REPORT TO WITH-PROFITS POLICYHOLDERS 2025

Report on the Society's compliance with its Principles and Practices of Financial Management during 2025



NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

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SUMMARY

The Board of the National Farmers Union Mutual Insurance Society Limited (the Society) has reviewed the management of the Society's with-profits business for the 2025 financial year (1 January 2025 – 31 December 2025) and is satisfied that it has met its obligations as set out in the Principles and Practices of Financial Management (PPFM).

In reaching this conclusion due regard has been paid to the advice received from the Society's With-Profits Actuary.



Jim McLaren MBE
Chairman



Nick Turner
Group Chief Executive

INTRODUCTION

It is a requirement for directors of insurance companies that write with-profits business to provide with-profits policyholders with an annual statement that explains how the business was managed during the year.

The overarching guidelines that describe how we manage the Society's Long-Term Business Fund are fully documented in the Principles and Practices of Financial Management (PPFM). This report (covering the period 1 January 2025 to 31 December 2025) sets out how we have complied with the PPFM and also provides a summary of the key decisions (e.g. bonus declarations) that have impacted with-profits policyholders during the year. The report also covers the key areas of discretion – where we use our judgement in making decisions, for example when setting bonus rates – and how we have considered the interests and expectations of policyholders when exercising them. The Board has taken advice from the With-Profits Committee and the With-Profits Actuary in preparing this report.

When reading this report, you may find it helpful to refer to the Society's PPFM and, in particular, the section containing the glossary of terms. For more information about the company, you may also like to read the latest Report and Accounts. The PPFM and Report and Accounts are both available on our website **nfumutual.co.uk**.



KEY MESSAGES AND HIGHLIGHTS

Throughout 2025, the Society has continued to manage its with-profits business in accordance with its PPFM. Payouts made to with-profits policyholders have reflected fair value through the setting of both annual and terminal bonus rates, with the vast majority of payouts falling within the ranges published in the PPFM. The amounts invested across each asset class remained within the operating limits set by the With-Profits Committee. Policyholders have continued to benefit from the management of the Inherited Estate, with asset shares for all with-profits policies, except for the Capital Access Bond (CAB), having been enhanced by 1.85% in 2025. Key highlights from 2025 are set out below:

Payouts and Bonus Rates

The methods used to set annual bonus rates, surrender and transfer values were consistent with the PPFM.

Target Ranges

Almost 96% of traditional and 100% of unitised with-profits payouts fell within the target ranges. Each policy outside of the target range was investigated and the yields underlying the payouts were deemed fair.

Investment Policy during 2025

The investment policy for asset shares was consistent with the PPFM and in our opinion, satisfies policyholder reasonable expectations.

Business Risk

No concerns were raised over business risk management.

Charges and Expenses

Charges for existing business remain appropriate and are not to the detriment of with-profits policyholders.

Management of the Inherited Estate

Mutual Investment Bonus was applied to all with-profits policies, except for CAB, through an enhancement to asset share of 1.85%.

New Business Terms and Volumes

New business written in 2025 is not expected to have any adverse effect on the interests of existing with-profits policyholders. The volume of new business was within an acceptable range, no restriction on new business was deemed necessary.

Changes to PPFM

During 2025, the With-Profits Actuary recommended no changes to the PPFM.

Communication with Policyholders

The illustrations and documentation provided comply with relevant regulations and guidance.

GOVERNANCE OF THE WITH-PROFITS BUSINESS

The Society has two key roles within its governance structure that provide reassurance that our with-profits business is being managed in accordance with the Society's PPFM – the With-Profits Committee and the With-Profits Actuary.

The With-Profits Committee is a subordinate Committee of the Society's Board that is responsible for monitoring on-going compliance with our PPFM. Throughout 2025, membership and attendance of the Committee have been in line with the requirements set out in the Terms of Reference, these are available on our website **nfumutual.co.uk**. The Committee met for the planned four meetings during the year and the Committee Chairman reported formally to the Board on its proceedings after each meeting. The views of the Committee are provided to help the Board make key decisions for the with-profits business.

The With-Profits Actuary is responsible for providing the Board with advice on all areas of discretion in respect of the Long-Term Business Fund as they relate to the fair treatment of with-profits policyholders. This includes making recommendations regarding bonus rates, reviewing communications to policyholders, and ensuring the interests of with-profits policyholders are considered in a fair and balanced way.



COMPLIANCE WITH THE PPFM DURING 2025

1. Payouts and Bonus Rates

Annual Bonus Rates

In April 2025, annual bonus rates for our with-profits products were declared for 2024.

Market interest rates have a direct impact on the returns we can achieve on the assets we hold to back our CAB policies. We therefore regularly review CAB bonus rates and set CAB interim bonus rates accordingly. This practice is consistent with the PPFM. In 2025 the CAB interim rates in force throughout 2024 were confirmed as the declared rates.

The declared annual bonus rate for with-profits annuities for 2024 was set equal to the level of annual inflation increase. This was in line with the PPFM target to set bonus rates to match annual inflation increases provided the accumulated asset shares, including Mutual Investment Bonus, support such a declaration.

For the rest of our traditional and unitised with-profits contracts, the declared rates were set equal to the interim rates in force during 2024.

New interim bonus rates were set to take effect from 1 April 2025. The interim bonus rates were increased from their previous levels for the majority of products. These rates primarily reflected the anticipated higher future return levels that we expect to earn on asset shares.

The interim bonus rate for traditional with-profits deferred annuity pensions was maintained at zero because the guaranteed benefits for the majority of policies still exceed the underlying value of the policy.

The approach followed to set annual bonus rates was consistent with our PPFM, which states that we set annual bonus rates once a year or more often, if necessary, for unitised with-profits products. The annual bonus rates are available on our website **nfumutual.co.uk**.

Terminal Bonus Rates

For all with-profits products except the select pension plan, terminal bonus rates were declared on 1 January 2025, 1 July 2025 and 1 December 2025. This is consistent with our current practice outlined in the PPFM which states that we set terminal bonus rates twice a year or more often, if necessary, for these products. The revision of rates in December 2025 effectively brought forward the January rates, allowing the benefits of strong market performance to be passed on to policyholders earlier.

For the select pension plan, terminal bonus rates were set monthly during 2025. This is our standard practice as set out in the PPFM. The rates were set in line with the PPFM rules.



The With-Profits Committee has delegated authority to the With-Profits Actuary to set the select pension plan terminal bonus rates. These are subsequently reported to the With-Profits Committee and the Board. All other bonus declarations were reviewed and approved by the With-Profits Committee, having taken advice from the With-Profits Actuary, and subsequently ratified by the Board.

Throughout 2025, asset share values, on which terminal bonus rates and therefore payouts are based, were calculated using the methods described in the PPFM. There remains a strong focus on using terminal bonuses to ensure that policyholders receive payouts close to 100% of the underlying asset share where possible, whilst following the smoothing rules defined in the PPFM.

In our opinion, the payouts made to with-profits policyholders during 2025 reflected fair value. We are satisfied that bonus rates were calculated using the methods described in the PPFM and discretion was exercised appropriately.

Surrender and Transfer Value Terms

The surrender and transfer bases were updated at the same time as terminal bonus rates for our traditional and unitised with-profits policies during 2025. The methods used to set surrender and transfer values were not changed during 2025. The bases used continue to be consistent with the PPFM.

Target Ranges

The PPFM includes target ranges for payouts for unitised and traditional with-profits business. The target ranges compare the payout to the underlying value of the policy and our aim is to have at least 90% of the payouts falling within these target ranges.

The target ranges published in the PPFM were unchanged in 2025 and were:

- 75% - 125% for traditional with-profits business
- 85% - 111% for unitised business other than with-profits trustee investment plan
- 80% - 120% for with-profits trustee investment plan

The With-Profits Actuary and With-Profits Committee are satisfied that the published target ranges continue to remain appropriate for our with-profits business. The ranges are set to be wide enough to allow us the continued investment freedom to choose the mix of assets that we believe will maximise returns for policyholders, whilst continuing to apply smoothing of payouts in line with the PPFM and customer expectations. For example, we currently invest a significant proportion of assets in equities. Payouts as a proportion of asset shares do vary over time due to differences in actual returns achieved on assets compared to the returns we assumed when we set bonus rates.

Payouts are regularly monitored against the target ranges during the year in order to provide early warning of any potential divergence from our target ranges.

We can confirm that during 2025, we complied with the target ranges set out in the PPFM, with 95.9% of traditional and 100% of unitised payouts falling within range.

The majority of the small number of payouts that fell outside of the target ranges were traditional with-profits policies that had stopped paying regular premiums. Each policy was investigated and the yields underlying the payouts were considered to be fair by the With-Profits Committee.

2. Investment Policy during 2025

The mix of assets was the same for all types of with-profits policies, except for the CAB and the select pension plan risk level 2 fund. The risk level 2 fund is a lower risk with-profits fund (in comparison to the risk level 3 fund) that was launched in 2020.

Assets backing the CAB were invested in cash and floating rate notes (FRNs) throughout the year. This is consistent with our current practice in the PPFM. FRNs are bonds which pay a variable rate of interest. They are mostly issued by financial institutions and governments and the interest they pay is usually called a coupon. The coupon is linked to a specified market rate and is re-calculated at regular intervals.

The With-Profits Committee, after considering advice from the With-Profits Actuary, is responsible for advising on appropriate investment constraints for the part of the Long-Term Business Fund that backs asset shares of all other with-profits policies. These investment constraints include limits on the amount that can be invested in illiquid assets and limits on the amount that can be invested in equity shares. The appropriateness of these constraints is reviewed regularly. The investment objectives and constraints for the Long-Term Business Fund are recommended by the With-Profits Committee and subsequently approved by the Board or by the Board Investment Committee under delegated authority.

Within these constraints, the actual proportion invested in each asset class is determined by our Investment Managers on at least a quarterly basis based on their assessment

of which assets offer the greatest potential for future growth at that time. The asset mix in the risk level 2 and risk level 3 funds at the start of every quarter of 2025 is shown in the tables below. The mix changes in between the dates shown below due to the movements in the values of the assets. The pie charts below show the average mix of assets, based on allocations at the start of every quarter of 2025, for the risk level 2 and risk level 3 funds at a broader asset category level.

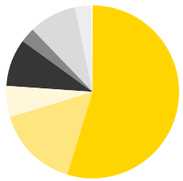
The investment policy for asset shares continues to be consistent with the PPFM, product documentation and marketing literature and therefore, in our opinion, satisfies policyholder reasonable expectations.

Throughout the year the investment amounts across each asset class remained within the operating limits set by the With-Profits Committee.



Risk Level 2 Fund

Equities	30.3%
Property & Infrastructure	11.5%
Fixed Interest Gilts	14.8%
Corporate Bonds	20.6%
Index-Linked Bonds	4.6%
Other Bonds	14.6%
Cash	3.6%



Risk Level 3 Fund

Equities	54.9%
Property & Infrastructure	15.5%
Fixed Interest Gilts	5.8%
Corporate Bonds	8.9%
Index-Linked Bonds	3.0%
Other Bonds	8.9%
Cash	3.1%

	Risk Level 2 Fund				Risk Level 3 Fund			
	1/1/25	1/4/25	1/7/25	1/10/25	1/1/25	1/4/25	1/7/25	1/10/25
UK Equities	14.0%	13.5%	13.5%	13.0%	23.0%	22.5%	22.5%	22.0%
International Equities	16.0%	17.0%	17.0%	17.0%	32.0%	32.5%	32.5%	32.5%
Property	11.0%	11.0%	11.0%	11.0%	15.0%	15.0%	15.0%	15.0%
UK Corporate Bonds	21.0%	20.5%	20.5%	20.5%	9.0%	8.8%	8.8%	8.8%
Index-Linked Bonds	5.0%	4.5%	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%
Fixed Interest Gilts	14.0%	15.0%	15.0%	15.0%	5.0%	6.0%	6.0%	6.0%
International Bonds	7.0%	6.5%	6.5%	6.5%	3.0%	2.7%	2.7%	2.7%
High Yield Bonds	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%
Emerging Market Debt	4.0%	4.0%	4.0%	4.0%	2.5%	3.0%	3.0%	3.0%
Infrastructure Equity	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Cash and Other Assets	3.5%	3.5%	3.5%	4.0%	3.0%	3.0%	3.0%	3.5%

3. Business Risk

The Board Risk Committee monitors business risks and recommends to the Board the Society's strategy and policy for risk management. No concerns over risk management were raised in 2025. The With-Profits Committee and Board Risk Committee or Board approve any management actions taken to protect the security of the Long-Term Business Fund and limit any adverse impact on with-profits policyholders.

4. Charges and Expenses

Detailed expense investigations are periodically undertaken to ensure that the expenses incurred in the Long-Term Business Fund are fairly assigned to the relevant policies. The With-Profits Actuary and With-Profits Committee are satisfied that the current allocation of expenses is fair and equitable.

Throughout 2025, for unitised with-profits business, any variance between actual expenses and policy charges was absorbed by the inherited estate and did not impact policyholder benefits. For traditional with-profits business, the cap on annual expense increases continued to protect payouts from expense increases beyond general inflation and salary inflation.

The decisions related to apportioning any large one-off costs are made by the Board and the With-Profits Committee, on the advice of the With-Profits Actuary. In 2025 all large one-off costs attributable to the with-profits business were borne by the Inherited Estate and therefore did not impact directly on the expenses attributed to policyholders.

The With-Profits Actuary and With-Profits Committee are satisfied that the charges for existing business remain appropriate and are not to the detriment of with-profits policyholders.

5. Management of the Inherited Estate

The Inherited Estate is the excess of the total assets of the Long-Term Business Fund over the amount required to meet future liabilities to non-profit and with-profits policyholders and other obligations of the Long-Term Business Fund. The Inherited Estate provides the working capital to support current and future business written within the Long-Term Business Fund.

Our aim is to pay a fair return to with-profits policyholders which includes performance of the assets backing their policy as well as a share in the profits and losses of the Long-Term Business Fund. Therefore, the With-Profits Committee regularly reviews whether it is appropriate to make an additional distribution to existing policyholders from the Inherited Estate, considering fairness between different groups and generations of policyholders. The With-Profits Committee previously agreed and implemented a long-term strategy for distributions from the Inherited Estate with the rate of distribution being subject to annual review. In 2025 the Committee agreed that the Long-Term Business Fund was able to support a long-term affordable rate of 1.85% per annum. The Board approved this level of distribution and the asset share for all with-profits policies, except for CAB, were enhanced by 1.85% in 2025. The rate of distribution was subsequently reviewed and increased to 1.9% per annum for 2026. It will continue to be reviewed annually and may increase or decrease in future years.

The mix of assets held within the Inherited Estate differs from the asset shares and for the rest of the Long-Term Business Fund primarily due to the different purpose the Inherited Estate is maintained for, which is to provide the working capital to support the business. However, the investment strategy still aims to maximise investment returns subject to policyholder reasonable expectations and managing levels of risk.

The With-Profits Actuary and With-Profits Committee are satisfied that during 2025 the Inherited Estate was managed in accordance with the rules of the PPFM.

6. New Business Terms and Volumes

When writing new business, it is important to ensure that there is sufficient capital available to support the new policies without adversely affecting the interests of the existing with-profits policyholders.

The level and mix of new business written into the Long-Term Business Fund is regularly monitored. The With-Profits Actuary and With-Profits Committee are satisfied that during 2025, new business was written on terms that we expect to have no adverse effect on the interests of the existing with-profits policyholders in the Fund.

During 2025, levels of new business were regularly monitored to ensure that the volume of new business was broadly in line with our business plan. The With-Profits Actuary and With-Profits Committee were satisfied that the volume of business written was within an acceptable range throughout 2025 and no restriction on new business was therefore necessary.



Changes to the PPFM

The PPFM describes how we manage the with-profits business. During 2025, the With-Profits Actuary recommended no changes to the PPFM.

Communication with Policyholders

The With-Profits Actuary has responsibility for controlling representations made to policyholders by reviewing documents to ensure that they are in line with policyholder reasonable expectations and in compliance with the PPFM. Documents that have been reviewed during 2025 include key features documents, policy documents, marketing material, our guides to with-profits, our fund guide, and annual statements.

All companies use the standard growth rates provided by the Financial Conduct Authority (FCA) to illustrate potential policy payouts unless they believe that using lower rates would be more appropriate for their products. During 2025, we used projection rates that were at the FCA limits for most funds, including the with-profits Risk Level 3 and Risk Level 2 funds. We believe the projection rates used for our different funds are appropriate and reflect the mix of assets within the funds and our view of future investment returns. The appropriateness of the rates and illustrations of future benefits is subject to regular review.

The With-Profits Actuary and With-Profits Committee are satisfied that the illustrations and documentation that is provided to our policyholders comply with relevant regulations and guidance and do not have the effect of misleading with-profits policyholders as to their expectations.

APPENDIX

Annual Report from the With-Profits Actuary

As With-Profits Actuary for NFU Mutual, I advise the With-Profits Committee and the Board on the management of the with-profits business and the key aspects of discretion that are applied. I am required by the Financial Conduct Authority's rules to report to with-profits policyholders as to whether NFU Mutual's annual report to with-profits policyholders and the discretion exercised by NFU Mutual in respect of the period covered by the report have taken the interests of the with-profits policyholders into account in a reasonable and proportionate manner.

In my opinion and based on the information and explanations provided to me by the Society, discretion exercised by the Society during 2025 did take the interests of the with-profits policyholders into account in a reasonable and proportionate manner.

I am also satisfied that the Society has complied with its PPFM during 2025 and that the annual report to with-profits policyholders prepared by the Board provides an accurate summary of the key decisions that have impacted with-profits policyholders during the year.

In reaching these opinions I have taken into account the relevant rules and guidance issued by the Financial Conduct Authority, the Actuarial Profession and the Board for Actuarial Standards.



Iain Baker
Fellow of the Institute and Faculty of Actuaries
With-Profits Actuary
National Farmers Union Mutual Insurance Society Limited

June 2026

We're committed to supporting our customers,
whatever your circumstances or needs we're here to help.

If you'd like this document in large print, braille or audio, just contact us.

If you're hard of hearing or deaf, or you have difficulty with your speech, you can contact us by using the Relay UK app on your smartphone or tablet, or by dialling 18001 before our number on your textphone.

To find out more about how we use your personal information and your rights, please view the Privacy Policy on our website.

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WP-REP-2025 | EXPIRY DATE: 30/06/2027

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