolerate from a series of related events. Limit set include financial instruments. Insurance risk may be concentrated in geographic regions, altering the risk profile of the Company.

(iv) Market risk

Exposure to loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets.

The Company's exposure to market risk is influenced by one or more external factors, including changes to interest rates, inflation, financial instrument prices, foreign exchange rates and indices of prices or rates.

22. Risk management and control (continued)

Significant areas where the Company is exposed to these risks are:

- assets backing insurance contracts
- assets and liabilities denominated in foreign currencies
- other financial assets and liabilities

The Company's market risk policy sets out the overall framework for the management of market risk. The policy is reinforced by more granular investment policies for long term and other business, which have due regard to the nature of liabilities and guarantees and other embedded options given to policyholders.

The Company is ultimately responsible for the management of market risk. The Company manages market risk using the following methods:

Asset liability matching

The Company manages its assets and liabilities in accordance with relevant regulatory requirements, reflecting the differing types of liabilities it has on the Company's Statement of Financial Position.

For business such as immediate annuities, which is sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change. This type of analysis helps protect profits from changing interest rates. Interest rate risk cannot be completely eliminated, due to the nature of the liabilities and any early redemption options contained in the assets.

Derivatives

The Company uses derivatives to reduce the market risk arising in the funds. The most widely used derivatives are exchange-traded swaps. Derivatives may be either held directly on the Statement of Financial Position or in funds withheld or similar structures.

The most significant risks arise from:

Interest rate risk

Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.

The Company is exposed to interest rate risk on the investment portfolio it maintains to meet the obligations and commitments under its non-linked insurance contracts, in that the proceeds from the assets may not be sufficient to meet the Company's obligations to policyholders.

To mitigate the risk that guarantees and commitments are not met, the Company purchases financial instruments, which broadly match the expected insurance policy benefits payable, by their nature and term. The composition of the investment portfolio is governed by the nature of the insurance liabilities, the expected risk-adjusted rate of return and the expected impact on the capital requirement.

Asset liability matching significantly reduces the Company's exposure to interest rate risk. Sensitivity to interest rate changes is included in Note 22(v) Table 4.

Currency risk

The Company operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The Company has exposure to currency risk from financial instruments held in currencies other than their functional currency. The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts, cross currency basis swaps and futures.

The Company aims to maintain sufficient assets in local currency to meet local currency liabilities however movements may impact the value of the Company's shareholder's equity which is expressed in CA\$. This aspect of foreign exchange risk is monitored and managed, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the Company's regulatory capital requirements by currency. Currency borrowings and derivatives are used to manage exposures within the limits that have been set.

As at 31 December 2025, the Company held net assets of CA\$(36)m (2024: CA\$214m), in US dollars. The Company mitigates exchange rate risk through the use of derivatives such as forward currency contracts.

The Company's management of currency risk reduces the shareholder's exposure to exchange rate fluctuations. The Company's exposure to a 10% movement in the US dollar exchange rates on an IFRS basis, where the values of economic hedging instruments are reflected at their carrying value as opposed to their notional amounts, would result in a change in net asset value as reflected in the Table 1.

Table 1 - Exposure to foreign currency exchange rate movement

	A 10% increase in USD: CAD exchange rate		A 10% decrease in USD: CAD exchange rate	
	2025 CA\$m	2024 CA\$m	2025 CA\$m	2024 CA\$m
Movements in net assets/(liabilities) attributable to USD exposures	5	5	(4)	(4)

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. These changes may be as a result of features of the individual instrument, its issuer, or factors affecting all similar financial instruments traded in the market.

The Company controls its exposure to geographical price risks by using internal country credit ratings. These ratings are based on macroeconomic data and key qualitative indicators. The latter take into account economic, social, and political environments.

22. Risk management and control (continued)

Table 2 - Exposure to worldwide equity markets including funds withheld

	2025	2024
	CA\$m	CA\$m
Holdings in unit trusts	47	38
Total equities	47	38

Credit risk

Exposure to loss if another party fails to perform its financial obligations to the Company.

The Company's credit risk policy defines the overall framework for the management of credit risk. Credit risk exposures primarily arise in relation to corporate bonds held by the Company and those in relation to the funds withheld.

The Company holds fixed and variable rate securities within the financial investments and funds withheld to back part of its insurance liabilities. Significant exposures are managed by the application and regular review of concentration limits, with allowance being made in the actuarial valuation of the insurance liabilities for possible defaults.

The credit profile of the Company's financial investments and funds withheld which are exposed to credit risk is shown in 22(iv) Table 3. The credit rating bands are provided by independent rating agencies. Credit risk bands are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies Standard & Poor's, Moody's, and Fitch. For unrated assets, such as cash and derivatives, not exposed to credit risk, the Company maintains internal ratings which are used to manage exposure to these counterparties.

The carrying amount of assets included in the Statement of Financial Position of CA\$2,147m (2024: CA\$2,673m), represents the maximum credit exposure. No impairment provisions have been made.

Table 3 – Exposure to credit risk including funds withheld

	AAA	AA	A	BBB	BB and below	Other	Total
As at 31 December 2025	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Government securities	311	126	5	–	–	–	442
Other fixed rate securities	20	559	821	919	3	–	2,322
Variable rate securities	47	2	118	45	–	–	212
Total debt securities	378	687	944	964	3	–	2,976
Accrued interest	3	4	8	10	–	–	25
Derivatives	–	(7)	–	–	–	–	(7)
Cash and cash equivalents	292	–	4	–	–	–	296
Total¹	673	684	956	974	3	–	3,290

¹ Excludes equity securities (holdings in unit trusts) which are included in Note 22(iv) Table 2.

The total exposure to credit risk includes the funds withheld balance of CA\$1,549m in the current year. There are no impaired or past due financial assets.

	AAA	AA	A	BBB	BB and below	Other	Total
As at 31 December 2024	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
Government securities	153	376	6	–	–	–	535
Other fixed rate securities	45	667	672	707	16	–	2,107
Variable rate securities	2	2	20	21	–	–	45
Total debt securities	200	1,045	698	728	16	–	2,687
Accrued interest	1	5	7	7	–	–	20
Derivatives	–	1	–	–	–	–	1
Cash and cash equivalents	148	33	3	–	–	–	184
Total¹	349	1,084	708	735	16	–	2,892

¹ Excludes equity securities (holdings in unit trusts) which are included in Note 22(iv) Table 2.

The total exposure to credit risk includes the funds withheld balance of CA\$265m in the prior year. There are no impaired or past due financial assets.

(v) Liquidity risk

The risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company's liquidity risk management framework defines the overall framework for the management of liquidity risk. The Company does not seek exposure to liquidity risk in its own right, but recognises that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

The liquidity risks to which the Company's business may be exposed, primarily stem from low probability events that if not adequately planned for, may result in unanticipated liquidity requirements.

22. Risk management and control (continued)

A limited level of contingent liquidity risk is an accepted element of writing contracts of insurance. However, the Company's insurance business seeks to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity to be maintained by insurance funds is identified using techniques including cash flow analysis for ranges of extreme scenarios and stress tests for shock events.

To ensure an appropriate pool of liquid assets are maintained in line with a prudent estimate of cash outflows, the profile of investment assets held to meet future liabilities from writing insurance business are structured to include an appropriate proportion of cash and other readily realisable assets. The required profile is formally defined as part of asset benchmarks provided to the investment managers, with regular management information provided by the investment manager on the actual holding relative to the fund benchmark.

Specific liquidity risks associated with the Company's core product lines and the risk mitigation techniques are as follows:

Annuities: Potential for liquidity risk arises within two specific aspects of the Company's annuity business (i) changes in future pension commitments and (ii) collateral requirements risk hedging strategies.

(i) Changes in future pension commitments - once business has been written, cash outflows for pensions in payment are generally predictable, enabling the Company to structure the liquidity, income and maturity profile of investment assets backing long term liabilities to meet projected cash outflows. Although variations in longevity can alter the duration of outflows over the long term, trends are gradual, providing opportunity to respond with appropriate risk mitigation strategies.

(ii) Collateral requirements for risk hedging strategies - as part of the investment asset management strategy for the Company's annuity business, financial instruments are utilised to manage exposure to fluctuations in interest rates, inflation and foreign currency, which may otherwise result in long term liabilities being unmatched. The use of such financial instruments can require the posting of liquid collateral with counterparties, and as such an appropriate pool of the asset types specified by counterparties must either be held or readily available.

The Company manages its banking relationships, capital raising activities, overall cash and liquidity position and the payment of dividends, with support from its ultimate holding company, Legal & General Group Plc's treasury function. The Company seeks to manage its corporate funds and liquidity requirements on a pooled basis and to ensure the Company maintains sufficient liquid assets and standby facilities to meet a prudent estimate of its net cash outflows. In addition, it ensures that, even under adverse conditions, the Company has access to the funds necessary.

Table 4 – Sensitivity analysis

Table 4 shows the impact on post-tax profit and equity, net of reinsurance, under each sensitivity scenario for the insurance business.

	Impact on post-tax profit from assets	Impact on equity from financial assets	Impact on post-tax profit from insurance contracts	Impact on equity from insurance contracts	Net impact on post tax profits	Net impact on equity
	2025	2025	2025	2025	2025	2025
Financial assets	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m	CA\$m
1% increase in assurance mortality	-	-	-	-	-	-
1% decrease in assurance mortality	-	-	-	-	-	-
5% increase in assurance mortality	-	-	-	-	-	-
100 bps increase in interest rates	(243)	(243)	232	232	(11)	(11)
50 bps decrease in interest rates	137	137	(130)	(130)	7	7
50 bps increase in future inflation expectation	27	27	(28)	(28)	(1)	(1)
Credit spread widens by 100 bps with no change in expected defaults	(237)	(237)	222	222	(16)	(16)
10% increase in maintenance expenses	-	-	-	-	-	-
25% rise in equities	12	12	-	-	12	12
25% fall in equities	(12)	(12)	-	-	(12)	(12)
10 bps increase in credit default assumption	-	-	(24)	(24)	(24)	(24)
10 bps decrease in credit default assumption	-	-	22	22	22	22
10% depreciation against GBP - USD	6	6	(6)	(6)	-	-
10% appreciation against GBP - USD	(6)	(6)	6	6	-	-
10% depreciation against GBP - EUR	-	-	-	-	-	-
10% appreciation against GBP - EUR	-	-	-	-	-	-

22. Risk management and control (continued)

	Impact on post-tax profit from assets	Impact on equity from financial assets	Impact on post-tax profit from insurance contracts	Impact on equity from insurance contracts	Net impact on post tax profits	Net impact on equity
	2024 CA\$m	2024 CA\$m	2024 CA\$m	2024 CA\$m	2024 CA\$m	2024 CA\$m
Financial assets						
1% increase in assurance mortality	-	-	-	-	-	-
1% decrease in assurance mortality	-	-	-	-	-	-
5% increase in assurance mortality	-	-	-	-	-	-
100 bps increase in interest rates	(223)	(223)	209	209	(14)	(14)
50 bps decrease in interest rates	125	125	(118)	(118)	7	7
50 bps increase in future inflation expectation	17	17	(19)	(19)	(2)	(2)
Credit spread widens by 100 bps with no change in expected defaults	(186)	(186)	178	178	(8)	(8)
10% increase in maintenance expenses	-	-	-	-	-	-
25% rise in equities	11	11	-	-	11	11
25% fall in equities	(11)	(11)	-	-	(11)	(11)
10 bps increase in credit default assumption	-	-	(20)	(20)	(20)	(20)
10 bps decrease in credit default assumption	-	-	18	18	18	18
10% depreciation against GBP - USD	4	4	3	3	8	8
10% appreciation against GBP - USD	(3)	(3)	(3)	(3)	(6)	(6)
10% depreciation against GBP - EUR	-	-	-	-	-	-
10% appreciation against GBP - EUR	-	-	-	-	-	-

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The Company seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the Company asset and liability position. In calculating the alternative values, all other assumptions are left unchanged, though in practice, items may be correlated. The sensitivity of the profit to changes in assumptions may not be linear. They should not be extrapolated to changes of a much larger order.

Climate Change

Climate change impacts will emerge through risks that we are already exposed to, with the key existing risk exposures covered by the economic and non-economic sensitivities shown in this section. In addition, given the uncertain nature of the risks from climate change, and the lack of historical data to support decision making, a specific scenario testing approach over a longer term time horizon has been developed by the Group to manage the risks from climate change.

Modern slavery

Legal & General Group Plc and its global subsidiaries ("Legal & General") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free. Legal & General's full modern slavery statement can be found at <https://group.legalandgeneral.com/en/sustainability/growing-our-business-responsibly/supply-chain-and-suppliers>.

23. Subsequent events

On 2 February 2026, the Group completed the disposal of its US insurance entity to Meiji Yasuda Life Insurance Company. As a result of this transaction, part of the proceeds received from the sale were used to contribute a further US\$598m of capital into the Company, and onwards to L&G Reinsurance USA Limited increasing the valuation of the investment in subsidiary on the Company's balance sheet.