

Phoenix Life Limited

Annual PRA Insurance Returns for the year ended

31 December 2014

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.4A, 9.6

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Statement of solvency - long-term insurance businessName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	1016269	GL	31	12	2014	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	3535197	3559746
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	662814	593742
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	4198011	4153488

Guarantee fund

Guarantee fund requirement	21	325921	319241
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	3811993	3834247

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	959749	937157
Resilience capital requirement	32		
Base capital resources requirement	33	2902	3146
Individual minimum capital requirement	34	959749	937157
Capital requirements of regulated related undertakings	35	6004	6855
Minimum capital requirement (34+35)	36	965754	944013
Excess (deficiency) of available capital resources to cover 50% of MCR	37	3715134	3681482
Excess (deficiency) of available capital resources to cover 75% of MCR	38	3473696	3445479

Enhanced capital requirement

With-profits insurance capital component	39	2539042	2514580
Enhanced capital requirement	40	3504796	3458593

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	3504796	3458593
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	693215	694896

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1016269	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Core tier one capital

Permanent share capital	11		69088	69088	69088
Profit and loss account and other reserves	12		907617	907617	884175
Share premium account	13		546	546	546
Positive valuation differences	14		2797608	2797608	2879169
Fund for future appropriations	15		629770	629770	623828
Core tier one capital in related undertakings	16		3287	3287	(146)
Core tier one capital (sum of 11 to 16)	19		4407916	4407916	4456660

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		4407916	4407916	4456660
Investments in own shares	32				
Intangible assets	33		200051	200051	219562
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		200051	200051	219562
Total tier one capital after deductions (31-37)	39		4207865	4207865	4237098

Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1016269	GL	31	12	2014	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		1	2	3		4

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				200000
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				200000

Fixed term preference shares	51				
Other tier two instruments	52		200000	200000	
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		200000	200000	

Total tier two capital before restrictions (49+59)	61		200000	200000	200000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		200000	200000	200000

Components of capital resources

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1016269	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		4407865	4407865	4437098
Inadmissible assets other than intangibles and own shares	73		29719	29719	70710
Assets in excess of market risk and counterparty limits	74		180134	180134	212900
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		4198011	4198011	4153488

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		4137914	4137914	4153488
Available capital resources for 50% MCR requirement	82		4198011	4198011	4153488
Available capital resources for 75% MCR requirement	83		4198011	4198011	4153488

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Calculation of general insurance capital requirement - premiums amount and brought forward amount

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	1016269	GL	31	12	2014	£000
	This financial year					Previous year	
	1					2	
Gross premiums written			11		18596	19409	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13		18596	19409	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16		18596	19409	
Gross premiums earned			21		18596	19409	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23		18596	19409	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26		18596	19409	
Sub-total I (higher of sub-total A and sub-total H)			30		18596	19409	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32		3347	3494	
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34		3347	3494	
Claims paid in period of 3 financial years			41		106176	115198	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42		198301	280981	
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44		365192	370187	
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46		(60716)	25992	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47		(33419)	10423	
Sub-total D (46-47)			48		(27297)	15569	
Reinsurance Ratio (Sub-total D/sub-total C or, if more, 0.50 or, if less, 1.00)			49		0.50	0.60	
Premiums amount (Sub-total J x reinsurance ratio)			50		1674	2093	
Provision for claims outstanding (before discounting and net of reinsurance)			51		95778	132249	
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53		6382	8813	
Greater of lines 50 and 53			54		6382	8813	

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1016269	GL	31	12	2014	£000
					This financial year 1		Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R		11			36		36	
Claims paid in reference period		21			106176		115198	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22			198301		280981	
	For insurance business accounted for on an accident year basis	23						
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24			365192		370187	
	For insurance business accounted for on an accident year basis	25						
Claims incurred in reference period (21+22+23-24-25)		26			(60716)		25992	
Claims incurred for classes 11, 12 or 13 (included in 26)		27						
Claims incurred for "actuarial health insurance" (included in 26)		28						
Sub-total E (26 +1/2 27 - 2/3 28)		29			(60716)		25992	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		31			(20239)		8664	
Division of sub-total F (gross adjusted claims amount)	x 0.26	32			(5262)		2253	
	Excess (if any) over 42.9M EURO x 0.03	33						
Sub-total G (32-33)		39			(5262)		2253	
Claims amount Sub-total G x reinsurance ratio (11.49)		41			(2631)		1349	
Higher of premiums amount and brought forward amount (11.54)		42			6382		8813	
General insurance capital requirement (higher of lines 41 and 42)		43			6382		8813	

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23	32892	188567
	Debts and loans	24		
Non-insurance dependants	Shares	25	3045	3051
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	177979	170224
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	452624	403126
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	248	3524
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5030	5033
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1615	413
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	673434	773937
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	673434	773937
Admissible assets in excess of market and counterparty limits	92	101734	103231
Inadmissible assets directly held	93	170228	194289
Capital resources requirement deduction of regulated related undertakings	94	6004	6855
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	583	582
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(3052)	(604)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	948931	1078292
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		307221	283087	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	33970	33970
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	131272	181739
Participating interests	Shares	29	584343	532039
	Debts and loans	30		

Other financial investments

Equity shares	41	99247	91716	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	13666497	17220584	
Rights under derivative contracts	44	1414773	1254504	
Fixed interest securities	Approved	45	7800409	8326796
	Other	46	113189	385062
Variable interest securities	Approved	47	887574	921855
	Other	48	323283	117027
Participation in investment pools	49			
Loans secured by mortgages	50	2280	15767	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	4109	4510	
Other loans	53		1789299	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3839	
	More than one month withdrawal	55	10557	76
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	909129	795087
	Property linked	59	10345883	10679537

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	8345	12323
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	72252	38992
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	195574	243403
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	142377	156934
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	92992	112817
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	56094	54477

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	37201369	43255441
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	37201369	43255441
Admissible assets in excess of market and counterparty limits	92	78400	109669
Inadmissible assets directly held	93	38421	69273
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	6254	11941
Deferred acquisition costs excluded from line 89	99	20538	26241
Reinsurers' share of technical provisions excluded from line 89	100	4664641	3050993
Other asset adjustments (may be negative)	101	3181	48156
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	42012805	46571713
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **100% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	5832	4446
	Debts and loans	30		

Other financial investments

Equity shares	41	367	335
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	48647	65581
Rights under derivative contracts	44	8	3585
Fixed interest securities	Approved	45	29569
	Other	46	68
Variable interest securities	Approved	47	345
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52	53	55
Other loans	53		3368
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **100% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		1
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	29	409
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	90	89
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	277	295
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	85285	107109
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **100% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	85285	107109
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	5	5
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	129	142
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	85419	107255
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Non-Profit Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1016269	GL	31	12	2014	£000	12
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11			123501	121453	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	33970	33970
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	131272	181739
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	4536	19791	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	3988206	3552525	
Rights under derivative contracts	44	262899	362148	
Fixed interest securities	Approved	45	849400	824328
	Other	46	76115	363070
Variable interest securities	Approved	47	370566	313353
	Other	48	271328	55180
Participation in investment pools	49			
Loans secured by mortgages	50	2259	15747	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	382	454	
Other loans	53		135617	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3839	
	More than one month withdrawal	55	10557	76
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	568157	523763
	Property linked	59	10335061	10667788

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Non-Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	7054	9838
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	25805	27070
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	90705	73361
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	47823	42014
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	18885	27051
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	28883	33159

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	17247363	17387334
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Non-Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	17247363	17387334
Admissible assets in excess of market and counterparty limits	92	78400	109669
Inadmissible assets directly held	93	36161	39545
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	11657	2100
Deferred acquisition costs excluded from line 89	99	20538	26241
Reinsurers' share of technical provisions excluded from line 89	100	1366410	1428977
Other asset adjustments (may be negative)	101	3181	48156
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	18763709	19042021
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **90% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	5832	4470
	Debts and loans	30		

Other financial investments

Equity shares	41	472	362	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	59825	74543	
Rights under derivative contracts	44	16	3831	
Fixed interest securities	Approved	45	42256	40281
	Other	46	109	49
Variable interest securities	Approved	47	2269	1996
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53		1921	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **90% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		17
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	855	1317
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	247	354
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	391	416
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	112272	129558
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **90% With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	112272	129558
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	2	266
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	6	6
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	112280	129829
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic Industrial Branch Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	8871	7454
	Debts and loans	30		

Other financial investments

Equity shares	41	998	914	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	112191	205373	
Rights under derivative contracts	44	35	9243	
Fixed interest securities	Approved	45	134999	148458
	Other	46	336	151
Variable interest securities	Approved	47	21483	21791
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	1	1	
Other loans	53		31867	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic Industrial Branch Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	56	56
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	1074	2833
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	146	147
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1367	2038
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	281557	430325
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic Industrial Branch Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	281557	430325
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	263	1429
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	281820	431754
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		121516	104528	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	151562	136543
	Debts and loans	30		

Other financial investments

Equity shares	41	45430	30025	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	2442588	3039702	
Rights under derivative contracts	44	9	192495	
Fixed interest securities	Approved	45	1445118	1324561
	Other	46	6990	2878
Variable interest securities	Approved	47	156692	158246
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	82	77	
Other loans	53		272893	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	59	118
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	63	54
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	3150	26289
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2886	3836
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16406	16860
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4392550	5309107
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Britannic With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4392550	5309107
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	667	2440
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	8015	9841
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1253	1232
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	4402485	5322621
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Phoenix With-Profits Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	1016269	GL	31	12	2014	£000	16
	As at end of this financial year						As at end of the previous year	
	1						2	
Land and buildings	11						62205	57106

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	84660	81052
	Debts and loans	30		

Other financial investments

Equity shares	41	13556	9355	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1892811	2741231	
Rights under derivative contracts	44	276449	154382	
Fixed interest securities	Approved	45	1326992	1672274
	Other	46	7555	3350
Variable interest securities	Approved	47		91696
	Other	48	4182	11000
Participation in investment pools	49			
Loans secured by mortgages	50	20	20	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	30	51	
Other loans	53		446503	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	290092	213083
	Property linked	59	4923	4222

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Phoenix With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	16
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	16	1147
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	4569	915
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	1516	18060
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	30089	47614
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16185	19203
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	11558	11034

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4027410	5583298
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Phoenix With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	16
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4027410	5583298
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	470	9082
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	615955	136463
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	4643835	5728843
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Alba With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	17
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	31214	38857
	Debts and loans	30		

Other financial investments

Equity shares	41		2168	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	309041	800221	
Rights under derivative contracts	44	45004	21617	
Fixed interest securities	Approved	45	569772	689382
	Other	46	1371	616
Variable interest securities	Approved	47	115919	131978
	Other	48	314	2587
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	1265	1249	
Other loans	53		193522	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	4679	
	Property linked	59	4696	5710

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Alba With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	17
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	185	46
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	37515	10954
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2173	4007
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4806	4170
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4821	7644
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	5433	825

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1138207	1915554
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Alba With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	17
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1138207	1915554
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	88	2119
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(13418)	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1589366	1303277
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	2714243	3220950
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Scottish Mutual With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	18
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	71218	62058
	Debts and loans	30		

Other financial investments

Equity shares	41	9080	7270	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1415548	1704002	
Rights under derivative contracts	44	370737	246796	
Fixed interest securities	Approved	45	800943	782532
	Other	46	1831	705
Variable interest securities	Approved	47	98860	97007
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53		203822	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Scottish Mutual With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	18
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	53972	75580
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	12862	13319
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	8094	8844
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	2843144	3201935
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **Scottish Mutual With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	18
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	2843144	3201935
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	15	1688
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	2843159	3203623
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SPI With-Profits Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	1016269	GL	31	12	2014	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11			

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	100707	95419
	Debts and loans	30		

Other financial investments

Equity shares	41	10112	8825	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1369187	1824922	
Rights under derivative contracts	44	141947	216013	
Fixed interest securities	Approved	45	674355	718612
	Other	46	1112	427
Variable interest securities	Approved	47	15263	12505
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	361	444	
Other loans	53		182319	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	3149	
	Property linked	59		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SPI With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	19
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	523	654
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	36602	18466
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	24067	23258
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	7152	8099
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	2384536	3109962
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SPI With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	19
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	2384536	3109962
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	384	6555
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3549	3745
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	2388469	3120262
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SAL With-Profits Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1016269	GL	31	12	2014	£000	20
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29	124446	101741
	Debts and loans	30		

Other financial investments

Equity shares	41	14695	12670	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	2028453	3212484	
Rights under derivative contracts	44	317669	44394	
Fixed interest securities	Approved	45	1927006	2097773
	Other	46	17702	13786
Variable interest securities	Approved	47	106178	92965
	Other	48	47459	48260
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	1935	2180	
Other loans	53		317467	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	43053	58241
	Property linked	59	1202	1816

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SAL With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	20
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	452	445
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	4300	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	5498	23078
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	19361	22134
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	19415	22367
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	10220	9458

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4689044	6081259
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **SAL With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	20
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4689044	6081259
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	368	6146
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	937769	14198
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	5627181	6101603
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **NPI With-Profits Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	1016269	GL	31	12	2014	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11			

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **NPI With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1016269	GL	31	12	2014	£000	21
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	
Deferred acquisition costs (general business only)	85	
Other prepayments and accrued income	86	

Deductions from the aggregate value of assets	87	
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	
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Analysis of admissible assets

Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

Category of assets **NPI With-Profits Fund**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	1016269	GL	31	12	2014	£000	21
						As at end of this financial year	As at end of the previous year	
						1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91		
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	150203	162952
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	150203	162952
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Summary**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	30857980	31724322	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	423967	468058	
Long term insurance business fund carried forward (11 to 13)	14	31281947	32192380	
Claims outstanding	Gross	15	282197	286353
	Reinsurers' share	16		
	Net (15-16)	17	282197	286353
Provisions	Taxation	21		
	Other risks and charges	22	4260	4771
Deposits received from reinsurers	23	404831	378532	
Creditors	Direct insurance business	31	14086	12774
	Reinsurance accepted	32		
	Reinsurance ceded	33	8919	11264
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	125199	120337	
Creditors	Taxation	37	54207	37464
	Other	38	1877180	7091986
Accruals and deferred income	39	32114	21784	
Provision for "reasonably foreseeable adverse variations"	41	5198	6107	
Total other insurance and non-insurance liabilities (17 to 41)	49	2808191	7971373	
Excess of the value of net admissible assets	51	3111231	3091688	
Total liabilities and margins	59	37201369	43255441	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	52107	59122
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	10345883	10679537

Total liabilities (11+12+49)	71	33666172	39695695
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	4664641	3050993
Other adjustments to liabilities (may be negative)	74	2772738	2888804
Capital and reserves and fund for future appropriations	75	909255	936221
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	42012805	46571713

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Britannic Industrial Branch Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	187245	186659	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	88669	132760	
Long term insurance business fund carried forward (11 to 13)	14	275914	319419	
Claims outstanding	Gross	15	4562	4145
	Reinsurers' share	16		
	Net (15-16)	17	4562	4145
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	624	103129
Accruals and deferred income	39	457	220	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	5643	107494	
Excess of the value of net admissible assets	51		3412	
Total liabilities and margins	59	281557	430325	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	23	264
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	192888	294153
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	70840	120650
Capital and reserves and fund for future appropriations	75	18091	16950
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	281820	431754

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Britannic With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	2908363	2951968	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5000	5000	
Long term insurance business fund carried forward (11 to 13)	14	2913363	2956968	
Claims outstanding	Gross	15	9871	17212
	Reinsurers' share	16		
	Net (15-16)	17	9871	17212
Provisions	Taxation	21		
	Other risks and charges	22	741	754
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	6532	
	Reinsurance accepted	32		
	Reinsurance ceded	33	1	2
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	7580	79
	Other	38	3441	992401
Accruals and deferred income	39	3107	1198	
Provision for "reasonably foreseeable adverse variations"	41	798	798	
Total other insurance and non-insurance liabilities (17 to 41)	49	32071	1012442	
Excess of the value of net admissible assets	51	1447116	1339697	
Total liabilities and margins	59	4392550	5309107	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	301	2829
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	2940434	3964411
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1253	1232
Other adjustments to liabilities (may be negative)	74	1209086	1101618
Capital and reserves and fund for future appropriations	75	251712	255360
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	4402485	5322621

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **90% With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	59755	65774	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	450	450	
Long term insurance business fund carried forward (11 to 13)	14	60205	66224	
Claims outstanding	Gross	15	40	16
	Reinsurers' share	16		
	Net (15-16)	17	40	16
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	114	66
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	679	
	Other	38	33	9270
Accruals and deferred income	39	61	12	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	927	9364	
Excess of the value of net admissible assets	51	51140	53970	
Total liabilities and margins	59	112272	129558	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		122
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	60682	75138
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6	6
Other adjustments to liabilities (may be negative)	74	46058	48321
Capital and reserves and fund for future appropriations	75	5534	6364
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	112280	129829

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **100% Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	18318	20808	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	850	850	
Long term insurance business fund carried forward (11 to 13)	14	19168	21658	
Claims outstanding	Gross	15	1638	2038
	Reinsurers' share	16		
	Net (15-16)	17	1638	2038
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	6	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	844	210
	Other	38	43	13612
Accruals and deferred income	39	160	120	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	2692	15980	
Excess of the value of net admissible assets	51	63425	69471	
Total liabilities and margins	59	85285	107109	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	5	75
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	21010	36787
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	129	142
Other adjustments to liabilities (may be negative)	74	64280	70326
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	85419	107255

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Alba With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	1099991	1308329	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13			
Long term insurance business fund carried forward (11 to 13)	14	1099991	1308329	
Claims outstanding	Gross	15	15768	18427
	Reinsurers' share	16		
	Net (15-16)	17	15768	18427
Provisions	Taxation	21		
	Other risks and charges	22	53	286
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	4180	6734
	Reinsurance accepted	32		
	Reinsurance ceded	33	3546	3746
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	935	636
	Other	38	7927	560878
Accruals and deferred income	39	808	825	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	33217	591532	
Excess of the value of net admissible assets	51	5000	15693	
Total liabilities and margins	59	1138208	1915554	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	5269	1798
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	4696	5710

Total liabilities (11+12+49)	71	1133208	1899861
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1589366	1303277
Other adjustments to liabilities (may be negative)	74	(25423)	(969)
Capital and reserves and fund for future appropriations	75	17093	18780
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	2714244	3220950

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Phoenix With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3063260	3394364	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	110500	110500	
Long term insurance business fund carried forward (11 to 13)	14	3173760	3504864	
Claims outstanding	Gross	15	64953	59065
	Reinsurers' share	16		
	Net (15-16)	17	64953	59065
Provisions	Taxation	21		
	Other risks and charges	22	192	344
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	241	1033
	Reinsurance accepted	32		
	Reinsurance ceded	33	272	12
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	13290	1430
	Other	38	347543	1508108
Accruals and deferred income	39	4434	2926	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	430926	1572918	
Excess of the value of net admissible assets	51	422724	505516	
Total liabilities and margins	59	4027410	5583298	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	909	2508
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	4923	4222

Total liabilities (11+12+49)	71	3494186	4967282
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	615955	136463
Other adjustments to liabilities (may be negative)	74	391413	504233
Capital and reserves and fund for future appropriations	75	142281	120865
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	4643835	5728843

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **Scottish Mutual With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	2188246	2111755	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13			
Long term insurance business fund carried forward (11 to 13)	14	2188246	2111755	
Claims outstanding	Gross	15	2	1
	Reinsurers' share	16		
	Net (15-16)	17	2	1
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	3363	
	Other	38	382301	911293
Accruals and deferred income	39	1265	150	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	386931	911443	
Excess of the value of net admissible assets	51	267967	178737	
Total liabilities and margins	59	2843144	3201935	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		1663
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	2575178	3023198
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	221117	145610
Capital and reserves and fund for future appropriations	75	46864	34815
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	2843159	3203623

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **SPI With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	1656732	1729146	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	107959	107959	
Long term insurance business fund carried forward (11 to 13)	14	1764691	1837105	
Claims outstanding	Gross	15	6167	8208
	Reinsurers' share	16		
	Net (15-16)	17	6167	8208
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	7378	129
	Other	38	165189	756729
Accruals and deferred income	39	3698	158	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	182432	765224	
Excess of the value of net admissible assets	51	437413	507633	
Total liabilities and margins	59	2384536	3109962	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	204	1511
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1839164	2494370
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3549	3745
Other adjustments to liabilities (may be negative)	74	482770	531671
Capital and reserves and fund for future appropriations	75	62986	90475
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	2388469	3120262

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **SAL With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3650022	4264834	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	60539	60539	
Long term insurance business fund carried forward (11 to 13)	14	3710561	4325373	
Claims outstanding	Gross	15	53173	55607
	Reinsurers' share	16		
	Net (15-16)	17	53173	55607
Provisions	Taxation	21		
	Other risks and charges	22	326	285
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	766	1461
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	4790	2558
	Other	38	498419	1275650
Accruals and deferred income	39	4565	2766	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	562038	1338326	
Excess of the value of net admissible assets	51	416445	417559	
Total liabilities and margins	59	4689044	6081259	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1069	3923
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1202	1816

Total liabilities (11+12+49)	71	4212060	5603160
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	937769	14198
Other adjustments to liabilities (may be negative)	74	392144	404027
Capital and reserves and fund for future appropriations	75	85207	80217
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	5627181	6101603

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
 Global business
 Financial year ended **31 December 2014**
 Total business/Sub fund **Non - Profit Fund**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	16026049	15690686	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	50000	50000	
Long term insurance business fund carried forward (11 to 13)	14	16076049	15740686	
Claims outstanding	Gross	15	126022	121636
	Reinsurers' share	16		
	Net (15-16)	17	126022	121636
Provisions	Taxation	21		
	Other risks and charges	22	2948	3102
Deposits received from reinsurers	23	404831	378532	
Creditors	Direct insurance business	31	2248	3480
	Reinsurance accepted	32		
	Reinsurance ceded	33	5099	7504
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	125199	120337	
Creditors	Taxation	37	15347	32422
	Other	38	471660	960917
Accruals and deferred income	39	13559	13408	
Provision for "reasonably foreseeable adverse variations"	41	4401	5309	
Total other insurance and non-insurance liabilities (17 to 41)	49	1171314	1646648	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	17247363	17387334	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	44328	44429
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	10335061	10667788

Total liabilities (11+12+49)	71	17197363	17337334
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1366410	1428977
Other adjustments to liabilities (may be negative)	74	(79548)	(36683)
Capital and reserves and fund for future appropriations	75	279485	312393
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	18763709	19042021

Long term insurance business liabilities and margins

Name of insurer **Phoenix Life Limited**
Global business
Financial year ended **31 December 2014**
Total business/Sub fund **NPI With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11		
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14		
Claims outstanding	Gross	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38		
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49		
Excess of the value of net admissible assets		51		
Total liabilities and margins		59		

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71		
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	150203	162952
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	150203	162952

Liabilities (other than long term insurance business)Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	1016269	GL	31	12	2014	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		175159
Amounts owed to credit institutions		46		
Creditors	Taxation	47	1522	
	Foreseeable dividend	48		
	Other	49	3879	188
Accruals and deferred income		51	11223	11703
Total (19 to 51)		59	16624	187050
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	216624	387050

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83	34541		49825
Capital and reserves	84	697766		641416
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	948931		1078292

Profit and loss account (non-technical account)Name of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1016269	GL	31	12	2014	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			231514	288447	
Investment income	Income		14			11764	19604	
	Value re-adjustments on investments		15			9183		
	Gains on the realisation of investments		16			240	52651	
Investment charges	Investment management charges, including interest		17			16039	24895	
	Value re-adjustments on investments		18				68845	
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21			(10612)	(8243)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			226050	258719	
Tax on profit or loss on ordinary activities			31			(7622)	159	
Profit or loss on ordinary activities after tax (29-31)			39			233672	258560	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				4018	
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			233672	262578	
Dividends (paid or foreseeable)			51			134464	250000	
Profit or loss retained for the financial year (49-51)			59			99208	12578	

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	279	6162	22635	277481			
	Interest rates	12	931976	1059249	5511629	6433641			
	Inflation	13	2453	4151	39800	116597			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	6172	24816	99086	495418			
	Equity stock	17							
	Land	18							
	Currencies	19	2705	5002	52447	694939			
	Mortality	20							
Other	21	210782			2673131				
In the money options	Swaptions	31	106928		279453				
	Equity index calls	32			11				
	Equity stock calls	33							
	Equity index puts	34	123079			417143			
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41	30398		1779699				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	1414772	1099381	10457891	8435218			
Adjustment for variation margin		52							
Total (51 + 52)		53	1414772	1099381					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **100% With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	11
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11					223		
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16		8			114		
	Equity stock	17							
	Land	18							
	Currencies	19				38	115		3956
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51		8		38	451		3956
Adjustment for variation margin		52							
Total (51 + 52)		53		8		38			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Non-Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	12
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	214	69	9078	25676			
	Interest rates	12	254000	114452	2073421	2361137			
	Inflation	13	2453	4151	39800	116597			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	167	24525		489505			
	Equity stock	17							
	Land	18							
	Currencies	19	2658	290	5416	282206			
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	3406		8581				
	Equity index calls	32			11				
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	262898	143487	2136306	3275121			
Adjustment for variation margin		52							
Total (51 + 52)		53	262898	143487					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **90% With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	13
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	16				1044		
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19				33		3736	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	16			33	1044	3736	
Adjustment for variation margin		52							
Total (51 + 52)		53	16			33			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Britannic Industrial Branch Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	14
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	1	246	310	10153			
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	3	289		5913			
	Equity stock	17							
	Land	18							
	Currencies	19	32	56	70	9424			
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	35	591	380	25490			
Adjustment for variation margin		52							
Total (51 + 52)		53	35	591					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Britannic With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	15
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	4	1347	2378	55549			
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	5	1538	924	171374			
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	9	2885	3301	226923			
Adjustment for variation margin		52							
Total (51 + 52)		53	9	2885					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Phoenix With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	16
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	3	328	1861	14671			
	Interest rates	12	154210	196126	614772	1087205			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	189		2753				
	Equity stock	17							
	Land	18							
	Currencies	19	2	966	3018	100024			
	Mortality	20							
Other	21	65601			824201				
In the money options	Swaptions	31	55839		151261				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41	605		117304				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	276449	197421	1715170	1201899			
Adjustment for variation margin		52							
Total (51 + 52)		53	276449	197421					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Alba With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	17
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	2	467	1034	19256			
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	45002		112299				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	45004	467	113333	19256			
Adjustment for variation margin		52							
Total (51 + 52)		53	45004	467					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **Scottish Mutual With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	18
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	31	424	2407	16922			
	Interest rates	12	222664	215558	1193423	690390			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16		2	77				
	Equity stock	17							
	Land	18							
	Currencies	19	1	412	152	46079			
	Mortality	20							
	Other	21	55041			683877			
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	69208				229284		
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	23792			788024			
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	370737	216396	2667960	982674			
Adjustment for variation margin		52							
Total (51 + 52)		53	370737	216396					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **SPI With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	19
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	2	116	1201	4785			
	Interest rates	12	63084	54719	391880	178102			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	5620		92843				
	Equity stock	17							
	Land	18							
	Currencies	19	7	1524	41431	63558			
	Mortality	20							
Other	21	14711			188584				
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	53870			187859			
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41	4652		216964				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	141947	56359	932902	434304			
Adjustment for variation margin		52							
Total (51 + 52)		53	141947	56359					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Category of assets **SAL With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1016269	GL	31	12	2014	£000	20
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	6	3164	3101	130471			
	Interest rates	12	238018	478394	1238133	2116807			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	185		3299				
	Equity stock	17							
	Land	18							
	Currencies	19	1	145	1322	14582			
	Mortality	20							
	Other	21	75430			976468			
In the money options	Swaptions	31	2681		7312				
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	1349		657407				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	317669	481704	2887043	2261860			
Adjustment for variation margin		52							
Total (51 + 52)		53	317669	481704					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	281557	430325
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	39567	36051
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	2035	1446
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	239956	392828
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	147678	150608
	Regulatory current liabilities of the fund	22	5644	107494
	Total (21+22)	29	153322	258102
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	5543	6367
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	158865	264469
Regulatory excess capital (19-39)		49	81091	128359

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	81091	128359
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	14243	16523
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	66848	111835

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	4392550	5309107
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	157046	145964
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	6601	6134
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	4228903	5157009
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2751317	2806004
	Regulatory current liabilities of the fund	22	32071	1012442
	Total (21+22)	29	2783388	3818446
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	112853	115381
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	2896240	3933827
Regulatory excess capital (19-39)		49	1332662	1223183

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	1332662	1223183
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	162670	168527
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	1169992	1054655

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	112272	129558
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	7083	6201
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	288	248
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	104902	123108
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	52672	59572
	Regulatory current liabilities of the fund	22	927	9364
	Total (21+22)	29	53600	68937
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	2121	2463
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	55721	71400
Regulatory excess capital (19-39)		49	49181	51708

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	49181	51708
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	5060	4052
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	44121	47657

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	85285	107109
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	85285	107109
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	18318	20808
	Regulatory current liabilities of the fund	22	2692	15980
	Total (21+22)	29	21010	36787
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	742	854
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	21752	37642
Regulatory excess capital (19-39)		49	63533	69467

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	63533	69467
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	63533	69467

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	1138208	1915554
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	341424	554671
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5000	15639
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	791784	1345244
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	758567	753658
	Regulatory current liabilities of the fund	22	33217	591532
	Total (21+22)	29	791784	1345190
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	46784	31969
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	838568	1377160
Regulatory excess capital (19-39)		49	(46784)	(31916)

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(46784)	(31916)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	12932	13876
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	4027410	5583298
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1138206	1427230
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	52545	66859
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	2836659	4089210
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1925054	1967134
	Regulatory current liabilities of the fund	22	430926	1572918
	Total (21+22)	29	2355980	3540052
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	87068	79374
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	2443048	3619426
Regulatory excess capital (19-39)		49	393611	469784

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	393611	469784
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	74971	72486
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	318640	397298

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	2843144	3201935
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	3879	3996
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	155	160
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	2839110	3197780
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2184367	2107759
	Regulatory current liabilities of the fund	22	386931	911443
	Total (21+22)	29	2571299	3019203
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	87543	84949
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	2658842	3104152
Regulatory excess capital (19-39)		49	180269	93628

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	180269	93628
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	4427	8185
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	175842	85444

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	2384536	3109962
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	15110	19215
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	604	769
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	2368822	3089978
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1641623	1709931
	Regulatory current liabilities of the fund	22	182432	765224
	Total (21+22)	29	1824055	2475155
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	67320	70186
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	1891374	2545341
Regulatory excess capital (19-39)		49	477448	544637

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	477448	544637
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	45801	54275
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	431647	490362

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	4689044	6081259
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	810222	1643923
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	35846	73364
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	3842976	4363971
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2839799	2620911
	Regulatory current liabilities of the fund	22	562038	1338326
	Total (21+22)	29	3401838	3959237
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	125575	100363
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	3527412	4059600
Regulatory excess capital (19-39)		49	315563	304371

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	315563	304371
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	47145	46509
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	268419	257861

With-profits insurance capital component for the fund

Name of insurer **Phoenix Life Limited**
 With-profits fund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11		
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19		
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21		
	Regulatory current liabilities of the fund	22		
	Total (21+22)	29		
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	1574	268
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	1574	268
Regulatory excess capital (19-39)		49	(1574)	(268)

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(1574)	(268)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	239956	392828
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	10612	4883
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	250568	397711
Support arrangement assets	27		
Assets available to the fund (26+27)	29	250568	397711

Realistic value of liabilities of fund

With-profits benefit reserve	31	142919	165012	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	96807	121445
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	1978	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	3220	3760
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	102005	125205	
Realistic current liabilities of the fund	51	5644	107494	
Realistic value of liabilities of fund (31+49+51)	59	250568	397711	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	250568	397711
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	250568	397711
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	4228903	5157009
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	17293	33221
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	4246195	5190231
Support arrangement assets	27		
Assets available to the fund (26+27)	29	4246195	5190231

Realistic value of liabilities of fund

With-profits benefit reserve	31	3778796	3705513	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	314481	308227
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	86228	61136
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	8494	6841
	Future costs of smoothing (possibly negative)	44	(295)	33559
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	26420	62513
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	435328	472276	
Realistic current liabilities of the fund	51	32071	1012442	
Realistic value of liabilities of fund (31+49+51)	59	4246195	5190231	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	4246195	5190231
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	4246195	5190231
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	104902	123108
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	2044	2809
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	106946	125917
Support arrangement assets	27		
Assets available to the fund (26+27)	29	106946	125917

Realistic value of liabilities of fund

With-profits benefit reserve	31	77514	92837	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	13761	15616
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	10646	2631
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		430
	Future costs of smoothing (possibly negative)	44	(103)	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	3700	5039
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	28005	23716	
Realistic current liabilities of the fund	51	1427	9364	
Realistic value of liabilities of fund (31+49+51)	59	106946	125917	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	106946	125917
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	106946	125917
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**

With-profits fund **100% Fund**

Financial year ended **31 December 2014**

Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	85285	107109
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	85285	107109
Support arrangement assets	27		
Assets available to the fund (26+27)	29	85285	107109

Realistic value of liabilities of fund

With-profits benefit reserve	31	63657	72076	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	16926	17138
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	405	
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	8	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	1596	1914
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	18936	19053	
Realistic current liabilities of the fund	51	2692	15980	
Realistic value of liabilities of fund (31+49+51)	59	85285	107109	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	85285	107109
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	85285	107109
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	791784	1345244
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	53010	58476
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	844794	1403720
Support arrangement assets	27		
Assets available to the fund (26+27)	29	844794	1403720

Realistic value of liabilities of fund

With-profits benefit reserve	31	534084	500813	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	53187	193240
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	(72)	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		12925
	Future costs of contractual guarantees (other than financial options)	41	121604	71804
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	79176	59069
	Future costs of smoothing (possibly negative)	44	1412	
	Financing costs	45	13418	
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	8623	187
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	277492	311375	
Realistic current liabilities of the fund	51	33217	591532	
Realistic value of liabilities of fund (31+49+51)	59	844794	1403720	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	844794	1403720
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	844794	1403720
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	2836659	4089210
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	336612	191094
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	3173272	4280304
Support arrangement assets	27		
Assets available to the fund (26+27)	29	3173272	4280304

Realistic value of liabilities of fund

With-profits benefit reserve	31	2101926	2242683	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	428130	340489
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	13	9834
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	20162	19430
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	162902	139164
	Future costs of smoothing (possibly negative)	44	(526)	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	29765	(24546)
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	640420	464703	
Realistic current liabilities of the fund	51	430926	1572917	
Realistic value of liabilities of fund (31+49+51)	59	3173272	4280304	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	3173272	4280304
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	3173272	4280304
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	2839110	3197780
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	2839110	3197780
Support arrangement assets	27		
Assets available to the fund (26+27)	29	2839110	3197780

Realistic value of liabilities of fund

With-profits benefit reserve	31	1691893	1711454	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	447709	277695
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	194224	191949
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	109076	79198
	Future costs of smoothing (possibly negative)	44	255	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	9021	26040
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	760286	574883	
Realistic current liabilities of the fund	51	386931	911443	
Realistic value of liabilities of fund (31+49+51)	59	2839110	3197780	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	2839110	3197780
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	2839110	3197780
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	2368822	3089978
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	(1900)	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	2366922	3089978
Support arrangement assets	27		
Assets available to the fund (26+27)	29	2366922	3089978

Realistic value of liabilities of fund

With-profits benefit reserve	31	1589082	1696485	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	314532	304282
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		1072
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	201152	160165
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	20330	73957
	Future costs of smoothing (possibly negative)	44	(273)	
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	59667	90938
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	595408	628269	
Realistic current liabilities of the fund	51	182432	765224	
Realistic value of liabilities of fund (31+49+51)	59	2366922	3089978	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	2366922	3089978
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	2366922	3089978
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	3842976	4363971
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	128671	256831
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	3971646	4620802
Support arrangement assets	27		
Assets available to the fund (26+27)	29	3971646	4620802

Realistic value of liabilities of fund

With-profits benefit reserve	31	2599947	2650822	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	623	1010
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	229130	213026
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		(4903)
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	279884	167474
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	310882	275304
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	24882	11222
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	845400	672938	
Realistic current liabilities of the fund	51	526299	1297042	
Realistic value of liabilities of fund (31+49+51)	59	3971646	4620802	

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	3971646	4620802
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	3971646	4620802
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11		
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26		
Support arrangement assets	27		
Assets available to the fund (26+27)	29		

Realistic value of liabilities of fund

With-profits benefit reserve	31		
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	
	Future costs of contractual guarantees (other than financial options)	41	
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	
	Future costs of smoothing (possibly negative)	44	
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49		
Realistic current liabilities of the fund	51		
Realistic value of liabilities of fund (31+49+51)	59		

Realistic balance sheet

Name of insurer **Phoenix Life Limited**
 With-profits fund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62		
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64		
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	300000	300000
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(1373985)	435520
Investment income receivable before deduction of tax	12	1094486	1004159
Increase (decrease) in the value of non-linked assets brought into account	13	2374194	(115468)
Increase (decrease) in the value of linked assets	14	250378	1260206
Other income	15	2380	1387
Total income	19	2347453	2585804

Expenditure

Claims incurred	21	2554062	3213481
Expenses payable	22	245552	265158
Interest payable before the deduction of tax	23	43425	52124
Taxation	24	87883	67566
Other expenditure	25	95450	20394
Transfer to (from) non technical account	26	231514	288447
Total expenditure	29	3257887	3907171

Business transfers - in	31		
Business transfers - out	32		50739
Increase (decrease) in fund in financial year (19-29+31-32)	39	(910433)	(1372106)
Fund brought forward	49	32192380	33564486
Fund carried forward (39+49)	59	31281947	32192380

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	5316	7765
Investment income receivable before deduction of tax	12	9706	10985
Increase (decrease) in the value of non-linked assets brought into account	13	12335	1822
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	27358	20573

Expenditure

Claims incurred	21	56013	51235
Expenses payable	22	4854	5568
Interest payable before the deduction of tax	23	503	632
Taxation	24	2766	(466)
Other expenditure	25	2865	
Transfer to (from) non technical account	26	3861	2227
Total expenditure	29	70863	59197

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(43505)	(38624)
Fund brought forward	49	319419	358043
Fund carried forward (39+49)	59	275914	319419

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	22004	24972
Investment income receivable before deduction of tax	12	134386	144994
Increase (decrease) in the value of non-linked assets brought into account	13	169233	(29386)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	325622	140580

Expenditure

Claims incurred	21	256728	261535
Expenses payable	22	23694	25580
Interest payable before the deduction of tax	23	3802	4279
Taxation	24	13110	2068
Other expenditure	25	54435	
Transfer to (from) non technical account	26	14668	14422
Total expenditure	29	366436	307884

Business transfers - in	31	5518	4673
Business transfers - out	32	8310	43730
Increase (decrease) in fund in financial year (19-29+31-32)	39	(43605)	(206362)
Fund brought forward	49	2956968	3163330
Fund carried forward (39+49)	59	2913363	2956968

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	560	814
Investment income receivable before deduction of tax	12	3572	3944
Increase (decrease) in the value of non-linked assets brought into account	13	10562	(1761)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	14694	2996

Expenditure

Claims incurred	21	18298	23327
Expenses payable	22	528	552
Interest payable before the deduction of tax	23	25	25
Taxation	24	927	(682)
Other expenditure	25		
Transfer to (from) non technical account	26	936	877
Total expenditure	29	20713	24098

Business transfers - in	31		
Business transfers - out	32		(100)
Increase (decrease) in fund in financial year (19-29+31-32)	39	(6019)	(21002)
Fund brought forward	49	66224	87226
Fund carried forward (39+49)	59	60205	66224

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	94	176
Investment income receivable before deduction of tax	12	2739	3142
Increase (decrease) in the value of non-linked assets brought into account	13	10532	2098
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	13366	5416

Expenditure

Claims incurred	21	14410	12625
Expenses payable	22	313	385
Interest payable before the deduction of tax	23	39	64
Taxation	24	1092	(57)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	15855	13017

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2490)	(7601)
Fund brought forward	49	21658	29259
Fund carried forward (39+49)	59	19168	21658

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(281545)	7554
Investment income receivable before deduction of tax	12	39644	52760
Increase (decrease) in the value of non-linked assets brought into account	13	144008	(131882)
Increase (decrease) in the value of linked assets	14	212	423
Other income	15		
Total income	19	(97681)	(71146)

Expenditure

Claims incurred	21	46766	125821
Expenses payable	22	12605	15623
Interest payable before the deduction of tax	23	1770	3584
Taxation	24	1462	(726)
Other expenditure	25	13370	
Transfer to (from) non technical account	26	603	1893
Total expenditure	29	76576	146194

Business transfers - in	31	14664	17610
Business transfers - out	32	48745	61395
Increase (decrease) in fund in financial year (19-29+31-32)	39	(208338)	(261125)
Fund brought forward	49	1308329	1569454
Fund carried forward (39+49)	59	1099991	1308329

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
Total business / subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(497998)	45373
Investment income receivable before deduction of tax	12	122052	86949
Increase (decrease) in the value of non-linked assets brought into account	13	520383	94028
Increase (decrease) in the value of linked assets	14	701	451
Other income	15		
Total income	19	145138	226801

Expenditure

Claims incurred	21	347592	565714
Expenses payable	22	24147	25453
Interest payable before the deduction of tax	23	3962	6786
Taxation	24	14891	461
Other expenditure	25		
Transfer to (from) non technical account	26	16268	20757
Total expenditure	29	406860	619171

Business transfers - in	31	50	1
Business transfers - out	32	69433	93392
Increase (decrease) in fund in financial year (19-29+31-32)	39	(331105)	(485761)
Fund brought forward	49	3504865	3990626
Fund carried forward (39+49)	59	3173760	3504865

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	16287	8390
Investment income receivable before deduction of tax	12	62174	33538
Increase (decrease) in the value of non-linked assets brought into account	13	203797	50598
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	282259	92526

Expenditure

Claims incurred	21	163703	249750
Expenses payable	22	14616	15769
Interest payable before the deduction of tax	23	2901	6378
Taxation	24	4233	61
Other expenditure	25		
Transfer to (from) non technical account	26	1405	1974
Total expenditure	29	186859	273933

Business transfers - in	31		1843
Business transfers - out	32	18908	26645
Increase (decrease) in fund in financial year (19-29+31-32)	39	76491	(206208)
Fund brought forward	49	2111755	2317963
Fund carried forward (39+49)	59	2188246	2111755

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	23650	28472
Investment income receivable before deduction of tax	12	58073	64058
Increase (decrease) in the value of non-linked assets brought into account	13	226774	82132
Increase (decrease) in the value of linked assets	14	3149	
Other income	15		
Total income	19	311646	174663

Expenditure

Claims incurred	21	339333	376275
Expenses payable	22	9180	15634
Interest payable before the deduction of tax	23	4614	3137
Taxation	24	7959	(2103)
Other expenditure	25		
Transfer to (from) non technical account	26	10574	19250
Total expenditure	29	371660	412193

Business transfers - in	31		
Business transfers - out	32	12399	12738
Increase (decrease) in fund in financial year (19-29+31-32)	39	(72414)	(250268)
Fund brought forward	49	1837105	2087373
Fund carried forward (39+49)	59	1764691	1837105

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(882327)	29764
Investment income receivable before deduction of tax	12	153596	92736
Increase (decrease) in the value of non-linked assets brought into account	13	533919	(56473)
Increase (decrease) in the value of linked assets	14	614	728
Other income	15		
Total income	19	(194199)	66755

Expenditure

Claims incurred	21	264673	395645
Expenses payable	22	23277	25735
Interest payable before the deduction of tax	23	3942	7559
Taxation	24	6845	4319
Other expenditure	25		
Transfer to (from) non technical account	26	3462	3707
Total expenditure	29	302200	436965

Business transfers - in	31	240	238
Business transfers - out	32	118654	163281
Increase (decrease) in fund in financial year (19-29+31-32)	39	(614812)	(533253)
Fund brought forward	49	4325373	4858626
Fund carried forward (39+49)	59	3710561	4325373

Long-term insurance business : Revenue account

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	219974	282239
Investment income receivable before deduction of tax	12	508543	511055
Increase (decrease) in the value of non-linked assets brought into account	13	542651	(126642)
Increase (decrease) in the value of linked assets	14	245702	1258604
Other income	15	2380	1387
Total income	19	1519250	1926642

Expenditure

Claims incurred	21	1046545	1151555
Expenses payable	22	132337	134858
Interest payable before the deduction of tax	23	21868	19679
Taxation	24	34597	64691
Other expenditure	25	24780	20394
Transfer to (from) non technical account	26	179737	223341
Total expenditure	29	1439864	1614518

Business transfers - in	31	366400	553861
Business transfers - out	32	110423	227885
Increase (decrease) in fund in financial year (19-29+31-32)	39	335363	638100
Fund brought forward	49	15740686	15102585
Fund carried forward (39+49)	59	16076049	15740686

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	265399	154170	7587	427156	412649
Single premiums	12	2846	7978	25	10849	32292

Reinsurance - external

Regular premiums	13	49880	25263	934	76078	61032
Single premiums	14		1735716		1735716	(56271)

Reinsurance - intra-group

Regular premiums	15	12	183		195	402
Single premiums	16		1		1	4259

Net of reinsurance

Regular premiums	17	215507	128724	6653	350884	351216
Single premiums	18	2846	(1727740)	25	(1724868)	84304

Total

Gross	19	268245	162147	7613	438005	444941
Reinsurance	20	49893	1761163	934	1811990	9422
Net	21	218353	(1599016)	6678	(1373985)	435520

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	5316			5316	7765
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	5316			5316	7765
Single premiums	18					

Total

Gross	19	5316			5316	7765
Reinsurance	20					
Net	21	5316			5316	7765

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	8471	12592	467	21530	24546
Single premiums	12	1	477	10	489	464

Reinsurance - external

Regular premiums	13	15			15	38
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	8456	12592	467	21515	24508
Single premiums	18	1	477	10	489	464

Total

Gross	19	8472	13069	477	22019	25010
Reinsurance	20	15			15	38
Net	21	8458	13069	477	22004	24972

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	394	214		609	861
Single premiums	12		(46)		(46)	(46)

Reinsurance - external

Regular premiums	13	3			3	3
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					(1)
Single premiums	16					

Net of reinsurance

Regular premiums	17	391	214		606	859
Single premiums	18		(46)		(46)	(46)

Total

Gross	19	394	168		563	816
Reinsurance	20	3			3	2
Net	21	391	168		560	814

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	94		94	178
Single premiums	12				

Reinsurance - external

Regular premiums	13				2
Single premiums	14				

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17	94		94	176
Single premiums	18				

Total

Gross	19	94		94	178
Reinsurance	20				2
Net	21	94		94	176

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	3199	2139	19	5357	6143
Single premiums	12	2	416		417	1693

Reinsurance - external

Regular premiums	13	255	1	1	257	282
Single premiums	14		287062		287062	

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	2945	2138	17	5100	5861
Single premiums	18	2	(286646)		(286644)	1693

Total

Gross	19	3201	2555	19	5774	7836
Reinsurance	20	255	287063	1	287319	282
Net	21	2946	(284508)	17	(281545)	7554

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	42640	4422	294	47356	56836
Single premiums	12	9	10	2	20	20

Reinsurance - external

Regular premiums	13	3968			3968	11483
Single premiums	14		541406		541406	

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	38672	4422	294	43388	45353
Single premiums	18	9	(541396)	2	(541386)	20

Total

Gross	19	42649	4432	295	47376	56856
Reinsurance	20	3968	541406		545374	11483
Net	21	38681	(536974)	295	(497998)	45373

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	1356	14435		15791	8351
Single premiums	12		502		502	60

Reinsurance - external

Regular premiums	13	5			5	21
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	1351	14435		15785	8330
Single premiums	18		502		502	60

Total

Gross	19	1356	14937		16293	8411
Reinsurance	20	5			5	21
Net	21	1351	14937		16287	8390

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	18869	418	4628	23914	28783
Single premiums	12			14	14	7

Reinsurance - external

Regular premiums	13	278			278	318
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	18591	418	4628	23637	28465
Single premiums	18			14	14	7

Total

Gross	19	18869	418	4642	23928	28790
Reinsurance	20	278			278	318
Net	21	18591	418	4642	23650	28472

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	16581	8931	16	25528	30518
Single premiums	12	7	(33)		(26)	(5)

Reinsurance - external

Regular premiums	13	581			581	748
Single premiums	14		907249		907249	

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	16000	8931	16	24947	29770
Single premiums	18	7	(907281)		(907274)	(5)

Total

Gross	19	16589	8898	16	25502	30512
Reinsurance	20	581	907249		907830	748
Net	21	16008	(898351)	16	(882327)	29764

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	168478	110846	2164	281488	248468
Single premiums	12	2827	6652	(0)	9479	30098

Reinsurance - external

Regular premiums	13	44776	25262	933	70971	48137
Single premiums	14					(56271)

Reinsurance - intra-group

Regular premiums	15	12	10		22	203
Single premiums	16		1		1	4259

Net of reinsurance

Regular premiums	17	123690	85575	1231	210496	200128
Single premiums	18	2827	6651	(0)	9478	82111

Total

Gross	19	171305	117498	2164	290968	278566
Reinsurance	20	44788	25273	933	70994	(3672)
Net	21	126517	92226	1231	219974	282239

Long-term insurance business : Analysis of premiums

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11		173		173	200
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		173		173	200
Single premiums	16					

Net of reinsurance

Regular premiums	17					
Single premiums	18					

Total

Gross	19		173		173	200
Reinsurance	20		173		173	200
Net	21					

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	232873	53952	5107	291932	281426
Disability periodic payments	12	33056	6	26	33088	48769
Surrender or partial surrender	13	248794	800186	44854	1093833	1250267
Annuity payments	14	11309	517461	28642	557412	654114
Lump sums on maturity	15	809237	139450	7400	956087	1370999
Total	16	1335270	1511055	86029	2932353	3605575

Reinsurance - external

Death or disability lump sums	21	50049	55		50105	34703
Disability periodic payments	22	27385		20	27405	10997
Surrender or partial surrender	23	484			484	21485
Annuity payments	24	833	280093		280926	300969
Lump sums on maturity	25	208			208	1032
Total	26	78959	280148	20	359127	369185

Reinsurance - intra-group

Death or disability lump sums	31	2810	252		3062	2720
Disability periodic payments	32					
Surrender or partial surrender	33	8304	5421		13724	16713
Annuity payments	34					
Lump sums on maturity	35		2377		2377	3475
Total	36	11114	8050		19164	22909

Net of reinsurance

Death or disability lump sums	41	180014	53644	5107	238765	244003
Disability periodic payments	42	5671	6	6	5683	37772
Surrender or partial surrender	43	240006	794765	44854	1079625	1212069
Annuity payments	44	10476	237368	28642	276486	353146
Lump sums on maturity	45	809030	137073	7400	953503	1366492
Total	46	1245197	1222856	86009	2554062	3213481

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	11875			11875	10937
Disability periodic payments	12					
Surrender or partial surrender	13	2962			2962	2956
Annuity payments	14					
Lump sums on maturity	15	41176			41176	37342
Total	16	56013			56013	51235

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	11875			11875	10937
Disability periodic payments	42					
Surrender or partial surrender	43	2962			2962	2956
Annuity payments	44					
Lump sums on maturity	45	41176			41176	37342
Total	46	56013			56013	51235

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	6291	7083	24	13398	14284
Disability periodic payments	12					387
Surrender or partial surrender	13	13734	133296	2651	149681	136283
Annuity payments	14		980		980	1192
Lump sums on maturity	15	74636	15877	2220	92733	109395
Total	16	94661	157236	4895	256792	261541

Reinsurance - external

Death or disability lump sums	21	27			27	(9)
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25	37			37	15
Total	26	64			64	6

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	6265	7083	24	13371	14294
Disability periodic payments	42					387
Surrender or partial surrender	43	13734	133296	2651	149681	136283
Annuity payments	44		980		980	1192
Lump sums on maturity	45	74599	15877	2220	92696	109380
Total	46	94598	157236	4895	256728	261535

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	1443	70		1513	1112
Disability periodic payments	12					
Surrender or partial surrender	13	1147	639		1786	1315
Annuity payments	14					
Lump sums on maturity	15	13524	1474		14999	20899
Total	16	16114	2183		18298	23327

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	1443	70		1513	1112
Disability periodic payments	42					
Surrender or partial surrender	43	1147	639		1786	1315
Annuity payments	44					
Lump sums on maturity	45	13524	1474		14999	20899
Total	46	16114	2183		18298	23327

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	2311			2311	2302
Disability periodic payments	12					
Surrender or partial surrender	13	1772			1772	1921
Annuity payments	14					
Lump sums on maturity	15	10327			10327	9351
Total	16	14410			14410	13574

Reinsurance - external

Death or disability lump sums	21					58
Disability periodic payments	22					
Surrender or partial surrender	23					187
Annuity payments	24					
Lump sums on maturity	25					705
Total	26					949

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	2311			2311	2244
Disability periodic payments	42					
Surrender or partial surrender	43	1772			1772	1734
Annuity payments	44					
Lump sums on maturity	45	10327			10327	8647
Total	46	14410			14410	12625

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	1687	2470	228	4385	3981
Disability periodic payments	12	(23)		26	4	166
Surrender or partial surrender	13	2520	6372	659	9551	15042
Annuity payments	14	2827	70570	2312	75710	77337
Lump sums on maturity	15	20198	11200	444	31842	84840
Total	16	27210	90612	3669	121491	181366

Reinsurance - external

Death or disability lump sums	21	104			104	129
Disability periodic payments	22	56		20	76	87
Surrender or partial surrender	23	47			47	31
Annuity payments	24		74460		74460	55238
Lump sums on maturity	25	37			37	60
Total	26	245	74460	20	74725	55545

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	1582	2470	228	4280	3852
Disability periodic payments	42	(79)		6	(72)	79
Surrender or partial surrender	43	2474	6372	659	9504	15010
Annuity payments	44	2827	(3890)	2312	1250	22099
Lump sums on maturity	45	20160	11200	444	31804	84780
Total	46	26965	16152	3650	46766	125821

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	43993	3983	306	48283	44589
Disability periodic payments	12					935
Surrender or partial surrender	13	45633	52464	2737	100835	105637
Annuity payments	14	1953	48899	4478	55329	52737
Lump sums on maturity	15	184407	9024	1221	194652	374626
Total	16	275986	114369	8742	399098	578524

Reinsurance - external

Death or disability lump sums	21	17012			17012	12763
Disability periodic payments	22					
Surrender or partial surrender	23	(47)			(47)	47
Annuity payments	24		34541		34541	
Lump sums on maturity	25					
Total	26	16965	34541		51506	12810

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	26981	3983	306	31271	31826
Disability periodic payments	42					935
Surrender or partial surrender	43	45680	52464	2737	100881	105590
Annuity payments	44	1953	14357	4478	20788	52737
Lump sums on maturity	45	184407	9024	1221	194652	374626
Total	46	259021	79828	8742	347592	565714

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	4273	1414		5687	6695
Disability periodic payments	12					
Surrender or partial surrender	13	26853	58961		85815	105631
Annuity payments	14		7972		7972	44242
Lump sums on maturity	15	26690	38091		64780	93359
Total	16	57816	106438		164254	249927

Reinsurance - external

Death or disability lump sums	21	187			187	
Disability periodic payments	22					
Surrender or partial surrender	23	347			347	43
Annuity payments	24					
Lump sums on maturity	25	17			17	133
Total	26	551			551	176

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	4086	1414		5500	6695
Disability periodic payments	42					
Surrender or partial surrender	43	26507	58961		85468	105588
Annuity payments	44		7972		7972	44242
Lump sums on maturity	45	26673	38091		64763	93226
Total	46	57265	106438		163703	249750

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	9473	866	1811	12149	11561
Disability periodic payments	12					745
Surrender or partial surrender	13	52538	82478	33767	168784	144079
Annuity payments	14					
Lump sums on maturity	15	145666	10637	3436	159739	220365
Total	16	207677	93981	39014	340672	376750

Reinsurance - external

Death or disability lump sums	21	1138			1138	9
Disability periodic payments	22					485
Surrender or partial surrender	23	115			115	(19)
Annuity payments	24					
Lump sums on maturity	25	86			86	
Total	26	1339			1339	475

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	8335	866	1811	11012	11552
Disability periodic payments	42					260
Surrender or partial surrender	43	52423	82478	33767	168668	144098
Annuity payments	44					
Lump sums on maturity	45	145580	10637	3436	159653	220365
Total	46	206339	93981	39014	339333	376275

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	2411	7235	(26)	9620	13525
Disability periodic payments	12	467	6		473	3105
Surrender or partial surrender	13	10449	83204		93653	97817
Annuity payments	14	1912	55797	859	58568	57922
Lump sums on maturity	15	147862	11485	77	159424	225686
Total	16	163100	157726	910	321737	398056

Reinsurance - external

Death or disability lump sums	21	246			246	1927
Disability periodic payments	22	370			370	360
Surrender or partial surrender	23					
Annuity payments	24	124	56324		56448	124
Lump sums on maturity	25					
Total	26	740	56324		57064	2411

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	2165	7235	(26)	9374	11599
Disability periodic payments	42	97	6		102	2745
Surrender or partial surrender	43	10449	83204		93653	97817
Annuity payments	44	1788	(527)	859	2120	57798
Lump sums on maturity	45	147862	11485	77	159424	225686
Total	46	162360	101402	910	264673	395645

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
Total business / subfund **Non - Profit Fund**
Financial year ended **31 December 2014**
Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	146326	30581	2764	179671	169547
Disability periodic payments	12	32612			32612	43432
Surrender or partial surrender	13	82898	378964	5039	466901	624486
Annuity payments	14	4617	333243	20992	358853	420685
Lump sums on maturity	15	144751	40865	2	185618	194130
Total	16	411205	783652	28798	1223655	1452279

Reinsurance - external

Death or disability lump sums	21	31336	55		31391	19826
Disability periodic payments	22	26959			26959	10065
Surrender or partial surrender	23	22			22	21196
Annuity payments	24	709	114767		115476	245606
Lump sums on maturity	25	30			30	118
Total	26	59056	114823		173879	296813

Reinsurance - intra-group

Death or disability lump sums	31	21	1		22	(172)
Disability periodic payments	32					
Surrender or partial surrender	33	17	1613		1630	1614
Annuity payments	34					
Lump sums on maturity	35		1579		1579	2471
Total	36	38	3194		3232	3912

Net of reinsurance

Death or disability lump sums	41	114969	30524	2764	148258	149893
Disability periodic payments	42	5653			5653	33367
Surrender or partial surrender	43	82859	377350	5039	465249	601676
Annuity payments	44	3908	218476	20992	243376	175078
Lump sums on maturity	45	144721	39286	2	184009	191541
Total	46	352111	665636	28798	1046545	1151555

Long-term insurance business : Analysis of claims

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	2789	251		3040	2892
Disability periodic payments	12					
Surrender or partial surrender	13	8287	3807		12094	15099
Annuity payments	14					
Lump sums on maturity	15		798		798	1005
Total	16	11076	4856		15932	18997

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31	2789	251		3040	2892
Disability periodic payments	32					
Surrender or partial surrender	33	8287	3807		12094	15099
Annuity payments	34					
Lump sums on maturity	35		798		798	1005
Total	36	11076	4856		15932	18997

Net of reinsurance

Death or disability lump sums	41					
Disability periodic payments	42					
Surrender or partial surrender	43					
Annuity payments	44					
Lump sums on maturity	45					
Total	46					

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	2924	4038	313	7274	8065
Management - acquisition	13					
Management - maintenance	14	74115	128442	8183	210741	229350
Management - other	15	9975	17652	383	28010	28416
Total	16	87014	150132	8879	246025	265831

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	139	333		473	673
Management - other	35					
Total	36	139	333		473	673

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	2924	4038	313	7274	8065
Management - acquisition	43					
Management - maintenance	44	73976	128109	8183	210268	228677
Management - other	45	9975	17652	383	28010	28416
Total	46	86875	149799	8879	245552	265158

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				4
Management - acquisition	13				
Management - maintenance	14	4680		4680	5144
Management - other	15	175		175	421
Total	16	4854		4854	5568

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				4
Management - acquisition	43				
Management - maintenance	44	4680		4680	5144
Management - other	45	175		175	421
Total	46	4854		4854	5568

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	20	157		177	269
Management - acquisition	13					
Management - maintenance	14	2429	19288		21717	22523
Management - other	15	201	1599		1800	2787
Total	16	2651	21044		23694	25580

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	20	157		177	269
Management - acquisition	43					
Management - maintenance	44	2429	19288		21717	22523
Management - other	45	201	1599		1800	2787
Total	46	2651	21044		23694	25580

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	424	104		528	552
Management - other	15					
Total	16	424	104		528	552

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	424	104		528	552
Management - other	45					
Total	46	424	104		528	552

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12	10		10	12
Management - acquisition	13				
Management - maintenance	14	262		262	317
Management - other	15	41		41	55
Total	16	313		313	385

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42	10		10	12
Management - acquisition	43				
Management - maintenance	44	262		262	317
Management - other	45	41		41	55
Total	46	313		313	385

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	9	26		35	60
Management - acquisition	13					
Management - maintenance	14	2868	8273	57	11198	13190
Management - other	15	351	1013	7	1372	2373
Total	16	3228	9313	64	12605	15623

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	9	26		35	60
Management - acquisition	43					
Management - maintenance	44	2868	8273	57	11198	13190
Management - other	45	351	1013	7	1372	2373
Total	46	3228	9313	64	12605	15623

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	106	105	5	216	761
Management - acquisition	13					
Management - maintenance	14	9779	10368	523	20670	21016
Management - other	15	1982	1217	61	3261	3677
Total	16	11868	11690	590	24147	25453

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	106	105	5	216	761
Management - acquisition	43					
Management - maintenance	44	9779	10368	523	20670	21016
Management - other	45	1982	1217	61	3261	3677
Total	46	11868	11690	590	24147	25453

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12	1	22	24	88
Management - acquisition	13				
Management - maintenance	14	2814	10865	13679	14204
Management - other	15	56	857	914	1477
Total	16	2872	11745	14616	15769

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42	1	22	24	88
Management - acquisition	43				
Management - maintenance	44	2814	10865	13679	14204
Management - other	45	56	857	914	1477
Total	46	2872	11745	14616	15769

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	406	72	161	638	1040
Management - acquisition	13					
Management - maintenance	14	2922	516	4232	7670	13239
Management - other	15	741	131		871	1356
Total	16	4069	718	4393	9180	15634

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	406	72	161	638	1040
Management - acquisition	43					
Management - maintenance	44	2922	516	4232	7670	13239
Management - other	45	741	131		871	1356
Total	46	4069	718	4393	9180	15634

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	318	540	1	859	710
Management - acquisition	13					
Management - maintenance	14	7104	12043	25	19171	21326
Management - other	15	1203	2040	4	3247	3699
Total	16	8625	14622	30	23277	25735

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	318	540	1	859	710
Management - acquisition	43					
Management - maintenance	44	7104	12043	25	19171	21326
Management - other	45	1203	2040	4	3247	3699
Total	46	8625	14622	30	23277	25735

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12	2053	3116	145	5314	5121
Management - acquisition	13					
Management - maintenance	14	40695	66653	3346	110694	117165
Management - other	15	5224	10795	310	16329	12572
Total	16	47972	80564	3802	132337	134858

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	2053	3116	145	5314	5121
Management - acquisition	43					
Management - maintenance	44	40695	66653	3346	110694	117165
Management - other	45	5224	10795	310	16329	12572
Total	46	47972	80564	3802	132337	134858

Long-term insurance business : Analysis of expenses

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	139	333	473	673
Management - other	15				
Total	16	139	333	473	673

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34	139	333	473	673
Management - other	35				
Total	36	139	333	473	673

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44				
Management - other	45				
Total	46				

Long-term insurance business : Linked funds balance sheet

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	548848	3595243
Directly held assets in collective investment schemes of connected companies	12		6995573
Directly held assets in other collective investment schemes	13	9794883	135525
Total assets (excluding cross investment) (11+12+ 13)	14	10343731	10726341
Provision for tax on unrealised capital gains	15	1808	17305
Secured and unsecured loans	16		
Other liabilities	17	3193	49447
Total net assets (14-15-16-17)	18	10338730	10659589

Directly held linked assets

Value of directly held linked assets	21	50067	55354
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Total

Value of directly held linked assets and units held (18+21)	31	10388797	10714943
Surplus units	32	42915	35406
Deficit units	33		
Net unit liability (31-32+33)	34	10345883	10679537

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Value of total creation of units	11	270724	341203
Investment income attributable to the funds before deduction of tax	12	294968	286131
Increase (decrease) in the value of investments in the financial year	13	249686	1275167
Other income	14		
Total income	19	815377	1902501

Expenditure

Value of total cancellation of units	21	1022764	1231910
Charges for management	22	102909	102201
Charges in respect of tax on investment income	23	5712	3199
Taxation on realised capital gains	24	(916)	7910
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	2588	12388
Other expenditure	26	3180	7089
Total expenditure	29	1136237	1364697

Increase (decrease) in funds in financial year (19-29)	39	(320859)	537804
Internal linked fund brought forward	49	10659589	10121785
Internal linked funds carried forward (39+49)	59	10338730	10659589

Long-term insurance business : Summary of new business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	1375	5467	2	6844	1510
Single premium business	12	2	153		155	596
Total	13	1377	5619	2	6999	2106

**Amount of new regular
premiums**

Direct insurance business	21	1708	48974		50682	1540
External reinsurance	22					
Intra-group reinsurance	23	269	418		687	
Total	24	1977	49392		51369	1540

**Amount of new single
premiums**

Direct insurance business	25	2846	7978	25	10849	31902
External reinsurance	26					
Intra-group reinsurance	27					390
Total	28	2846	7978	25	10849	32292

Long-term insurance business : Analysis of new business

Name of insurer

Phoenix Life Limited

Total business

Financial year ended

31 December 2014

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
300	Regular premium non-profit WL/EA OB	80	3		
325	Level term assurance	48	119		
330	Decreasing term assurance	1	34		
340	Accelerated critical illness (guaranteed premiums)		13		
350	Stand-alone critical illness (guaranteed premiums)		26		
355	Stand-alone critical illness (reviewable premiums)		9		
385	Income protection claims in payment	19		1	
435	Miscellaneous non-profit	1	4		
500	Life UWP single premium				19
700	Life property linked single premium				2827
710	Life property linked whole life regular premium	1190	1364		
735	Group money purchase pensions property linked			1	
785	Income protection rider		63		
795	Miscellaneous property linked	37	72		

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
325	Level term assurance		207		
355	Stand-alone critical illness (reviewable premiums)		30		
710	Life property linked whole life regular premium		32		

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits		1	4	
165	Conventional deferred annuity with-profits	3	16	7	95
175	Group conventional deferred annuity with-profits	406	117	13	
205	Miscellaneous conventional with-profits			1	
305	Single premium non-profit WL/EA OB			1	
325	Level term assurance		0	16	
390	Deferred annuity non-profit	33		7	
400	Annuity non-profit (CPA)	2119	20696		
435	Miscellaneous non-profit	1	1		
525	Individual pensions UWP	28	126	4	739
535	Group money purchase pensions UWP		86	3	39
555	Group deposit administration with-profits			10	1
725	Individual pensions property linked	76	385	36	4355
735	Group money purchase pensions property linked	284	528	18	247
750	Income drawdown property linked	1		32	2502

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
905	Index linked annuity (CPA)	2516	27018		

Long-term insurance business : Analysis of new business

Name of insurer

Phoenix Life Limited

Total business

Financial year ended

31 December 2014

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
525	Individual pensions UWP		14		
725	Individual pensions property linked		289		
735	Group money purchase pensions property linked		92		
795	Miscellaneous property linked		22		

Long-term insurance business : Analysis of new business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
165	Conventional deferred annuity with-profits				25
300	Regular premium non-profit WL/EA OB	1			
435	Miscellaneous non-profit	1			

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11	123501	176944	687	0.39	
Approved fixed interest securities	12	2485041	2778232	77015	1.84	
Other fixed interest securities	13	88163	3376473	153063	3.23	
Variable interest securities	14	692136	1453893	51428	1.55	
UK listed equity shares	15	38577	14313	540	3.95	
Non-UK listed equity shares	16	0	2259	95	4.03	
Unlisted equity shares	17					
Other assets	18	5180542	805847	6175	0.58	
Total	19	8607961	8607961	289002	2.19	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	183720	837082	26227	3.13	19.33
Approved fixed interest securities	22	5396132	6373231	154773	1.72	11.29
Other fixed interest securities	23	27673	1936897	80452	3.32	10.94
Variable interest securities	24	530233	1179426	26800	2.44	5.52
UK listed equity shares	25	94560	1475331	72199	5.44	2.73
Non-UK listed equity shares	26	80	2418598	88571	3.95	8.89
Unlisted equity shares	27					
Other assets	28	11105999	3117832	9400	0.27	5.12
Total	29	17338397	17338397	458422	2.38	9.08

Overall return on with-profits assets

Post investment costs but pre-tax	31					6.99
Return allocated to non taxable 'asset shares'	32					7.35
Return allocated to taxable 'asset shares'	33					5.85

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **11 100% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19					

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		6696	270	4.04	20.80
Approved fixed interest securities	22	29843	31795	766	1.41	7.34
Other fixed interest securities	23	69	12105	539	3.35	7.34
Variable interest securities	24	347	4208	155	3.43	7.34
UK listed equity shares	25	367	10726	622	6.59	4.00
Non-UK listed equity shares	26		17440	389	4.05	8.03
Unlisted equity shares	27					
Other assets	28	54659	2316	23	0.99	
Total	29	85285	85285	2765	3.17	7.92

Overall return on with-profits assets

Post investment costs but pre-tax	31					7.78
Return allocated to non taxable 'asset shares'	32					7.92
Return allocated to taxable 'asset shares'	33					4.62

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **12 Non-Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11	123501	160016			
Approved fixed interest securities	12	860651	1066844	33870	2.08	
Other fixed interest securities	13	78234	2912818	132005	3.22	
Variable interest securities	14	644663	1392463	50519	1.51	
UK listed equity shares	15	38506	13066	486	3.72	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	4598591	798938	6100	0.57	
Total	19	6344145	6344145	222981	2.24	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **13 90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	3124	3607	88	1.60	
Other fixed interest securities	13	8	3764	166	3.29	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	4238				
Total	19	7370	7370	254	2.46	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		6696	270	4.04	20.74
Approved fixed interest securities	22	39511	41199	1002	1.60	11.51
Other fixed interest securities	23	104	13153	581	3.29	11.51
Variable interest securities	24	2278	7707	224	5.30	11.51
UK listed equity shares	25	472	9950	567	6.43	2.34
Non-UK listed equity shares	26		15285	850	4.03	8.02
Unlisted equity shares	27					
Other assets	28	62537	10911	37	0.34	16.13
Total	29	104902	104902	3530	2.92	11.20

Overall return on with-profits assets

Post investment costs but pre-tax	31					12.41
Return allocated to non taxable 'asset shares'	32					12.49
Return allocated to taxable 'asset shares'	33					10.00

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **14 Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	31200	34371	852	1.15	
Other fixed interest securities	13	33	7230	312	3.22	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	10368				
Total	19	41601	41601	1164	1.51	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		10185	411	4.04	20.03
Approved fixed interest securities	22	105040	105792	2522	1.15	6.16
Other fixed interest securities	23	311	33108	1449	3.22	9.97
Variable interest securities	24	21600	34929	639	2.50	6.80
UK listed equity shares	25	998	12272	0	6.38	3.02
Non-UK listed equity shares	26		18882	6	4.01	9.44
Unlisted equity shares	27					
Other assets	28	112007	24787	2	0.27	1.57
Total	29	239956	239956	5030	2.16	6.99

Overall return on with-profits assets

Post investment costs but pre-tax	31					7.42
Return allocated to non taxable 'asset shares'	32					7.55
Return allocated to taxable 'asset shares'	33					6.13

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **15 Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	119991	136952	3597	2.00	
Other fixed interest securities	13	313	26695	1149	3.37	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	43343			0.08	
Total	19	163648	163648	4746	2.22	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	121516	295521	7036	2.38	18.61
Approved fixed interest securities	22	1340771	1409524	39465	2.00	14.11
Other fixed interest securities	23	6841	471441	20881	3.37	9.39
Variable interest securities	24	157288	317624	6921	2.75	8.45
UK listed equity shares	25	45430	500287	27500	6.23	2.74
Non-UK listed equity shares	26		774834	16577	3.87	8.78
Unlisted equity shares	27					
Other assets	28	2557055	459673	352	0.08	0.78
Total	29	4228903	4228903	118733	2.87	9.70

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.76
Return allocated to non taxable 'asset shares'	32					9.90
Return allocated to taxable 'asset shares'	33					8.06

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **16 Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	655807	682695	17440	1.68	
Other fixed interest securities	13	3745	212751	9263	3.39	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	236183	289	1	0.22	
Total	19	895735	895735	26704	2.08	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	62205	159402	3934	2.47	18.93
Approved fixed interest securities	22	685683	799260	20423	1.68	12.45
Other fixed interest securities	23	3918	288141	12549	3.39	12.45
Variable interest securities	24	5760	155350	2515	2.68	12.45
UK listed equity shares	25	13556	282253	15861	6.38	2.65
Non-UK listed equity shares	26		460834	24127	4.02	9.09
Unlisted equity shares	27					
Other assets	28	2065537	691420	1515	0.22	11.54
Total	29	2836659	2836659	80924	2.44	11.07

Overall return on with-profits assets

Post investment costs but pre-tax	31					8.88
Return allocated to non taxable 'asset shares'	32					9.00
Return allocated to taxable 'asset shares'	33					7.20

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **17 Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11		16146	656	4.07	
Approved fixed interest securities	12	208361	230179	5093	1.05	
Other fixed interest securities	13	310	28147	2223	2.82	
Variable interest securities	14	47225	60759	908	2.57	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	81154	1818	68	3.74	
Total	19	337049	337049	8948	1.63	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		19691	801	4.07	20.29
Approved fixed interest securities	22	365817	427991	9554	1.77	10.63
Other fixed interest securities	23	1092	105142	4170	3.42	12.22
Variable interest securities	24	74070	95295	1704	2.57	9.08
UK listed equity shares	25		0			
Non-UK listed equity shares	26		0			
Unlisted equity shares	27					
Other assets	28	350805	143665	2952	1.02	0.11
Total	29	791784	791784	19180	2.01	8.99

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.47
Return allocated to non taxable 'asset shares'	32					12.06
Return allocated to taxable 'asset shares'	33					6.51

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **18 Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11		133	5	3.94	
Approved fixed interest securities	12	1319	1372	36	1.48	
Other fixed interest securities	13	3	379	17	3.29	
Variable interest securities	14	162	284		2.69	
UK listed equity shares	15	15	276	2	6.45	
Non-UK listed equity shares	16	0	449	10	4.06	
Unlisted equity shares	17					
Other assets	18	2535	1139	4	0.45	
Total	19	4034	4034	74	2.15	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		81630	3219	3.94	19.99
Approved fixed interest securities	22	807319	1130194	21796	1.48	8.32
Other fixed interest securities	23	1871	312532	10212	3.29	9.86
Variable interest securities	24	99052	173873	3615	2.69	5.07
UK listed equity shares	25	8986	168922	1351	6.45	2.58
Non-UK listed equity shares	26	80	274823	6162	4.06	8.88
Unlisted equity shares	27					
Other assets	28	1921802	697137	2269	0.26	5.99
Total	29	2839110	2839110	48624	2.07	7.77

Overall return on with-profits assets

Post investment costs but pre-tax	31					8.35
Return allocated to non taxable 'asset shares'	32					8.86
Return allocated to taxable 'asset shares'	33					7.49

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **19 SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11		649	26	3.95	
Approved fixed interest securities	12	3823	4477	106	1.28	
Other fixed interest securities	13	6	1020	47	3.09	
Variable interest securities	14	86	387		3.21	
UK listed equity shares	15	57	971	52	6.41	
Non-UK listed equity shares	16		1810	85	4.02	
Unlisted equity shares	17					
Other assets	18	8593	3251	1	0.20	
Total	19	12565	12565	316	2.14	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		114971	4539	3.95	20.05
Approved fixed interest securities	22	677627	856821	18723	1.28	7.30
Other fixed interest securities	23	1133	195133	8350	3.09	8.27
Variable interest securities	24	15207	68598	2124	3.21	
UK listed equity shares	25	10055	192125	9157	6.41	3.04
Non-UK listed equity shares	26		360298	15117	4.02	8.69
Unlisted equity shares	27					
Other assets	28	1664800	580877	120	0.20	6.10
Total	29	2368822	2368822	58129	2.18	7.36

Overall return on with-profits assets

Post investment costs but pre-tax	31					8.00
Return allocated to non taxable 'asset shares'	32					9.37
Return allocated to taxable 'asset shares'	33					7.67

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Phoenix Life Limited**
 Category of assets **20 SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	600764	617734	15934	1.92	
Other fixed interest securities	13	5511	183669	7881	3.33	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	195538	411	2	0.42	
Total	19	801813	801813	23817	2.24	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21		142291	5746	4.04	20.01
Approved fixed interest securities	22	1344520	1570655	40523	1.92	13.09
Other fixed interest securities	23	12332	506142	21721	3.33	13.09
Variable interest securities	24	154632	321842	8903	1.59	(0.66)
UK listed equity shares	25	14695	298797	17140	1.91	2.62
Non-UK listed equity shares	26		496202	25343	3.89	9.08
Unlisted equity shares	27					
Other assets	28	2316797	507047	2130	0.42	(0.66)
Total	29	3842976	3842976	121507	2.21	9.05

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.13
Return allocated to non taxable 'asset shares'	32					11.21
Return allocated to taxable 'asset shares'	33					8.97

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	6798377	11.74	1.80	1.80
Other approved fixed interest securities	21	2353087	7.18	1.62	1.55
Other fixed interest securities					
AAA/Aaa	31	199045	8.57	2.25	2.16
AA/Aa	32	227508	9.58	2.71	2.49
A/A	33	1863404	9.83	3.02	2.67
BBB/Baa	34	2861501	8.36	3.50	2.86
BB/Ba	35	108315	7.36	3.67	2.36
B/B	36	3366	4.74	8.43	3.34
CCC/Caa	37	0	3.76	10.54	
Other (including unrated)	38	50229	12.36	4.48	2.14
Total other fixed interest securities	39	5313370	8.95	3.27	2.73
Approved variable interest securities	41	1026027	12.09	0.57	0.47
Other variable interest securities	51	1607292	6.65	2.83	2.19
Total (11+21+39+41+51)	61	17098152	9.79	2.25	2.01

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **11 100% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	25512	6.62	1.32	1.32
Other approved fixed interest securities	21	6283	6.22	1.79	1.64
Other fixed interest securities					
AAA/Aaa	31	400	8.12	1.97	1.85
AA/Aa	32	497	9.51	2.59	2.29
A/A	33	4216	9.45	2.98	2.51
BBB/Baa	34	6644	7.91	3.67	2.78
BB/Ba	35	236	9.69	3.87	1.98
B/B	36	16	7.09	9.42	4.16
CCC/Caa	37				
Other (including unrated)	38	97	6.13	5.66	4.64
Total other fixed interest securities	39	12105	8.54	3.35	2.63
Approved variable interest securities	41	385	4.48	2.07	1.93
Other variable interest securities	51	3823	16.10	3.56	2.79
Total (11+21+39+41+51)	61	48108	7.78	2.07	1.81

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **12 Non-Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	616276	16.11	2.06	2.06
Other approved fixed interest securities	21	450568	9.79	2.11	2.08
Other fixed interest securities					
AAA/Aaa	31	110310	8.85	2.40	2.32
AA/Aa	32	120402	9.63	2.79	2.64
A/A	33	1035653	9.95	3.03	2.77
BBB/Baa	34	1568912	8.54	3.43	2.97
BB/Ba	35	60728	5.58	3.59	2.69
B/B	36	36	6.73	7.14	4.09
CCC/Caa	37				
Other (including unrated)	38	16776	4.21	3.84	2.09
Total other fixed interest securities	39	2912818	9.01	3.22	2.85
Approved variable interest securities	41	372652	10.53	(1.02)	(1.12)
Other variable interest securities	51	1019811	1.42	2.43	1.89
Total (11+21+39+41+51)	61	5372125	8.55	2.55	2.24

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **13 90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	36070	9.13	1.55	1.55
Other approved fixed interest securities	21	8736	6.80	1.79	1.68
Other fixed interest securities					
AAA/Aaa	31	559	8.16	1.99	1.86
AA/Aa	32	725	9.59	2.61	2.31
A/A	33	5953	9.62	2.98	2.51
BBB/Baa	34	9217	8.04	3.57	2.69
BB/Ba	35	325	9.35	3.80	1.91
B/B	36	15	7.09	9.41	4.15
CCC/Caa	37				
Other (including unrated)	38	123	6.41	5.11	4.06
Total other fixed interest securities	39	16917	8.68	3.29	2.58
Approved variable interest securities	41	2315	15.08	2.24	2.13
Other variable interest securities	51	5392	16.21	6.61	5.84
Total (11+21+39+41+51)	61	69430	9.48	2.42	2.17

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **14 Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	119204	4.99	1.06	1.06
Other approved fixed interest securities	21	20959	6.45	1.68	1.59
Other fixed interest securities					
AAA/Aaa	31	1415	8.19	2.00	1.88
AA/Aa	32	1841	9.53	2.60	2.29
A/A	33	14313	9.64	2.96	2.49
BBB/Baa	34	21704	8.18	3.48	2.62
BB/Ba	35	769	9.34	3.73	1.88
B/B	36	21	7.09	9.39	4.13
CCC/Caa	37				
Other (including unrated)	38	276	6.50	4.36	3.27
Total other fixed interest securities	39	40338	8.77	3.22	2.52
Approved variable interest securities	41	21650	5.94	1.88	1.80
Other variable interest securities	51	13279	16.19	3.52	2.75
Total (11+21+39+41+51)	61	215431	6.62	1.76	1.56

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **15 Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1061235	14.89	2.11	2.11
Other approved fixed interest securities	21	485241	6.61	1.74	1.65
Other fixed interest securities					
AAA/Aaa	31	17613	8.02	1.99	1.87
AA/Aa	32	23434	9.53	2.58	2.27
A/A	33	170889	9.49	2.99	2.52
BBB/Baa	34	271804	7.89	3.69	2.80
BB/Ba	35	9698	9.66	3.88	1.99
B/B	36	688	7.09	9.42	4.16
CCC/Caa	37				
Other (including unrated)	38	4009	6.10	5.84	4.81
Total other fixed interest securities	39	498136	8.54	3.37	2.65
Approved variable interest securities	41	158972	9.55	2.00	1.91
Other variable interest securities	51	158652	15.98	3.51	2.75
Total (11+21+39+41+51)	61	2362237	11.56	2.39	2.16

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **16 Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1061778	11.68	1.80	1.80
Other approved fixed interest securities	21	420177	6.36	1.36	1.29
Other fixed interest securities					
AAA/Aaa	31	17906	8.12	2.00	1.88
AA/Aa	32	22048	9.52	2.60	2.29
A/A	33	174275	9.56	2.97	2.50
BBB/Baa	34	269573	8.05	3.57	2.70
BB/Ba	35	9599	9.54	3.80	1.94
B/B	36	1641	2.28	7.45	2.49
CCC/Caa	37				
Other (including unrated)	38	5850	4.26	12.69	2.48
Total other fixed interest securities	39	500892	8.61	3.39	2.56
Approved variable interest securities	41	100259	16.79	2.25	2.14
Other variable interest securities	51	55091	16.05	3.47	2.70
Total (11+21+39+41+51)	61	2138196	10.27	2.15	1.92

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **17 Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	530802	9.67	1.61	1.61
Other approved fixed interest securities	21	127368	7.13	1.08	1.06
Other fixed interest securities					
AAA/Aaa	31	5211	9.18	2.50	2.42
AA/Aa	32	6281	9.61	2.77	2.48
A/A	33	46970	10.19	3.10	2.66
BBB/Baa	34	71122	8.74	3.50	2.68
BB/Ba	35	2707	9.75	3.61	1.37
B/B	36	4	5.64	10.45	4.87
CCC/Caa	37	0	3.76	10.54	
Other (including unrated)	38	993	6.38	3.21	2.80
Total other fixed interest securities	39	133289	9.31	3.29	2.63
Approved variable interest securities	41	120981	15.10	2.12	2.02
Other variable interest securities	51	35072	19.29	4.13	3.16
Total (11+21+39+41+51)	61	947513	10.33	1.93	1.79

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **18 Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	940235	8.03	1.42	1.42
Other approved fixed interest securities	21	191331	6.46	1.75	1.64
Other fixed interest securities					
AAA/Aaa	31	11025	8.03	1.97	1.84
AA/Aa	32	13435	9.51	2.59	2.29
A/A	33	109559	9.52	2.97	2.49
BBB/Baa	34	170182	8.00	3.59	2.71
BB/Ba	35	6050	9.53	3.81	1.94
B/B	36	308	7.09	9.41	4.15
CCC/Caa	37				
Other (including unrated)	38	2352	6.26	5.20	4.16
Total other fixed interest securities	39	312912	8.62	3.29	2.58
Approved variable interest securities	41	99772	9.83	2.06	1.96
Other variable interest securities	51	74385	19.25	3.55	2.77
Total (11+21+39+41+51)	61	1618635	8.59	1.96	1.77

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **19 SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	625174	7.58	1.44	1.44
Other approved fixed interest securities	21	236125	6.22	0.86	0.79
Other fixed interest securities					
AAA/Aaa	31	10530	6.10	1.25	1.13
AA/Aa	32	8282	9.35	2.37	2.06
A/A	33	65682	9.03	2.76	2.29
BBB/Baa	34	105608	7.49	3.45	2.56
BB/Ba	35	4340	8.89	3.84	1.88
B/B	36	270	7.09	9.42	4.16
CCC/Caa	37				
Other (including unrated)	38	1441	6.00	6.07	5.06
Total other fixed interest securities	39	196153	8.03	3.09	2.38
Approved variable interest securities	41	15906	14.45	2.27	2.13
Other variable interest securities	51	53078	18.97	3.49	2.74
Total (11+21+39+41+51)	61	1126436	8.01	1.71	1.54

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Phoenix Life Limited**
 Category of assets **20 SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1782091	12.98	1.97	1.97
Other approved fixed interest securities	21	406298	6.80	1.72	1.64
Other fixed interest securities					
AAA/Aaa	31	24076	9.23	2.51	2.40
AA/Aa	32	30564	9.59	2.76	2.46
A/A	33	235895	10.06	3.11	2.64
BBB/Baa	34	366735	8.52	3.62	2.76
BB/Ba	35	13863	9.95	3.69	2.00
B/B	36	367	7.09	9.38	4.12
CCC/Caa	37				
Other (including unrated)	38	18312	25.56	1.99	0.94
Total other fixed interest securities	39	689811	9.60	3.33	2.63
Approved variable interest securities	41	133134	15.62	(0.94)	(1.04)
Other variable interest securities	51	188708	12.41	3.37	2.48
Total (11+21+39+41+51)	61	3200042	11.54	2.19	1.97

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	1576369	5243409	436622	7256401	7131289
Form 51 - non-profit	12	881198	10399383	500662	11781243	10548621
Form 52	13	638096	4356248	85712	5080056	5099134
Form 53 - linked	14	2194840	8121176	41332	10357347	10690306
Form 53 - non-linked	15	102226	170539	3267	276031	219732
Form 54 - linked	16	170084	843735	2170	1015988	860057
Form 54 - non-linked	17	28672	9534	15	38221	78331
Total	18	5591485	29144023	1069780	35805287	34627469

Reinsurance - external

Form 51 - with-profits	21	5497			5497	5225
Form 51 - non-profit	22	277150	4488246	13429	4778826	2759359
Form 52	23					1
Form 53 - linked	24	11465			11465	10769
Form 53 - non-linked	25	14			14	67
Form 54 - linked	26	21981	84313	565	106859	64970
Form 54 - non-linked	27	50	1828	6	1884	2596
Total	28	316157	4574388	14000	4904545	2842987

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33	74240	54080		128320	129358
Form 53 - linked	34					
Form 53 - non-linked	35		41567		41567	41568
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	74240	95647		169887	170926

Net of reinsurance

Form 51 - with-profits	41	1570872	5243409	436622	7250904	7126063
Form 51 - non-profit	42	604047	5911137	487233	7002417	7789262
Form 52	43	563857	4302168	85712	4951737	4969775
Form 53 - linked	44	2183375	8121176	41332	10345883	10679537
Form 53 - non-linked	45	102212	128971	3267	234450	178097
Form 54 - linked	46	148103	759421	1605	909129	795087
Form 54 - non-linked	47	28622	7706	9	36337	75735
Total	48	5201087	24473988	1055780	30730856	31613556

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	147185			147185	150040
Form 51 - non-profit	12	39567			39567	36051
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	186751			186751	186092

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	147185			147185	150040
Form 51 - non-profit	42	39567			39567	36051
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	186751			186751	186092

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	143070	111062		254132	266704
Form 51 - non-profit	12	10324	143071	215	153611	142339
Form 52	13	94546	2318978	17071	2430594	2479980
Form 53 - linked	14					
Form 53 - non-linked	15		3435		3435	3817
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	247940	2576546	17286	2841772	2892839

Reinsurance - external

Form 51 - with-profits	21					1025
Form 51 - non-profit	22					191
Form 52	23					1
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					1217

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	143070	111062		254132	265679
Form 51 - non-profit	42	10324	143071	215	153611	142148
Form 52	43	94546	2318978	17071	2430594	2479979
Form 53 - linked	44					
Form 53 - non-linked	45		3435		3435	3817
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	247940	2576546	17286	2841772	2891622

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	13419	1293	518	15230	21354
Form 51 - non-profit	12	6880		203	7083	6201
Form 52	13		36948		36948	37704
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	20298	38241	721	59260	65259

Reinsurance - external

Form 51 - with-profits	21					6
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					6

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	13419	1293	518	15230	21348
Form 51 - non-profit	42	6880		203	7083	6201
Form 52	43		36948		36948	37704
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	20298	38241	721	59260	65253

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	17218			17218	19581
Form 51 - non-profit	12					
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	17218			17218	19581

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	17218			17218	19581
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	17218			17218	19581

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	108945	439491	18807	567243	565739
Form 51 - non-profit	12	27578	2125137	26226	2178941	1852893
Form 52	13	4750	181782	4037	190570	187006
Form 53 - linked	14	2792	1904		4696	5710
Form 53 - non-linked	15					
Form 54 - linked	16		29534		29534	
Form 54 - non-linked	17		1195		1195	
Total	18	144066	2779044	49070	2972180	2611347

Reinsurance - external

Form 51 - with-profits	21					8
Form 51 - non-profit	22	4952	1842082		1847034	1303932
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		24855		24855	
Form 54 - non-linked	27		1053		1053	
Total	28	4952	1867990		1872942	1303940

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	108945	439491	18807	567243	565731
Form 51 - non-profit	42	22626	283055	26226	331907	548961
Form 52	43	4750	181782	4037	190570	187006
Form 53 - linked	44	2792	1904		4696	5710
Form 53 - non-linked	45					
Form 54 - linked	46		4679		4679	
Form 54 - non-linked	47		142		142	
Total	48	139113	911054	49070	1099237	1307407

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	398092	507823	53670	959585	1021274
Form 51 - non-profit	12	191595	1314609	65755	1571959	1342026
Form 52	13	212448	708819	5186	926453	914163
Form 53 - linked	14	4923			4923	4222
Form 53 - non-linked	15					134
Form 54 - linked	16		298958	128	299086	213083
Form 54 - non-linked	17		136	2	138	
Total	18	807059	2830346	124740	3762145	3494903

Reinsurance - external

Form 51 - with-profits	21					429
Form 51 - non-profit	22	136951	587081	4739	728771	132236
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		8866	128	8994	
Form 54 - non-linked	27		135	2	137	
Total	28	136951	596081	4869	737901	132664

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	398092	507823	53670	959585	1020846
Form 51 - non-profit	42	54644	727528	61016	843189	1209791
Form 52	43	212448	708819	5186	926453	914163
Form 53 - linked	44	4923			4923	4222
Form 53 - non-linked	45					134
Form 54 - linked	46		290092		290092	213083
Form 54 - non-linked	47		2		2	
Total	48	670108	2234265	119871	3024244	3362238

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	61417	1409132		1470549	1381912
Form 51 - non-profit	12					
Form 52	13	162046	548010	5779	715835	728552
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	223463	1957142	5779	2186384	2110464

Reinsurance - external

Form 51 - with-profits	21					600
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					600

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	61417	1409132		1470549	1381312
Form 51 - non-profit	42					
Form 52	43	162046	548010	5779	715835	728552
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	223463	1957142	5779	2186384	2109864

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	426121	230049	356900	1013070	1117295
Form 51 - non-profit	12	4625	7204	1	11831	19447
Form 52	13	68560	490992	53639	613191	583671
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		3149		3149	
Form 54 - non-linked	17		130		130	
Total	18	499307	731524	410540	1641370	1720413

Reinsurance - external

Form 51 - with-profits	21					2386
Form 51 - non-profit	22					232
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					2618

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	426121	230049	356900	1013070	1114909
Form 51 - non-profit	42	4625	7204	1	11831	19216
Form 52	43	68560	490992	53639	613191	583671
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		3149		3149	
Form 54 - non-linked	47		130		130	
Total	48	499307	731524	410540	1641370	1717796

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	260902	2544559	6728	2812190	2587390
Form 51 - non-profit	12	83577	1589629	26288	1699494	1597459
Form 52	13	20507	11149		31655	32476
Form 53 - linked	14		544	658	1202	1816
Form 53 - non-linked	15					170
Form 54 - linked	16	38138	32140	1686	71964	58241
Form 54 - non-linked	17	75	843	6	924	
Total	18	403199	4178863	35367	4617429	4277552

Reinsurance - external

Form 51 - with-profits	21	5497			5497	772
Form 51 - non-profit	22	1031	931684	1447	934163	13762
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		28475	437	28911	
Form 54 - non-linked	27		284	4	288	
Total	28	6528	960442	1888	968859	14534

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	255405	2544559	6728	2806692	2586618
Form 51 - non-profit	42	82546	657945	24841	765331	1583696
Form 52	43	20507	11149		31655	32476
Form 53 - linked	44		544	658	1202	1816
Form 53 - non-linked	45					170
Form 54 - linked	46	38138	3665	1250	43053	58241
Form 54 - non-linked	47	75	560	2	636	
Total	48	396670	3218421	33479	3648570	4263018

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	517051	5219733	381973	6118757	5552205
Form 52	13	1000	5490		6490	6225
Form 53 - linked	14	2187125	8118728	40673	10346526	10678558
Form 53 - non-linked	15	102226	167104	3267	272596	215611
Form 54 - linked	16	131946	479955	356	612256	588733
Form 54 - non-linked	17	28597	7229	7	35834	78331
Total	18	2967944	13998238	426276	17392459	17119662

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	134216	1127399	7243	1268858	1309006
Form 52	23					
Form 53 - linked	24	11465			11465	10769
Form 53 - non-linked	25	14			14	67
Form 54 - linked	26	21981	22118		44099	64970
Form 54 - non-linked	27	50	357		407	2596
Total	28	167726	1149874	7243	1324843	1387408

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35		41567		41567	41568
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		41567		41567	41568

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	382835	4092334	374731	4849899	4243198
Form 52	43	1000	5490		6490	6225
Form 53 - linked	44	2175660	8118728	40673	10335061	10667788
Form 53 - non-linked	45	102212	125536	3267	231015	173976
Form 54 - linked	46	109965	457837	356	568157	523763
Form 54 - non-linked	47	28547	6872	7	35427	75735
Total	48	2800218	12806797	419033	16026049	15690685

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12				
Form 52	13	74240	54080	128320	129358
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	74240	54080	128320	129358

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33	74240	54080	128320	129358
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	74240	54080	128320	129358

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48				

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
105	Conventional whole life with-profits IB	115409	105657	2384				99905
130	Conventional endowment with-profits IB	11845	43397	2698				39611
215	Additional reserves with-profits IB							7669
310	Non-profit IB	272924	16778					39567

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	5368	23030	741				11599
120	Conventional endowment with-profits OB savings	8602	61005	3276				49406
125	Conventional endowment with-profits OB target cash	4716	126800	2833				66229
165	Conventional deferred annuity with-profits	8	9	0				15724
175	Group conventional deferred annuity with-profits	57	114					113
300	Regular premium non-profit WL/EA OB	6567	10906	22				10230
305	Single premium non-profit WL/EA OB	289	44					41
390	Deferred annuity non-profit	5	3					53

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	3113	10241	580				96833
175	Group conventional deferred annuity with-profits	20	97					164
200	Annuity with-profits (CPA)	586	987					14064
390	Deferred annuity non-profit	13716	8886					114257
435	Miscellaneous non-profit	12867						28815

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
Total business / subfund **Britannic With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit	11	13					215

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	299	4029	38				2413
105	Conventional whole life with-profits IB	52682	11681	101				6133
120	Conventional endowment with-profits OB savings	311	5480	117				3198
125	Conventional endowment with-profits OB target cash	31	654	25				400
130	Conventional endowment with-profits IB	4003	1862	37				1345
145	Income protection with-profits							16
205	Miscellaneous conventional with-profits							(88)
210	Additional reserves with-profits OB							2
300	Regular premium non-profit WL/EA OB	831	307					1635
310	Non-profit IB	279231	7309					5216
440	Additional reserves non-profit OB							29

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
165	Conventional deferred annuity with-profits							1293

196

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
105	Conventional whole life with-profits IB	978	439	2				473
130	Conventional endowment with-profits IB	56	44	1				45
310	Non-profit IB	1875	282	1				203

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	314	11067	47				8395
125	Conventional endowment with-profits OB target cash	109	2427	11				8457
210	Additional reserves with-profits OB							366

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	898	6476	80				5668
120	Conventional endowment with-profits OB savings	2686	23939	336				21483
125	Conventional endowment with-profits OB target cash	3731	107371	1767				45501
175	Group conventional deferred annuity with-profits	12	108					13214
205	Miscellaneous conventional with-profits	2	1	1				(10)
210	Additional reserves with-profits OB							23090
300	Regular premium non-profit WL/EA OB	10706	19962	135				11757
305	Single premium non-profit WL/EA OB	391						729
325	Level term assurance	1041	40185	147				438
330	Decreasing term assurance	947	13634	157				(144)
385	Income protection claims in payment							2540
390	Deferred annuity non-profit	171	13					(276)
395	Annuity non-profit (PLA)	266	1498					9126
435	Miscellaneous non-profit	207	1155	11				3408

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	9407	118535	642				138177
175	Group conventional deferred annuity with-profits	4566	129563	82				262341
210	Additional reserves with-profits OB							38974
325	Level term assurance	539	22176	111				825
390	Deferred annuity non-profit	11843	68970	56				812824
400	Annuity non-profit (CPA)	28093	71396					1303290
435	Group life	188	66	0				8198

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit		51937					674415
400	Annuity non-profit (CPA)		66644					1167667

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	152	1943	47				1502
120	Conventional endowment with-profits OB savings	534	10653	182				9289
165	Conventional deferred annuity with-profits	145	481	1				4282
175	Group conventional deferred annuity with-profits	363	310	0				3733
300	Regular premium non-profit WL/EA OB	775	1979	21				2000
305	Level term assurance	9	0					1
325	Income protection non-profit (guaranteed premiums)	41	1348	17				38
330	Income protection claims in payment	4	8	1				(0)
390	Deferred annuity non-profit	60	31					162
395	Annuity non-profit (PLA)	3	1					7
400	Annuity non-profit (CPA)	600	1814					23965
435	Miscellaneous non-profit	4	7					53

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	4182	70401	562				61118
120	Conventional endowment with-profits OB savings	1404	21046	870				17458
125	Conventional endowment with-profits OB target cash	26685	420936	16527				316087
175	Group conventional deferred annuity with-profits	64	353	96				3428
300	Regular premium non-profit WL/EA OB	5453	25869	35				28142
305	Single premium non-profit WL/EA OB	438	3933					3895
325	Level term assurance	30770	2706928	11168				142215
330	Decreasing term assurance	4	106737	978				(646)
350	Stand-alone critical illness (guaranteed premiums)	158	11446	70				(191)
385	Income protection claims in payment							777
390	Deferred annuity non-profit	145	4					32
395	Annuity non-profit (PLA)	1207	1170					15338
435	Miscellaneous non-profit		239883					2033

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		2646413	10938				137596
330	Decreasing term assurance		106686	977				(645)

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	19068	176557	1350				396919
175	Group conventional deferred annuity with-profits	2126	5942	167				101174
185	Group conventional pensions endowment with-profits	730	5414	2				9318
205	Miscellaneous conventional with-profits	720	10090	17				413
300	Regular premium non-profit WL/EA OB	20	9					23
305	Single premium non-profit WL/EA OB	1						0
325	Level term assurance	1464	32893	105				809
390	Deferred annuity non-profit	7884	16650	0				469792
395	Annuity non-profit (PLA)	75	248					3596
400	Annuity non-profit (CPA)	21916	40733					780773
435	Miscellaneous non-profit		46079					59616

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit		146					4253
400	Annuity non-profit (CPA)		31193					582828

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	296	3486	36				2924
125	Conventional endowment with-profits OB target cash	491	9834	147				8705
165	Conventional deferred annuity with-profits	991	3057	113				38833
175	Group conventional deferred annuity with-profits	324	467	14				2968
205	Miscellaneous conventional with-profits	62	650	2				239
300	Regular premium non-profit WL/EA OB	232	1300	2				1385
305	Single premium non-profit WL/EA OB	2	0					0
325	Level term assurance	162	3998	17				310
330	Decreasing term assurance	5	283	4				(5)
390	Deferred annuity non-profit	273	48					950
400	Annuity non-profit (CPA)	1199	3783					51455
435	Miscellaneous non-profit	4						11659

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		367	1				1
330	Decreasing term assurance		215	4				(4)
390	Deferred annuity non-profit		5					146
400	Annuity non-profit (CPA)		256					4597

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	834	14510	134				11737
120	Conventional endowment with-profits OB savings	2496	56699	902				29695
205	Miscellaneous conventional with-profits	16	58					19985

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	15716	25610	1798				775203
175	Group conventional deferred annuity with-profits	23572	30756	2579				476353
200	Annuity with-profits (CPA)	2198	9413					134201
205	Miscellaneous conventional with-profits	146	1237					1139
210	Additional reserves with-profits OB							22235

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	2074	36045	286				28599
120	Conventional endowment with-profits OB savings	28959	882235	16589				387743
165	Conventional deferred annuity with-profits	43	169					2015
210	Additional reserves with-profits OB							7764
300	Regular premium non-profit WL/EA OB	415	16583	107				4625
350	Stand-alone critical illness (guaranteed premiums)							
435	Miscellaneous non-profit							

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
165	Conventional deferred annuity with-profits	5451	55565	402				218027
210	Additional reserves with-profits OB							12022
305	Single premium non-profit WL/EA OB	15	79					78
390	Deferred annuity non-profit	75	126					7126

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	369	13433	311				6200
120	Conventional endowment with-profits OB savings	3088	53215	1585				52700
165	Conventional deferred annuity with-profits	10030	25571	2396				295070
210	Additional reserves with-profits OB			3				2930
300	Regular premium non-profit WL/EA OB	4	25	0				1

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	2960	36391	399				27344
120	Conventional endowment with-profits OB savings	900	15888					12625
125	Conventional endowment with-profits OB target cash	14972	466951	8024				214468
210	Additional reserves with-profits OB							6465
300	Regular premium non-profit WL/EA OB	22425	50519	1921				38240
305	Single premium non-profit WL/EA OB	17	63					58
325	Level term assurance	26782	265697	1203				4107
330	Decreasing term assurance	154	4121	21				51
355	Stand-alone critical illness (reviewable premiums)			88				(127)
390	Deferred annuity non-profit	149	7					226
395	Annuity non-profit (PLA)	686	1274					28772
400	Annuity non-profit (CPA)							515
410	Group Life	21	113046	4				2703
435	Miscellaneous non-profit	314	14042	94				5456
440	Additional reserves non-profit OB							3574

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB							967
120	Conventional endowment with-profits OB savings							185
125	Conventional endowment with-profits OB target cash							4346
330	Decreasing term assurance		1465	9				5
435	Miscellaneous non-profit							1027

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	67624	2098031	4839				2218677
165	Conventional deferred annuity with-profits	3319	28	154				141198
185	Group conventional pensions endowment with-profits	4044	146688	874				180601
205	Miscellaneous conventional with-profits	3	15					1035
210	Additional reserves with-profits OB							3049
300	Regular premium non-profit WL/EA OB	3383	10184					5453
305	Single premium non-profit WL/EA OB	9559	143503					243298
325	Level term assurance	702	27329	285				1345
390	Deferred annuity non-profit	5254	8965	0				353599
400	Annuity non-profit (CPA)	26891	52699					980755
435	Miscellaneous non-profit	277	118529	49				5179

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		12294	39				90
390	Deferred annuity non-profit		519					13071
400	Annuity non-profit (CPA)		50564					918523

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	23	698	3				628
125	Conventional endowment with-profits OB target cash	122	4015	30				5885
155	Conventional pensions endowment with-profits	1	31	0				51
165	Conventional deferred annuity with-profits	4	13	0				165
300	Regular premium non-profit WL/EA OB	32	64	0				121
305	Single premium non-profit WL/EA OB	15	81					494
325	Level term assurance	50	6867	22				53
330	Decreasing term assurance	24	1785	8				13
390	Deferred annuity non-profit	51	118					2858
400	Annuity non-profit (CPA)	248	1341					22716
435	Miscellaneous non-profit	1						33

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		250	1				2
330	Decreasing term assurance		217	1				2
390	Deferred annuity non-profit		2					64
400	Annuity non-profit (CPA)		71					1380

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	181070	452745	26090				193825
305	Single premium non-profit WL/EA OB	270	1106					1833
325	Level term assurance	47907	6409010	24008				60846
330	Decreasing term assurance	22006	1384618	7764				(7323)
340	Accelerated critical illness (guaranteed premiums)	17233	1355746	9696				22025
345	Accelerated critical illness (reviewable premiums)	316	674607	4600				1761
350	Stand-alone critical illness (guaranteed premiums)	8287	878528	4441				35252
355	Stand-alone critical illness (reviewable premiums)	7119	808851	5475				(5725)
360	Income protection non-profit (guaranteed premiums)	18850	243944	8114				(46532)
365	Income protection non-profit (reviewable premiums)	915	18616	461				(2108)
370	Long-term care policy	120	337	5				10
385	Income protection claims in payment		9624					56310
390	Deferred annuity non-profit	290	32					435
395	Annuity non-profit (PLA)	5845	4997					51237
400	Annuity non-profit (CPA)		553					4499

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group Life	1	5	0				2234
425	Group income protection claims in payment		11000					93170
435	Miscellaneous non-profit	6584	72496	569				9562
440	Additional reserves non-profit OB							45740

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		34833	1761				16550
305	Single premium non-profit WL/EA OB		73					63
325	Level term assurance		1685058	4563				23773
330	Decreasing term assurance		981729	3342				(1427)
340	Accelerated critical illness (guaranteed premiums)		1188188	5991				13530
345	Accelerated critical illness (reviewable premiums)		75453	580				1470
350	Stand-alone critical illness (guaranteed premiums)		663114	2779				16024
355	Stand-alone critical illness (reviewable premiums)		182621	656				2165
360	Income protection non-profit (guaranteed premiums)		38646	2837				(63202)
365	Income protection non-profit (reviewable premiums)		15812	342				(2319)
385	Income protection claims in payment		3840					23188
400	Annuity non-profit (CPA)		553					4499
425	Group income protection claims in payment		11000					93170
435	Miscellaneous non-profit		17884	59				6732

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB							0
315	Individual deposit administration non-profit	3102	578	99				39835
320	Group deposit administration non-profit	3703	4462					43956
325	Level term assurance	22377	1641600	4651				27438
330	Decreasing term assurance	7	5	0				0
390	Deferred annuity non-profit	25996	25956	17				520319
400	Annuity non-profit (CPA)	135700	231883					3877487
405	Annuity non-profit (CPA impaired life)	17835	43762					553544
435	Miscellaneous non-profit	757	31142	249				3869
440	Additional reserves non-profit OB	7	3					153283

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		485990	734				3599
390	Deferred annuity non-profit		2					18
400	Annuity non-profit (CPA)		88660					1070117
405	Annuity non-profit (CPA impaired life)							53665

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	198	2075	54				1422
305	Single premium non-profit WL/EA OB	6	7					142
325	Level term assurance	696	65476	352				3579
330	Decreasing term assurance	1281	108305	288				(209)
340	Accelerated critical illness (guaranteed premiums)	1534	40553	324				(6)
345	Accelerated critical illness (reviewable premiums)	531	41706	308				3368
350	Stand-alone critical illness (guaranteed premiums)	31	1191	11				48
360	Income protection non-profit (guaranteed premiums)	4	91	1				9
390	Deferred annuity non-profit	102	1708	11				2789
395	Annuity non-profit (PLA)	782	781					14380
400	Annuity non-profit (CPA)	3649	20638					354142
425	Group income protection claims in payment		398					1156
435	Miscellaneous non-profit	565	28277	91				553
440	Additional reserves non-profit OB							600

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		29382	143				4042
330	Decreasing term assurance		84828	155				(455)
345	Accelerated critical illness (reviewable premiums)		27426	104				2502
425	Group income protection claims in payment		398					1156
435	Miscellaneous non-profit		1693	9				(2)

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	15992	69669		69669	69669		69669
506	Life UWP whole life regular premium (ISA)	4727	14437	3931	14437	14437		14437
510	Life UWP endowment regular premium - savings	207	1982	153	1287	1287		1287
515	Life UWP endowment regular premium – target cash	285	9906	162	1568	1568		1568
610	Additional reserves UWP						7585	7585

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	202175	2257607	14899	2257607	2257607		2257607
610	Additional reserves UWP						61370	61370

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	2836	15483	276	15483	15483		15483
565	DWP National Insurance rebates UWP	1991	17621		17621	17621		17621
610	Additional reserves UWP		3844		3844	3844		3844

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	36	499		499	499		499
505	Life UWP whole life regular premium				(1)	(1)		(1)
515	Life UWP endowment regular premium – target cash	266	1825	254	3360	3360		3360
525	Individual pensions UWP	14	692	28	666	666		666
535	Group money purchase pensions UWP	3	32		33	33		33
575	Miscellaneous UWP		193		193	193		193

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	736	11799	247	11558	11558		11558
535	Group money purchase pensions UWP		23232		23367	23367		23367
555	Group deposit administration with-profits	5792	111169	15	120868	120868	1677	122545
565	DWP National Insurance rebates UWP	1686	24083		24312	24312		24312

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
Total business / subfund **Alba With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
555	Group deposit administration with-profits	91	4037	4	4037	4037		4037

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	7522	190819		190819	190819	21629	212448

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	30761	640871	967	640871	640871		640871
535	Group money purchase pensions UWP	7267	67339	1014	67339	67339		67339
545	Individual deposit administration with-profits		609		609	609		609

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	9	4594		4594	4594		4594
535	Group money purchase pensions UWP	16	592		592	592		592

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	7383	143265		143265	143265		143265
505	Life UWP whole life regular premium	1030	3227	276	3267	3267		3267
510	Life UWP endowment regular premium - savings	799	15470	882	15513	15513		15513

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	16379	199055	3101	199055	199055	6120	205174
535	Group money purchase pensions UWP	26409	110522	855	110522	110522		110522
565	DWP National Insurance rebates UWP	25428	227268	707	227268	227268		227268
570	Income drawdown UWP	157	3405		3405	3405		3405
571	Trustee investment plan UWP	27	1641		1641	1641		1641

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
Total business / subfund **Scottish Mutual With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium		5779		5779	5779		5779

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Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	2736	61268		61268	61268	5193	66460
510	Life UWP endowment regular premium - savings	94	1976	165	1976	1976	120	2097
575	Miscellaneous UWP	1	4		4	4	(1)	3

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	38682	316351	3392	429615	429615	0	429615
555	Group deposit administration with-profits	29	3983	1723	39827	39827	21550	61377

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	61	1621		1621	1621	(129)	1492
510	Life UWP endowment regular premium - savings	1	40	4	40	40	(5)	35
525	Individual pensions UWP	903	14811	611	14811	14811	22720	37532
555	Group deposit administration with-profits	3	556	35	5559	5559	9021	14580

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	486	7033		7033	7033		7033
505	Life UWP whole life regular premium	731	3659	1158	5777	5777		5777
510	Life UWP endowment regular premium - savings	37	300	17	300	300		300
515	Life UWP endowment regular premium – target cash	646	7394	426	7397	7397		7397

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	Phoenix Life Limited
Total business / subfund	SAL With-Profits Fund
Financial year ended	31 December 2014
Units	£000
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
535	Group money purchase pensions UWP	426			11149	11149		11149

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium						1000	1000

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP						5490	5490

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	3383	74243		74243	65621	8619	74240

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	1641	14650	120	14650	14398		14398
535	Group money purchase pensions UWP	3836	34246	57	34246	33658		33658
570	Income drawdown UWP	686	6129		6129	6023		6023

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	1641	14650	120	14650	14398		14398
535	Group money purchase pensions UWP	3836	34246	57	34246	33658		33658
570	Income drawdown UWP	686	6129		6129	6023		6023

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						3435	3435

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	16	280		280	280		280
720	Life property linked endowment regular premium – target cash	19	1298	25	670	670		670
800	Additional reserves property linked				1842	1842		1842

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	4610	1647	84	1904	1904		1904

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Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
715	Life property linked endowment regular premium - savings					4923		4923

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	74470	25			544		544

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	72637	1062015		1050226	1049344	3275	1052619
710	Life property linked whole life regular premium	87958	3976497	34740	444068	442338	50758	493096
715	Life property linked endowment regular premium - savings	24119	436203	7042	311280	311326	1657	312983
720	Life property linked endowment regular premium – target cash	14383	508232	10370	317504	317489	1086	318576
780	Stand-alone critical illness rider	1316	36748		1635	1635	3562	5197
785	Income protection rider	2821	4656	1468	2480	2480	1331	3811
795	Miscellaneous property linked	2615	36563	2302	22816	22816	442	23259
800	Additional reserves property linked				39696	39696	40115	79811

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life property linked whole life regular premium		137504	134	11223	11223	14	11237
795	Miscellaneous property linked			160	242	242	0	242

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium						(481)	(481)
725	Individual pensions property linked	401507	6023497	41536	5828840	5768947	64472	5833419
735	Group money purchase pensions property linked	93275	781263	7709	770742	766148	28198	794347
745	DWP National Insurance rebates property linked	45984	1103208		1103208	1103208	9958	1113166
750	Income drawdown property linked	2009	137040		137040	137040	33	137073
755	Trustee investment plan	222	13877		126578	126286	1076	127363
765	Group managed fund	6879	54697		54697	54697	0	54697
790	Miscellaneous protection rider	3	216	2			9	9
795	Miscellaneous property linked	24	201	29	151	150	1	151
800	Additional reserves property linked				162251	162251	63837	226088

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer	Phoenix Life Limited
Total business / subfund	Non - Profit Fund
Financial year ended	31 December 2014
Units	£000
UK Pension / Reinsurance ceded intra-group	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						41567	41567

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	831	244236		16211	16215	1442	17657
710	Life property linked whole life regular premium	661	238659	464	2175	2175	148	2323
715	Life property linked endowment regular premium - savings	5	292	12	123	123	2	125
720	Life property linked endowment regular premium – target cash	1	37	1	25	25	0	25
725	Individual pensions property linked	699	13970	372	19773	19771	341	20112
735	Group money purchase pensions property linked		11		11	11		11
745	DWP National Insurance rebates property linked					519		519
795	Miscellaneous property linked	3346	30601	614	1834	1834	1334	3168

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)	55	1120			29534	1195	30729

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		989			24855	1053	25908

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	1826	9048			298958	136	299094

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)		260			8866	135	9000

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
Total business / subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**
Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)		3			128	2	130

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	Phoenix Life Limited
Total business / subfund	Phoenix With-Profits Fund
Financial year ended	31 December 2014
Units	£000
Overseas / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		3			128	2	130

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
907	Index linked deferred annuity	30	18			3149	130	3279

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	31	690			38138	75	38213

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)	152	1034			30447	303	30750
907	Index linked deferred annuity	43	0			999	541	1540
910	Miscellaneous index linked				693	693		693

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		978			28477	281	28758
907	Index linked deferred annuity					(2)	2	

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	2	94			1686	6	1692

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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)		13			437	4	441

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index linked income protection claims in payment				12029	12029		12029
902	Group index linked income protection claims in payment		2899		17109	17109	49	17158
905	Index linked annuity (CPA)	10	87		761	1410	7	1417
910	Miscellaneous index linked	32889	1958437	16902	101399	101399	10334	111733
915	Additional reserves index linked						18206	18206

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Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
902	Group index linked income protection claims in payment		2899		17109	17109	49	17158
905	Index linked annuity (CPA)		34			649	1	650
910	Miscellaneous index linked		1677454	10933	4223	4223		4223

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	3742	14525		19118	406519	6842	413360
907	Index linked deferred annuity	183	88			24414	388	24802
910	Miscellaneous index linked		103760	144	49169	49022		49022

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		1066		19103	20959	357	21316
910	Miscellaneous index linked		103760	144	1159	1159		1159

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)	6	13			356	7	363

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Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Managed	02 - life - balanced managed fund	412520	ULA Series	1.00	10.5251	10.9749	4.27
Multiple Growth fund	05 - life - UK equity	133695	Series O	1.00	20.4840	21.3490	4.22
Pension Equity	15 - individual pension - UK equity	136522	ULPF Accum	1.13	25.1358	25.4905	1.41
Pension Managed	12 - individual pension - balanced managed fund	1734285	SAPL Group	1.13	13.4950	14.0723	4.28
BULA Pension Managed	12 - individual pension - balanced managed fund	295340	Series 1	1.25	7.4880	7.7971	4.13
ACI Managed Life	02 - life - balanced managed fund	206771	Series B	1.00	25.7400	26.6600	3.57
ACI Pension Managed	12 - individual pension - balanced managed fund	190751	Series A	1.25	5.3700	5.5650	3.63
Alba Managed Pension	14 - individual pension - other managed fund	251641	Series 1 Accum	1.00	7.3600	7.6910	4.50
SM Growth Pension	12 - individual pension - balanced managed fund	335820	Accumulation	1.00	128.8000	136.1579	5.71
SM Cash Pension	14 - individual pension - other managed fund	122366	Accumulation	1.00	4.0360	4.0361	0.00
SP Balanced Growth Managed	12 - individual pension - balanced managed fund	103439	Accumulation	1.00	315.1000	333.2329	5.75
NEL Aberdeen Managed Pension	12 - individual pension - balanced managed fund	277264	Managed 7404 (P US)	1.24	18.3524	18.8100	2.49
UK Managed Internal Pension	12 - individual pension - balanced managed fund	169017	UK Managed Internal Pension	1.65	6.9269	7.1460	3.16
NPI Pension Managed	12 - individual pension - balanced managed fund	1337573	Ordinary Series 1 & 2	1.01	20.8618	21.6330	3.70
NPI Pension UK Equity	15 - individual pension - UK equity	187282	Ordinary Series 1 & 2	1.01	29.7047	29.7440	0.13
PAULP Retirement Managed	14 - individual pension - other managed fund	319836	Mixed Accumulation	1.00	5.3990	5.6930	5.45
NPI Pension Global Care Managed	12 - individual pension - balanced managed fund	103336	Ordinary Series 1 & 2	1.00	3.2000	3.5000	9.37
0							

Long-term insurance business : Index linked business

Name of insurer **Phoenix Life Limited**
 Total business
 Financial year ended **31 December 2014**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	491975	18.97
Other variable interest securities	12	259313	13.41
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18	157842	
Variation margin	19		
Total (11 to 19)	20	909129	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	13165	22.33
AA/Aa	32	6672	20.83
A/A	33	112684	11.56
BBB/Baa	34	104610	13.88
BB/Ba	35	16992	14.18
B/B	36	0	4.44
CCC/Caa	37		
Other (including unrated)	38	5191	9.24
Total other fixed interest and other variable interest securities	39	259313	13.41

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**Subfund **Britannic Industrial Branch Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
105 Conventional whole life withprofits IB Life	100240	1.79	2.23	2.28
130 Conventional endowment withprofits IB Life	39743	1.45	1.82	1.86
215 Additional reserves with-profits IB Life	7695	0.00	0.00	1.18
310 Nonprofit IB Life	39567	0.92	1.07	1.75
Total	187245			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **Britannic With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
100 Conventional whole life withprofits OB Life	11730	2.49	2.49	2.56
120 Conventional endowment withprofits OB savings Life	49964	2.49	2.49	2.56
125 Conventional endowment withprofits OB target cash Life	66976	2.51	2.51	2.58
165 Conventional deferred annuity withprofits Life	15901	2.51	2.51	2.57
300 Regular premium nonprofit WL/EA OB Life	10230	2.49	2.49	2.56
500 Life UWP single premium Life	71496	1.87	2.33	2.39
506 Life UWP whole life regular premium (ISA) Life	14815	1.87	2.33	2.39
165 Conventional deferred annuity withprofits Pensions	97927	2.51	2.51	2.57
200 Annuity withprofits (CPA) Pensions	14223	2.34	2.34	2.40
390 Deferred annuity nonprofit Pensions	114257	2.31	2.31	2.37
525 Individual pensions UWP Pensions	2316794	2.25	2.25	2.31
500 Life UWP single premium OVS	17519	1.87	2.33	2.39
Miscellaneous	106533	n/a	n/a	n/a
Total	2908363			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **Alba With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
100 Conventional whole life withprofits OB Life	5668	1.35	1.69	1.73
120 Conventional endowment withprofits OB savings Life	21483	1.05	1.31	1.34
125 Conventional endowment withprofits OB target cash Life	45501	0.88	1.10	1.12
175 Group conventional deferred annuity withprofits Life	13214	1.74	2.05	2.10
210 Additional reserves with-profits OB Life	23090	0.74	0.93	0.95
300 Regular premium nonprofit WL/EA OB Life	11757	1.36	1.70	1.74
165 Conventional deferred annuity withprofits Pensions	138177	2.11	2.11	2.17
175 Group conventional deferred annuity withprofits Pensions	262341	2.86	2.86	2.93
390 Deferred annuity nonprofit Pensions	138409	2.10	2.10	2.15
400 Annuity nonprofit (CPA) Pensions	135622	2.15	2.15	2.20
435 Miscellaneous nonprofit Pensions	8198	1.10	1.10	1.12
525 Individual pensions UWP Pensions	11558	1.10	1.10	1.12
535 Group money purchase pensions UWP Pensions	23367	1.10	1.10	1.12
555 Group deposit administration withprofits Pensions	123274	1.53	1.53	1.57
565 DWP National Insurance rebates UWP Pensions	24312	1.10	1.10	1.12
400 Annuity nonprofit (CPA) OVS	23965	2.15	2.15	2.20
Miscellaneous	80680	n/a	n/a	n/a
Total	1090616			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **Phoenix With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
100 Conventional whole life withprofits OB Life	65830	1.02	1.02	1.05
120 Conventional endowment withprofits OB savings Life	351857	0.98	1.23	1.26
300 Regular premium nonprofit WL/EA OB Life	29526	0.63	0.63	0.65
395 Annuity nonprofit (PLA) Life	15338	1.96	2.45	2.51
500 Life UWP single premium Life	223140	0.95	1.06	1.08
165 Conventional deferred annuity withprofits Pensions	443261	2.33	2.33	2.39
175 Group conventional deferred annuity withprofits Pensions	102883	2.29	2.29	2.35
390 Deferred annuity nonprofit Life	466375	1.16	1.16	1.19
400 Annuity nonprofit (CPA) Pensions	244804	1.93	1.93	1.98
435 Miscellaneous nonprofit Life	73308	1.24	1.24	1.27
525 Individual pensions UWP Pensions	651699	1.47	1.47	1.51
535 Group money purchase pensions UWP Pensions	69081	1.25	1.25	1.28
Miscellaneous	31141	n/a	n/a	n/a
Total	2768244			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**Subfund **Scottish Mutual With-Profits Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
120 Conventional endowment withprofits OB savings Life	29724	1.42	1.78	1.82
500 Life UWP single premium Life	143265	1.39	1.74	1.78
165 Conventional deferred annuity withprofits Pensions	775203	2.20	2.20	2.26
175 Group conventional deferred annuity withprofits Pensions	476353	1.79	1.79	1.83
200 Annuity withprofits (CPA) Pensions	136024	2.48	2.48	2.54
525 Individual pensions UWP Pensions	205174	1.58	1.58	1.62
535 Group money purchase pensions UWP Pensions	110522	0.76	0.76	0.78
565 DWP National Insurance rebates UWP Pensions	227268	1.62	1.62	1.66
Miscellaneous	84714	n/a	n/a	n/a
Total	2188246			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **SPI With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
100 Conventional whole life withprofits OB Life	29473	1.56	1.87	1.91
120 Conventional endowment withprofits OB savings Life	399594	1.87	2.10	2.15
500 Life UWP single premium Life	66460	1.11	1.22	1.25
165 Conventional deferred annuity withprofits Pensions	218027	1.72	1.72	1.77
525 Individual pensions UWP Pensions	429615	1.75	1.75	1.80
120 Conventional endowment withprofits OB savings OVS	54172	0.95	0.95	0.98
165 Conventional deferred annuity withprofits OVS	296063	1.31	1.31	1.97
525 Individual pensions UWP OVS	37532	0.40	0.40	0.41
Miscellaneous	122648	n/a	n/a	n/a
Total	1653583			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **SAL With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
100 Conventional whole life withprofits OB Life	26406	0.82	0.87	0.90
120 Conventional endowment withprofits OB savings Life	12453	0.82	1.03	1.05
125 Conventional endowment withprofits OB target cash Life	210351	0.82	1.03	1.05
300 Regular premium nonprofit WL/EA OB Life	38240	2.56	2.81	2.88
395 Annuity nonprofit (PLA) Life	28772	2.10	2.63	2.70
155 Conventional pensions endowment withprofits Pensions	2219469	2.04	2.04	2.09
165 Conventional deferred annuity withprofits Pensions	141249	2.33	2.33	2.39
185 Group conventional pensions endowment withprofits Pensions	180665	2.50	2.50	2.57
305 Single premium non-profit WL/EA OB Pensions	243298	2.60	2.60	2.67
390 Deferred annuity nonprofit Pensions	340529	1.89	1.89	1.94
400 Annuity nonprofit (CPA) Pensions	62232	1.93	1.93	1.98
535 Group money purchase pensions UWP Pensions	11241	2.06	2.06	2.11
400 Annuity nonprofit (CPA) OVS	21337	1.93	1.93	1.98
Miscellaneous	69524	n/a	n/a	n/a
Total	3605767			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Phoenix Life Limited**
Subfund **Non - Profit Fund**
Financial year ended **31 December 2014**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA F51 codes 300-345,370,380,390,410	212683	1.60	2.00	2.06
UK L&GA F51 Annuities codes 395-400	25588	1.60	2.00	2.06
UK L&GA F53 Non unit reserves codes 700-785	61543	1.60	2.00	2.06
UK L&GA F51 Additional reserves code 440	45740			0.57
UK F51 Deferred annuity codes 315-390, Critical illness codes 350-365, UKP code 410, UKL code 420	42156	2.00	2.00	2.06
UK Pension F51 Annuity codes 400-405	24516	2.60	2.60	2.68
UK Pension F51 Additional reserves code 440	125912			0.57
UK Pension F53 Non unit reserves codes 725-770	72620	2.02	2.02	2.04
Overseas F51 codes 300-390, 410,435	1885	1.60	2.00	2.06
Overseas F53 Non unit reserves codes 700-725	1933	1.60	2.00	2.06
F52 Pension codes 525,571	5490			0.57
UK F51 Deferred annuity codes 315-390	585776	2.36	2.36	2.42
UK Pension F51 Annuity codes 400-405	3282734	2.60	2.60	2.67
UK Pension F54 Annuity Index Linked code 905	6484	2.51	2.51	2.57
Overseas F51 codes 300-390, 410,435	2724	1.27	1.59	1.63
Overseas F51 Annuities codes 395-400	360492	1.27	1.59	1.63
Miscellaneous	264556	n/a	n/a	n/a
Total	5122831			

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Valuation result

Fund carried forward	11	31281947	32192380
Bonus payments in anticipation of a surplus	12	410990	542596
Transfer to non-technical account	13	231514	288447
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	31924451	33023423
Mathematical reserves	21	30730856	31613556
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1193595	1409867

Composition of surplus

Balance brought forward	31	468058	498658
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	725538	911209
Total	39	1193595	1409867

Distribution of surplus

Bonus paid in anticipation of a surplus	41	410990	542596
Cash bonuses	42		
Reversionary bonuses	43	127125	110766
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	538115	653362
Net transfer out of fund / part of fund	47	231514	288447
Total distributed surplus (46+47)	48	769629	941809
Surplus carried forward	49	423967	468058
Total (48+49)	59	1193595	1409867

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic Industrial Branch Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	275914	319419
Bonus payments in anticipation of a surplus	12	34258	19471
Transfer to non-technical account	13	3861	2227
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	314032	341117
Mathematical reserves	21	186751	186092
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	127281	155025

Composition of surplus

Balance brought forward	31	132760	132760
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(5479)	22265
Total	39	127281	155025

Distribution of surplus

Bonus paid in anticipation of a surplus	41	34258	19471
Cash bonuses	42		
Reversionary bonuses	43	494	567
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	34751	20039
Net transfer out of fund / part of fund	47	3861	2227
Total distributed surplus (46+47)	48	38612	22265
Surplus carried forward	49	88669	132760
Total (48+49)	59	127281	155025

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Britannic With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	2913363	2956968
Bonus payments in anticipation of a surplus	12	65417	69455
Transfer to non-technical account	13	14668	14422
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2993448	3040846
Mathematical reserves	21	2841772	2891622
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	151676	149224

Composition of surplus

Balance brought forward	31	5000	5000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	146676	144224
Total	39	151676	149224

Distribution of surplus

Bonus paid in anticipation of a surplus	41	65417	69455
Cash bonuses	42		
Reversionary bonuses	43	66591	60346
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	132008	129801
Net transfer out of fund / part of fund	47	14668	14422
Total distributed surplus (46+47)	48	146676	144224
Surplus carried forward	49	5000	5000
Total (48+49)	59	151676	149224

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **90% With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	60205	66224
Bonus payments in anticipation of a surplus	12	7928	7368
Transfer to non-technical account	13	936	877
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	69069	74468
Mathematical reserves	21	59260	65253
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	9809	9215

Composition of surplus

Balance brought forward	31	450	450
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	9359	8765
Total	39	9809	9215

Distribution of surplus

Bonus paid in anticipation of a surplus	41	7928	7368
Cash bonuses	42		
Reversionary bonuses	43	495	521
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	8423	7889
Net transfer out of fund / part of fund	47	936	877
Total distributed surplus (46+47)	48	9359	8765
Surplus carried forward	49	450	450
Total (48+49)	59	9809	9215

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **100% Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	19168	21658
Bonus payments in anticipation of a surplus	12	11133	9830
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	30301	31488
Mathematical reserves	21	17218	19581
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	13083	11907

Composition of surplus

Balance brought forward	31	850	850
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	12233	11057
Total	39	13083	11907

Distribution of surplus

Bonus paid in anticipation of a surplus	41	11133	9830
Cash bonuses	42		
Reversionary bonuses	43	1100	1227
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	12233	11057
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	12233	11057
Surplus carried forward	49	850	850
Total (48+49)	59	13083	11907

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Alba With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1099991	1308329
Bonus payments in anticipation of a surplus	12	4675	16127
Transfer to non-technical account	13	603	1893
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1105269	1326349
Mathematical reserves	21	1099237	1307407
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6032	18942

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6032	18942
Total	39	6032	18942

Distribution of surplus

Bonus paid in anticipation of a surplus	41	4675	16127
Cash bonuses	42		
Reversionary bonuses	43	753	922
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	5428	17049
Net transfer out of fund / part of fund	47	603	1893
Total distributed surplus (46+47)	48	6032	18942
Surplus carried forward	49	0	
Total (48+49)	59	6032	18942

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.01
Current year - 1	62	90.01	90.03
Current year - 2	63	90.03	90.02
Current year - 3	64	90.02	90.02

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Phoenix With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	3173760	3504864
Bonus payments in anticipation of a surplus	12	123637	169797
Transfer to non-technical account	13	16268	20757
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3313664	3695419
Mathematical reserves	21	3024244	3362238
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	289421	333180

Composition of surplus

Balance brought forward	31	110500	110500
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	178921	222680
Total	39	289421	333180

Distribution of surplus

Bonus paid in anticipation of a surplus	41	123637	169797
Cash bonuses	42		
Reversionary bonuses	43	39016	32126
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	162653	201923
Net transfer out of fund / part of fund	47	16268	20757
Total distributed surplus (46+47)	48	178921	222680
Surplus carried forward	49	110500	110500
Total (48+49)	59	289421	333180

Percentage of distributed surplus allocated to policyholders

Current year	61	90.91	90.68
Current year - 1	62	90.68	90.62
Current year - 2	63	90.62	90.57
Current year - 3	64	90.57	90.92

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Scottish Mutual With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	2188246	2111755
Bonus payments in anticipation of a surplus	12	31245	36197
Transfer to non-technical account	13	1405	1974
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2220897	2149926
Mathematical reserves	21	2186384	2109864
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	34513	40062

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	34513	40062
Total	39	34513	40062

Distribution of surplus

Bonus paid in anticipation of a surplus	41	31245	36197
Cash bonuses	42		
Reversionary bonuses	43	1862	1891
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	33107	38088
Net transfer out of fund / part of fund	47	1405	1974
Total distributed surplus (46+47)	48	34513	40062
Surplus carried forward	49		
Total (48+49)	59	34513	40062

Percentage of distributed surplus allocated to policyholders

Current year	61	95.93	95.07
Current year - 1	62	95.07	96.25
Current year - 2	63	96.25	95.95
Current year - 3	64	95.95	96.20

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
Total business / subfund **SPI With-Profits Fund**
Financial year ended **31 December 2014**
Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1764691	1837105
Bonus payments in anticipation of a surplus	12	102990	182217
Transfer to non-technical account	13	10574	19250
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1878254	2038572
Mathematical reserves	21	1641370	1717796
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	236884	320776

Composition of surplus

Balance brought forward	31	107959	138559
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	128925	182217
Total	39	236884	320776

Distribution of surplus

Bonus paid in anticipation of a surplus	41	102990	182217
Cash bonuses	42		
Reversionary bonuses	43	15362	11350
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	118352	193568
Net transfer out of fund / part of fund	47	10574	19250
Total distributed surplus (46+47)	48	128925	212817
Surplus carried forward	49	107959	107959
Total (48+49)	59	236884	320776

Percentage of distributed surplus allocated to policyholders

Current year	61	91.80	90.95
Current year - 1	62	90.95	92.24
Current year - 2	63	92.24	94.72
Current year - 3	64	94.72	93.81

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **SAL With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	3710561	4325373
Bonus payments in anticipation of a surplus	12	29708	32132
Transfer to non-technical account	13	3462	3707
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3743731	4361212
Mathematical reserves	21	3648570	4263018
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	95161	98194

Composition of surplus

Balance brought forward	31	60539	60539
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	34622	37655
Total	39	95161	98194

Distribution of surplus

Bonus paid in anticipation of a surplus	41	29708	32132
Cash bonuses	42		
Reversionary bonuses	43	1452	1816
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	31160	33948
Net transfer out of fund / part of fund	47	3462	3707
Total distributed surplus (46+47)	48	34622	37655
Surplus carried forward	49	60539	60539
Total (48+49)	59	95161	98194

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.16
Current year - 1	62	90.16	90.45
Current year - 2	63	90.45	90.24
Current year - 3	64	90.24	

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **Non - Profit Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	16076049	15740686
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	179737	223341
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	16255786	15964026
Mathematical reserves	21	16026049	15690686
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	229737	273341

Composition of surplus

Balance brought forward	31	50000	50000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	179737	223341
Total	39	229737	273341

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	179737	223341
Total distributed surplus (46+47)	48	179737	223341
Surplus carried forward	49	50000	50000
Total (48+49)	59	229737	273341

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **Phoenix Life Limited**
 Total business / subfund **NPI With-Profits Fund**
 Financial year ended **31 December 2014**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11		
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15		
Mathematical reserves	21		
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34		
Total	39		

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		
Total (48+49)	59		

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
 Original insurer **Life Association of Scotland**
 Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	25073	5448	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **Life Association of Scotland**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
 Original insurer **Britannia Life**
 Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	22926	4704	0	CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	45439	2339	0	CWP	N	Return of fund
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	26792	8830	0	CWP	N	Return of fund

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
 Original insurer **Britannia Life**
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
Original insurer **Crusader**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	24434	6906	0	CWP	n/a	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **Crusader**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
 Original insurer **Britannic Assurance**
 Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	12932	4700	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	20	19188	5363	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	25	33983	10843	n/a	CWP	N	Sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	55594	14057	0	UWP	N	Return of Fund
Regular premium pension	20	75575	18830	0	UWP	N	Return of Fund
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	16658	3228	0	UWP	N	Return of Fund
Single premium pension	20	29847	10716	0	UWP	N	Return of Fund

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
 Original insurer **Britannic Assurance**
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	14765	9373	n/a	CWP	N	Sum assured plus bonuses
Endowment assurance	20	19753	9524	n/a	CWP	N	Sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
Original insurer **Royal Life Insurance Limited**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	12888	4409	0	CWP	N	sum assured plus bonuses
Endowment assurance	20	18716	6238	0	CWP	N	sum assured plus bonuses
Endowment assurance	25	31510	13190	0	CWP	N	sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	86722	26913	0	UWP	N	max(unit value, cost of unit purchase)
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	40847	12676	0	UWP	N	max(unit value, cost of unit purchase)

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **Royal Life Insurance Limited**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11001	3764	0	CWP	N	sum assured plus bonuses
Endowment assurance	20	19012	6337	0	CWP	N	sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
Original insurer **Scottish Mutual Assurance Ltd**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	18145	6040	n/a	CWP	No	n/a
Endowment assurance	25	32249	13491	n/a	CWP	No	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	55615	19964	n/a	UWP	No	return of fund
Regular premium pension	20	94051	33121	n/a	UWP	No	return of fund
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	20013	7093	n/a	UWP	No	return of fund
Single premium pension	20	39006	19095	n/a	UWP	No	return of fund

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
 Original insurer **Scottish Mutual Assurance Ltd**
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	18084	5101	n/a	CWP	No	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
Original insurer **Scottish Provident Ltd**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	14612	6627	0	CWP	N	sum assured plus bonuses
Endowment assurance	20	20415	7967	0	CWP	N	sum assured plus bonuses
Endowment assurance	25	33612	10590	0	CWP	N	sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	56042	21350	0	UWP	N	return of fund
Regular premium pension	20	72817	0	0	CWP	N	return of premiums with interest
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	18968	1074	0	UWP	N	return of fund
Single premium pension	20	36386	0	0	CWP	N	return of premiums with interest

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **Scottish Provident Ltd**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	14212	6446	0	CWP	N	sum assured plus bonuses
Endowment assurance	20	19792	7724	0	CWP	N	sum assured plus bonuses
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**
Original insurer **Phoenix & London Assurance Limited**
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	24373	4242	0	CWP	N	sum assured plus bonuses
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	57179	22314	0	UWP	N	return of fund
Regular premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	18420	6835	0	UWP	N	return of fund
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **Phoenix & London Assurance Limited**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Phoenix Life Limited**Original insurer **NPI Limited**Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	44046	7203	0	UWP	N	44046
Regular premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	N	n/a
Single premium pension	15	14333	0	0	UWP	N	14333
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Phoenix Life Limited**
Original insurer **NPI Limited**
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirementName of insurer **Phoenix Life Limited**

Global business

Financial year ended **31 December 2014**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%	4080009	3886635		
Classes I (other), II and IX	12	0.1%	281285	178298	0.74	209
Classes I (other), II and IX	13	0.15%	83344	39902		93
Classes I (other), II and IX	14	0.3%	14059797	10476215		31272
Classes III, VII and VIII	15	0.3%	6172358	2552988	0.50	9259
Total	16		24676792	17134039		40832

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					6382
						8813

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	21708168	16868659	0.85	184519
Classes III, VII and VIII (investment risk)	33	1%	3685409	3582457	0.97	35825
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1150258	1146759	1.00	11468
Classes III, VII and VIII (other)	35	25%				13993
Class IV (other)	36	1%	167617	66815	0.85	1425
Class V	37	1%				
Class VI	38	1%				
Total	39					247229

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	65394	64704		
Classes I (other), II and IX	42	3%	21708168	16868659	0.85	553558
Classes III, VII and VIII (investment risk)	43	3%	3685409	3582457	0.97	107474
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1150258	1146759		
Classes III, VII and VIII (other)	45	0%	9156676	9128587		
Class IV (other)	46	3%	167617	66815	0.85	4274
Class V	47	0%				
Class VI	48	3%				
Total	49		35933522	30857980		665306

Long term insurance capital requirement	51					959749
						937157

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

Global Business

Financial year ended 31 December 2014

NOTES TO APPENDIX 9.1

0201 Section 148 waivers

- (a) The PRA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in January 2009. The direction in place for the year ended 31 December 2014 was made on 23 December 2013. The effect of the direction is to modify the provisions of GENPRU TP 4.2R allowing the firm to exclude the £200m 7.25% undated subordinated loan notes (issued by Scottish Mutual Assurance Limited and transferred to the firm following a Part VII transfer) from the calculation of its liabilities. Following the modification of the terms of the loan notes, effective 23 December 2014, the direction is no longer applicable and the notes are included as lower tier 2 capital.
- (b) The PRA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 on 4 February 2014. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination.

0301 Reconciliation of net admissible assets to total capital resources after deductions

The reconciliation of the net admissible assets to total capital resources after deductions is as follows:

	2014 £'000	2013 £'000
Form 13 line 89 Total other than long term business assets	673,434	773,937
Form 13 line 89 Total long term business assets	37,201,369	43,255,441
Less Form 14 line 11	(30,857,980)	(31,724,322)
Less Form 14 line 49	(2,808,191)	(7,971,373)
Less Form 15 line 69	(216,624)	(387,050)
Capital requirements of regulated related undertakings –		
Form 2 line 35	6,004	6,855
Subordinated debt – Form 3 line 52	200,000	-
Subordinated debt – Form 3 line 46	-	200,000
Other – rounding	(1)	-
Total capital resources after deductions (Form 3 line 79)	<u>4,198,011</u>	<u>4,153,488</u>

0310 Valuation differences between the PRA Return and IFRS report and accounts

Net positive valuation differences represent:

	2014 £'000	2013 £'000
Valuation differences between mathematical reserves and IFRS technical provisions	2,709,904	2,772,948
Deferred income reserve	22,070	25,574
Valuation difference on subordinated debt	(382)	11,386
Deferred tax on VIF	39,141	43,005
Deferred tax	32,199	36,645
Financial reinsurance - ceded	3,228	6,023
Provision for adverse deviation	(5,198)	(6,107)
Loan to related ancillary services undertaking	(8,911)	(10,933)
Valuation difference on loans	2,430	(242)
Other	3,127	871
Net positive valuation differences (Form 3 line 14)	<u>2,797,608</u>	<u>2,879,169</u>

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NOTES TO APPENDIX 9.1 (continued)

0313 Reconciliation of the movement in profit and loss account and other reserves

	2014 £'000
Profit and loss account and other reserves – Form 3 line 12 column 3	907,617
Profit and loss account and other reserves – Form 3 line 12 column 4	884,175
Movement	<u>23,441</u>
Explained by:	
Other than long term fund:	
Profit or loss retained for the financial year – Form 16 line 59	99,208
Movement in valuation difference of subsidiary undertakings	(4,283)
Movement in valuation difference of subordinated debt	11,767
Amortisation of VIF	(16,970)
Deferred tax on amortisation of VIF	3,517
Movement in deferred tax	(7,090)
Repayment of capital contribution	(65,000)
Long term fund:	
Non-Profit fund IFRS profit for the financial year	182,029
Transfer of surplus from Non-Profit fund to Shareholder fund	<u>(179,737)</u>
	<u>23,441</u>

1304 & *1310* Set off

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person, to the extent permitted by generally accepted accounting principles.

Interfund balances, which exist between the shareholders' fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

1305 & *1319* Counterparty limits

The investment guidelines operated by the insurer for:

- (a) the maximum exposure to any one counterparty during the financial year; and
- (b) the maximum exposure to any one counterparty, other than an approved counterparty, during the financial year;

are consistent with the limits as set out in INSPRU 2.1.22R for market risks and counterparty exposures unless the insurer decides in an individual case that a higher limit is appropriate. For certain asset classes the investment guidelines restrict counterparty exposure limits further, with the additional restriction potentially dependent on the credit rating of the counterparty. The exception to this is for loans to other companies within the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.

At no time during the financial year were either of the above amounts exceeded.

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NOTES TO APPENDIX 9.1 (continued)

1308 Listed and unlisted securities

	2014 £'000	2013 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	196,675	130,000
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	7,367	118,636
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	325,618	354,705

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of the lines 41, 42, 46 or 48 of Form 13 Total long term insurance business assets. Units or other beneficial interests in collective investment schemes (as specified in instruction 5 to Form 13) are reported within Form 13 line 43 alongside other collective investment schemes.

1309 Hybrid Securities

The aggregate value of Hybrid Securities held by the insurer is £227,728,000.

1318 Other asset adjustments

The entry in Form 13 Line 101 of the non-profit fund relates to:

	2014 £'000	2013 £'000
Reclassification of liabilities within assets held to match linked liabilities	3,193	49,447
Other reclassifications of debtors and creditors	(12)	(1,291)
	<u>3,181</u>	<u>48,156</u>

1321 Entity Reconciliation to Statutory Accounts

	2014 £'000	2013 £'000
Form 13 line 102 Total long term insurance business assets	42,012,805	46,571,713
Form 13 line 102 Total other than long term insurance business assets	948,931	1,078,292
Entity adjustment in statutory accounts	(1,376)	(7,737)
Total IFRS Assets	<u>42,960,360</u>	<u>47,642,268</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

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NOTES TO APPENDIX 9.1 (continued)

1401* & *1501* Provision for reasonably foreseeable adverse variations and valuation adjustments or reserves

The other than long term insurance business does not have any obligations that would give rise to a provision for reasonably foreseeable adverse variations under INSPRU 3.2.17R to 3.2.18R and does not own any assets that would give rise to valuation adjustments or reserves under GENPRU 1.3.30R to 1.3.33R.

On 30 September 1999, the insurer entered into a refinancing arrangement with Santander UK plc ("Santander"). The insurer has originated a portfolio of residential property investments subject to life tenancies (reversions) against which it has sold Extra Income Plan annuity contracts. The insurer has sold 93% of "shared growth" reversions and entered into an arrangement whereby Santander will commit to acquire future "shared growth" reversions which the insurer originates on pre-agreed terms. As part of the arrangement, the insurer has undertaken to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. There is an interest charge of LIBOR plus 1.125% on capital used for the reversion purchases. The insurer will be liable for the first 7% of any losses arising from sales proceeds underperforming the movement of the regional Halifax house price indices. Losses in excess of 7%, together with any loss arising from the movement of the regional Halifax house price indices; will be borne by Santander. On 30 April 2002, Santander ceased to refinance new reversions.

The key assumptions used to calculate the reversion amounts were:

- Mortality: 80% IML92/IFL92 with CMI17 improvements together with a surrender assumption (50% increase) to allow for sale before death without immediate repurchase.
- Future specific house price inflation -1.04% p.a.

A provision for adverse mortality and specific house price inflation experience was calculated based on a cashflow projection assuming:

- Mortality: 100% IML92 with 100% average medium and long cohort improvements with a 1.5% floor (C2012); 100% IFL92 with 75% average medium and long cohort improvements with a 1.25% floor (C2012).
- Future specific house price inflation of -1.29% p.a. is assumed, this being 0.5% below the growth in the Halifax house price index (assumed to be -0.79% p.a.).
- A future LIBOR rate of 1.71% p.a. plus an additional 1.125% and a discount rate of 1.62% p.a. were assumed in calculating the provision.

The total provision was £4.4 million.

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NOTES TO APPENDIX 9.1 (continued)

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid or is valued using a model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which are applied to all identified assets. In assessing the need for a provision the following assumption has been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times.

Consideration of valuation adjustments takes into account liquidity, the time to hedge out of a position / risk, the average and volatility of bid/offer spreads, the availability of market quotes and the average and volatility of trading volumes, amongst other items. Based on the above considerations the following investments are concluded to be less liquid:

- Private equity
- Hedge fund investments
- Specific fixed and variable interest securities

A provision of £0.8m has been established in respect of these investments. The calculation adjustment is applied considering the volatility in prices over the period it is expected to take to liquidate the particular asset class.

As at 31 December 2014, 92% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

The balance of the investment assets are valued using models with significant observable market parameters (level 2), or valued using models with significant unobservable market parameters (level 3).

For level 2 investment assets these are measured on a fair value basis from inputs other than quoted prices that are observable either directly or indirectly for the asset.

Level 3 investment assets have little, if any, market activity so that there are no observable inputs available. In such cases unobservable inputs reflect the insurer's own assumptions about the inputs that market participants would use in pricing the asset.

The valuation of level 3 investments is carried out on a prudent basis and, as such, any valuation adjustments or reserves necessary under GENPRU 1.3.30R to 1.3.33R have already been reflected within the carrying value of the asset.

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NOTES TO APPENDIX 9.1 (continued)

1402 Liabilities

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the long term insurance business.
- (c) In common with the Life Insurance industry, the insurer has experienced a large number of complaints in respect of mortgage endowment business. A provision has been established, but the ultimate redress cost may be greater or smaller than is currently provided and will be dependent on the level of complaints, any change in legal or regulatory judgements, and the period over which the policies were written.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those effected by the insurer in the ordinary course of its insurance business in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors there are no other fundamental uncertainties affecting the financial position of the insurer.

1404 Implicit provision for reasonably foreseeable adverse variations

Included within Form 14 Line 36 is an implicit provision of £16.0m as required by INSPRU 3.2.17R. Further details are disclosed in Appendix 9.29 (d).

1405 Adjustments to Liabilities

Other adjustments to Liabilities shown on Form 14 line 74 represent:

	2014 £'000	2013 £'000
Valuation differences between mathematical reserves and IFRS technical provisions	2,709,904	2,772,948
Deferred income reserve	22,070	25,574
Reclassification of assets and liabilities (note 1318)	3,181	48,156
Deferred tax	36,418	41,323
Financial reinsurance - ceded	3,228	6,023
Provision for adverse deviation	(5,198)	(6,107)
Other adjustments	3,135	887
Total	<u>2,772,738</u>	<u>2,888,804</u>

1407 Capital support provided to With-Profits Funds

There is provision for the insurer's Non Profit or shareholder funds to provide financial assistance or support to any of the insurer's With-Profit Funds. At 31 December 2014, the Non Profit Fund provided support of £13.4m to the Alba With-Profits Fund.

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NOTES TO APPENDIX 9.1 (continued)

1412 Entity Reconciliation to Statutory Accounts

	2014	2013
	£'000	£'000
Form 14 line 76 Total liabilities	(42,012,805)	(46,571,713)
Form 15 line 85 Total liabilities	(948,931)	(1,078,292)
Entity adjustment in statutory accounts	1,376	7,737
Total IFRS Liabilities	<u>(42,960,360)</u>	<u>(47,642,268)</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

1502 Liabilities (other than long term insurance business)

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains which might arise if the insurer disposed of the assets of the other than long term insurance business.
- (c) There are no contingent liabilities.
- (d) The insurer has no guarantees, indemnities or other contractual commitments other than those affected by the insurer in the ordinary course of its insurance business, in respect of the existing or future liabilities of related companies.
- (e) In the opinion of the directors there are no other fundamental uncertainties affecting the financial position of the insurer.

1507 Other adjustments

Other adjustments shown on Form 15 line 83 represent:

	2014	2013
	£'000	£'000
Valuation difference on subordinated debt	(382)	11,386
Deferred tax on VIF	34,923	38,439
Total	<u>34,541</u>	<u>49,825</u>

1601 Basis of conversion of foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

1603 Other income and charges

The charge shown in Form 16 line 21 represents costs in relation to the modification of the £200m 7.25% undated subordinated loan notes in the current year. The prior year charge represents project costs in relation to the business transfer agreement with Guardian Financial Services Limited.

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NOTES TO APPENDIX 9.1 (continued)

1604 Extraordinary profit

The profit shown in the prior year on Form 16 line 41 represents the profit on the transfer under the Part VII scheme of the remaining balance of the shareholders' funds of NPI Limited ("NPIL"), following its de-authorisation in 2013, in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 28 March 2012.

1700 Other than long term insurance business: Analysis of derivative assets

In respect of the Shareholder Fund Form 17 Analysis of derivative assets, all amounts required to be shown would be zero and this form has not been included in the Return.

1701 Variation margin

The practice of the insurer is to seek "variation margin" (which includes collateral on over the counter derivatives), for derivative asset positions from counterparties to mitigate exposure to credit risk. Variation margin on derivative positions are settled on the basis of "net" exposure from derivative assets and liabilities with each counterparty. Variation Margin is received in the form of cash or approved fixed interest securities. The table below presents the net exposure to derivative counterparties and total variation margin received and pledged.

Gross Derivatives	Assets £'000	Liabilities £'000	Net £'000
Long term Fund (excluding assets held to match linked liabilities)	1,414,773	1,099,381	315,392
Derivatives held to match linked liabilities	1,815	1,490	325
Total	1,416,588	1,100,871	315,717
"Net" Exposure by counterparty			
Exchange trade derivatives	-	24,436	(24,436)
Over the counter derivatives	910,799	570,646	340,153
	910,799	595,082	315,717
Variation Margin			
On Exchange trade derivatives	-	24,527	
On OTC derivatives	807,107	524,205	
Total	807,107	548,732	

As per the requirements of IAS 39, the insurer recognises variation margin received in form of cash on balance sheet, and any variation margin received in form of securities off balance sheet. This is due to the transfer of risk and return. In the case of cash – it is in the control of the insurer and can be reinvested in other investment classes if considered appropriate. Securities received as variation margin are not deemed to transfer the risk and return of the assets to the insurer, and as such are not held on balance sheet, but shown for disclosure purposes only.

As a result, no variation margin is included in Form 17 Line 52 to remove undue reconciling entries between the forms and published statutory accounts.

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NOTES TO APPENDIX 9.1 (continued)

On OTC derivatives, variation margin received in form of cash amounting to £567m is included within Form 13 Line 43 and a corresponding liability to repay this balance is included within Form 14 Line 38. Variation Margin received in form of approved fixed interest securities amounts to £240m and is not reported as an asset in Form 13 or a liability in Form 14.

1702 Contracts which have the effect of derivatives (long term business)

Contracts which have the effect of derivative contracts, were excluded from Form 17, but were included in Form 14 as follows:

Loan liabilities with a total value of £125m contain embedded derivatives and were included in Form 14 Line 36 (Amounts owed to credit institutions).

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NOTES TO APPENDIX 9.3

4000 Long-term insurance business: Revenue account

In respect of the NPI With-Profit Fund Form 40 Long-term insurance business: Revenue Account, all amounts required to be shown would be zero and this Form has not been included in the Return.

4002 Other income and expenditure

Other Income shown on Form 40 line 15 is represented by the following in the NPF

	2014 £'000	2013 £'000
Annual management charges	337	318
Commission & Other	2,043	1,069
	<u>2,380</u>	<u>1,387</u>

Other expenditure shown on Form 40 line 25 is represented by the following in 2014

	Britannic Industrial Branch Fund £'000	Britannic With- Profits Fund £'000	Non-Profit Fund £'000	Alba With- Profits Fund £'000
Repayment of financing advance due to Hannover Re	-	-	2,795	-
Annual management charges payable	-	-	16,255	-
Longevity settlement to PGH1 [^]	302	5,730	603	1,407
Settlement of indemnity release to PGH1 [^]	2,563	48,705	5,127	11,963
	<u>2,865</u>	<u>54,435</u>	<u>24,780</u>	<u>13,370</u>

[^] During the year, the insurer entered into an agreement with Pearl Group Holdings No. 1 Limited and paid £68m to release its obligations to reimburse certain contributions PGH1 may have been required to make to the PGL Pension Scheme relating to the longevity of certain defined benefit members. The insurer also paid £8m in settlement of the amount outstanding under this longevity indemnity agreement.

Other expenditure shown on Form 40 line 25 is represented by the following in 2013

	Britannic Industrial Branch Fund £'000	Britannic With-Profits Fund £'000	Non-Profit Fund £'000	Alba With- Profits Fund £'000
Repayment of financing advance due to Hannover Re	-	-	2,566	-
Annual management charges payable	-	-	17,828	-
	<u>-</u>	<u>-</u>	<u>20,394</u>	<u>-</u>

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NOTES TO APPENDIX 9.3 (continued)

4004 Business transfers-in and Business transfers-out

Business transfer in are split by fund as follows:

	Vesting annuities £'000	Other £'000	Total £'000
Non-Profit Fund	366,400	-	366,400
Phoenix With-Profits Fund	50	-	50
Britannic With-Profits Fund	-	5,518	5,518
Alba With-Profits Fund	10,189	4,476	14,665
SAL With-Profits Fund	240	-	240
	<u>376,879</u>	<u>9,994</u>	<u>386,873</u>

Business transfers-out are split by fund as follows:

	Vesting annuities £'000	Other £'000	Total £'000
Non-Profit Fund	110,423	-	110,423
Phoenix With-Profits Fund	69,433	-	69,433
Britannic With-Profits Fund	3,834	4,476	8,310
Alba With-Profits Fund	43,228	5,518	48,746
SMA With-Profits Fund	18,908	-	18,908
SPI With-Profits Fund	12,399	-	12,399
SAL With-Profits Fund	118,654	-	118,654
	<u>376,879</u>	<u>9,994</u>	<u>386,873</u>

The business transfers between the funds consist of £377m of vesting annuities and £10m of other internal fund transfers. The vesting annuities have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively, but in business transfers-in and business transfers-out instead. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47. Inter fund transfers are excluded from the total Form 40.

4006 Apportionment between Long-term Funds

The insurer maintains more than one long term insurance business fund. Separate portfolios of investments are maintained for and are directly attributable to each fund. Investment income and increase or decrease in the value of the assets is determined by the assets held in each fund. Expenses which are incurred directly for the purpose of an element of the fund are allocated to that element. Other expenses are allocated having regards to such measures as policy volumes or time spent as considered appropriate. The taxation of each fund is computed in accordance with the requirements of the Part VII Schemes.

4008 Provision of management services

Arrangements were in force during the financial year for the provision of management services to the insurer by Pearl Group Management Services Limited ("PGMS"), PGMS (Ireland) Limited ("PGMSI"), Pearl Group Services Limited ("PGS"), Ignis Investment Services Limited and HSBC Bank plc.

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NOTES TO APPENDIX 9.3 (continued)

Policy administration is outsourced to PGMS, PGMSI and PGS. PGMS has, in turn an agreement to sub contract some administration most significantly to Capita Life and Pensions Regulated Services Limited, HCL Insurance Services BPO Limited and Diligenta 2 Limited.

PGMSI has an agreement to subcontract administration to IFDS Percana International Managed Services Limited. Under the agreements with PGMS and PGMSI, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

Investment administration and custody services are primarily outsourced to HSBC Bank plc.

PGS has an agreement to sub contact administration to Diligenta Limited.

Ignis Investment Management Limited, Ignis Asset Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

4009 Material connected party transactions

A number of reinsurance contracts are in place between the insurer and other group companies. All these contracts are entered into on "arms length" basis, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

During the year the insurer paid £147.9m (2013: £163.7m) to Pearl Group Management Services Limited, £6.8m (2013: £10.4m) to Pearl Group Services and £3.5m (2013: £5.1m) to Pearl Group Management Services Ireland respectively in respect of services provided. Ignis Investment Services Limited, a fellow subsidiary until 1 July 2014, was paid £26.2m prior to 1 July 2014 (2013: £58.0m).

At 31 December 2014 there were £484.9m (2013: £563.0m) in loans made by the insurer to its holding company, Phoenix Life Holdings Limited ("PLH"). These loans are interest bearing and repayable on 31 December 2016 and 31 December 2017. £103.2m (2013: £nil) of these loans are repayable in whole or part (together with any interest accrued on the amount repaid) in cash upon 5 business days written notice to PLH.

At 31 December 2014 there was a loan of £8.8m (2013: £10.8m) made to PGMS, which is repayable in annual instalments of £2m plus interest, with interest accruing on the outstanding balance at 6 month LIBOR + 125bps. During the year the insurer received a settlement of capital of £2m.

On 10 April 2014, the insurer acquired Scottish Mutual International Limited ("SMI") from its directly held subsidiary, Scottish Mutual International Holdings ("SMIH"), for a consideration of £36m. At this time, SMIH's remaining net liabilities of £9m were also transferred to the insurer. Both transfers were settled via intercompany. Immediately thereafter, SMIH returned capital to the value of £201m which was settled by cancellation of the intercompany balance.

During the year, the insurer paid dividends to Pearl Life Holdings Limited of £134m (2013: £250m) and repaid Capital contributions of £65m (2013: £nil).

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NOTES TO APPENDIX 9.3 (continued)

During the year, the insurer entered into an agreement with Pearl Group Holdings No. 1 Limited to release its obligations to reimburse certain contributions PGH1 may have been required to make to the PGL Pension Scheme relating to the longevity of certain defined benefit members. In accordance with that agreement the insurer paid £68m consideration to PGH1. The insurer also paid £8m to PGH1 in settlement of the amount outstanding under the previous indemnity longevity agreement. In connected transactions, the insurer provided a Longevity swap arrangement to the PGL Pension Scheme.

4401 Basis of valuation of assets

Investments and assets held to cover linked liabilities and listed securities are shown at bid market value. Properties are valued annually at open market value. Cash and deposits are shown as face value.

4402 Unit linked derivative contracts

	2014
	£'000
Aggregate value of assets	1,815
Aggregate value of liabilities	1,490

4502 Other income and expenditure

Other expenditure of £3,179,532 shown in Form 45 Line 26 relates primarily to professional and investment management fees.

4701 Number of new group schemes with no records at member level

There are no new group schemes.

4702 Approximations used to apportion between product codes

No approximations have been made in apportioning new business between product codes.

4800 Assets not held to match linked liabilities

The NPI With-Profits Fund has not produced a Form 48 as the business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges, and therefore has no net assets.

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NOTES TO APPENDIX 9.3 (continued)

4801 'Asset Share' philosophy

90% With-Profits Fund

The asset mix for significant asset share groups is shown in the table below

Category of assets	Category	
	Ex-SLUK Business	Ex-BULA Business
Land and Buildings	7.20%	4.80%
Approved Fixed Interest	41.80%	53.20%
Other Fixed Interest	13.20%	16.80%
Variable interest securities	0.00%	0.00%
UK listed equity shares	14.90%	9.94%
Non UK listed equity shares	22.90%	15.26%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

100% With-Profits Fund

The asset mix for significant asset share groups is shown in the table below

Category of assets	Category	
	Ex-Phoenix Business	Ex-SLUK Business
Land and Buildings	7.20%	7.20%
Approved Fixed Interest	36.35%	36.35%
Other Fixed Interest	13.84%	13.84%
Variable interest securities	4.81%	4.81%
UK listed equity shares	14.39%	14.39%
Non UK listed equity shares	23.41%	23.41%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

Alba With-Profits Fund

Category of assets	Category	
	75% / 25%	100% / 0%
Land and Buildings	20.00%	0.00%
Approved Fixed Interest	54.58%	68.23%
Other Fixed Interest	12.98%	16.23%
Variable interest securities	12.43%	15.54%
UK listed equity shares	0.00%	0.00%
Non UK listed equity shares	0.00%	0.00%
Unlisted equity shares	0.00%	0.00%
Other assets	0.00%	0.00%
Total	100.00%	100.00%

The asset mix for significant asset share groups is shown in the table above.

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NOTES TO APPENDIX 9.3 (continued)

The 75% / 25% category includes traditional with profits life and former BLL series B pensions business and unitised with profits policies.

The 100% / 0% category includes traditional with profits pensions business other former BLL series B.

Different asset mixes are held for other non significant asset share groups.

Britannic With-Profits Fund and Britannic Industrial Branch Fund

The asset mix for significant asset share groups is shown in the table below.

Category of assets	Category	
	BWP	BIB
Land and Buildings	7.96%	7.43%
Approved Fixed Interest	33.56%	35.72%
Other Fixed Interest	14.32%	22.06%
Variable interest securities	0.20%	2.69%
UK listed equity shares	14.45%	9.99%
Non UK listed equity shares	19.74%	12.94%
Unlisted equity shares	1.06%	0.38%
Other assets	8.72%	8.78%
Total	100.00%	100.00%

The BWP category refers to sterling denominated business in the Britannic With Profits Fund. A different asset mix is held for the euro denominated business, but this is not a significant group.

A different asset mix is held for the former Century Life business, but this is not a significant group.

The BIB category refers to business in the Industrial Branch Fund. The same asset mix is used for all asset share groups.

Phoenix With-Profits Fund

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

SAL With-Profits Fund

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

Scottish Mutual With-Profits Fund

No part of the with-profits business is in respect of business which falls within paragraph (1) (b) of the definition of with-profits fund.

Returns under the Accounts and Statements Rules

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Phoenix Life Limited

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Financial year ended 31 December 2014

NOTES TO APPENDIX 9.3 (continued)

SPI With-Profits Fund

It is the insurer's usual practice to restrict Irish with-profit policyholders' participation in any established surplus to that arising from the Irish With-Profit Fund (i.e. the Irish component of the SPI Fund).

The asset share philosophy for business written in the Irish With-Profit Fund assumes the following asset mix

Category of assets	Category	
	UK Business	Irish Business
Land and Buildings	7.68%	7.98%
Approved Fixed Interest	32.62%	35.35%
Other Fixed Interest	18.83%	20.33%
Variable interest securities	0.00%	0.00%
UK listed equity shares	13.68%	1.01%
Non UK listed equity shares	19.73%	26.31%
Unlisted equity shares	0.00%	0.00%
Other assets	7.45%	9.01%
Total	100.00%	100.00%

4802 Treatment of expected income from defaulted assets

All funds

There are no securities where payment of interest is in default apart from securities which are themselves in default. Securities held with the following counterparties were in default at the valuation date: Washington Mutual, Lambay Capital, Cattles, Pinton Estates, British & Commonwealth, Lehman Brothers Holdings and Glitnir Bank. A total market value of £2.8m is allowed for these securities in respect of £58.1m nominal holdings across the whole of Phoenix Life Limited.

4803 Assumptions regarding securities which may be redeemed over a period at option of the guarantor or the issuer

Non Profit Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, an appropriate redemption date is calculated based on the type of the callable bond and the yield on the bond. The market values of these assets at the valuation date are as follows:

Earliest Maturity Date	£472.4m
Latest Maturity Date	£229.6m
Total Optional maturity Date	£772.0m

90% With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

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NOTES TO APPENDIX 9.3 (continued)

Earliest Maturity Date	£3.4m
Latest Maturity Date	£0.5m
Total Optional Maturity Date	£3.8m

100% With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£2.4m
Latest Maturity Date	£0.3m
Total Optional Maturity Date	£2.8m

Alba With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£32.6m
Latest Maturity Date	£2.8m
Total Optional Maturity Date	£35.4m

Britannic Industrial Branch Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£8.5m
Latest Maturity Date	£1.1m
Total Optional Maturity Date	£9.6m

Britannic With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£97.3m
Latest Maturity Date	£13.4m
Total Optional Maturity Date	£110.7m

Phoenix With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Returns under the Accounts and Statements Rules

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Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

Earliest Maturity Date	£96m
Latest Maturity Date	£12.8m
Total Optional Maturity Date	£108.8m

SAL With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£154.9m
Latest Maturity Date	£13.5m
Total Optional Maturity Date	£168.4m

Scottish Mutual With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£47.7m
Latest Maturity Date	£6.4m
Total Optional Maturity Date	£54.2m

SPI With-Profits Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The market values are as follows:

Earliest Maturity Date	£33.8m
Latest Maturity Date	£6.8m
Total Optional Maturity Date	£40.7m

4806 Assets used to calculate investment returns in lines 21-29 column 5

90% Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

A single investment return has been calculated for approved fixed interest securities, other fixed interest securities and variable interest securities and is reported in column 5 for both these categories.

The returns shown in line 32 and 33 relate to the largest asset share grouping.

Returns under the Accounts and Statements Rules

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NOTES TO APPENDIX 9.3 (continued)

100% Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

A single investment return has been calculated for approved fixed interest securities, other fixed interest securities and variable interest securities and is reported in column 5 for both these categories.

The returns shown in line 32 and 33 relate to the ex-Phoenix conventional business.

Alba With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

The with profits business is split into groups with different asset mixes and the investment return credited to any one group is generally based on the returns shown applied to an asset mix.

The returns shown in line 32 and 33 relate to the largest asset share grouping.

Britannic Industrial Branch Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

Britannic With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to Ordinary Branch With Profits sterling denominated asset shares are derived. There is a further portfolio of assets from which the returns credited to euro denominated asset shares are derived.

The returns shown in lines 32 and 33 relate to the Ordinary Branch With Profits sterling denominated asset share grouping which is the largest.

Phoenix With-Profits Fund

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate.

A single investment return has been calculated for approved fixed interest securities, other fixed interest securities and variable interest securities and is reported in column 5 for both these categories.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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Financial year ended 31 December 2014

NOTES TO APPENDIX 9.3 (continued)

The assets (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

Asset Type	Market Value (£m)
Land and buildings	160.0
Approved fixed interest securities	1208.1
Other fixed interest securities	667.2
Variable interest securities	0.0
UK listed equity shares	310.5
Non-UK listed equity shares	453.6
Other assets	197.2

SAL With-Profits Fund

The asset mix underlying an individual policy asset shares varies in accordance with the Company's Principles and Practices of Financial Management. For the purposes of the disclosure in column 5 we have considered returns on asset shares in aggregate.

The assets (with market value as at the start of the valuation period) used to calculate investment returns shown in lines 21-29 are:

Asset Type	Market Value (£m)
Land and buildings	142.3
Approved fixed interest securities	2140.5
Other fixed interest securities	875.8
Variable interest securities	0.0
UK listed equity shares	334.7
Non-UK listed equity shares	483.3
Other assets	50.2

Scottish Mutual With Profits Fund

The investment returns in lines 21-29 of column 5 were calculated using the SMA WPSF GBP assets.

SPI With-Profits Fund

The investment returns shown in lines 21-29 column 5 are based on the portfolio of assets from which the returns credited to asset shares are derived.

4807 Non Linked Assets

Phoenix With-Profits Fund

A single investment return has been calculated for approved, other fixed interest and variable interest securities and is reported in column 5 for these categories.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

4808 Non Linked Assets

All funds

The Company holds a number of derivatives in connection with its assets, including fixed interest swaps and equity futures. The net value of these derivatives is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to the relevant asset class, as described in Appendix 9.4 paragraph 4 (11), in proportion to the market value of the underlying asset classes. The yield shown in column 4 shows the yield on the relevant asset class excluding the impact of apportioning out the derivatives. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

4809 Non Linked Assets

All Funds

The entry in Line 33 column 5 is after tax.

4901 Rating agency used for split by credit rating

All funds

Ratings shown are the weaker of ratings provided by Moody's Investors Service and Standard & Poor's Corporation.

4902 Fixed Interest Assets

All funds

Derivatives have been apportioned as described in note 4808 although for Form 49, the yields in columns 3 and 4 exclude the economic effect of the derivative apportionment.

5001 Internal Reassurances

There are some reinsurance arrangements between Non-Profits and With-Profits funds within the Company which are disclosed only in the "Reassurer" fund.

5101 Number of group schemes without records at member level

Product Code	Number of Group Schemes
320	30
390	20
410	10
420	1
435	7

5103 Miscellaneous Products

Britannic With-Profits Fund

The miscellaneous item for UK Pensions Gross Insurance Business is reinsurance accepted on guaranteed annuity options.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

Phoenix With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Late Retirement of £59.6m in UK Pension / Gross and £11.7 m in Overseas / Gross relates to pensions products where the policyholder has passed their retirement age and not taken their retirement benefits.

SAL With-Profits Fund

Gross reserves for product code 435 Miscellaneous non-profit – Late Retirement of £130.5m in UK Pension / Gross products where the policyholder has passed their retirement age and not taken their retirement benefits.

5201 Number of group schemes without records at member level

Product Code	Number of Group Schemes
555	25
571	27

5301 Number of group schemes without records at member level

Product Code	Number of Group Schemes
735	5
750	12
755	449
765	3

5303 Miscellaneous Products

Code 795 (miscellaneous property linked) includes a significant amount of UK Life Non-Profit Assurance business.

5400 Reclassification of Existing business

A Form 54 has been produced for the ALBA With-Profits fund and SPI With-Profits fund following a review of classifications of existing business for PRA reporting.

5403 Miscellaneous Products

Code 910 (miscellaneous index-linked) includes a significant number of index-linked endowment, term assurance and income protection policies which do not fit into any other product code.

5700 Analysis of Valuation Interest Rates

The 100% With-Profits Fund and 90% With-Profits fund has not produced a Form 57 as the mathematical reserves for non-linked business does not exceed £100m.

5702 Waiver

The PRA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in February 2014. The effect of the direction is to modify the provisions of *INSPRU* 3.1.35R and *IPRU(INS)* Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination.

Returns under the Accounts and Statements Rules

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Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

5703 Business for which Waiver Applies

Alba With-Profits Fund

For 2014, this waiver was applied to the material blocks of Non-Profit UK immediate and UK deferred annuity business in the fund. This comprises £135.6m of liabilities shown in the product group UK Pens NP Form 51 Immediate Annuities and £138.4m of liabilities shown in the product group UK Pens NP Form 51 Single Premium Assurances and Deferred Annuities. There are less material deferred annuity related liabilities to which the waiver is not applied.

Phoenix With-Profits Fund

For 2014, this waiver was applied to the material blocks of UK immediate and UK deferred annuity business in the fund. This comprises £244.8m of liabilities shown in the product group UK Pensions NP Form 51 Annuities in Payment and £466.4m of liabilities shown in the product group UK Pensions NP Form 51 Deferred Annuity. There are less material deferred annuity related liabilities to which the waiver is not applied. The waiver has not been applied to index-linked annuities in the fund for this valuation.

SAL With-Profits Fund

For 2013, this waiver was applied to the material blocks of UK annuity business in the fund. This comprises £62.2m of liabilities shown in the product group UK Pensions NP Form 51 Annuities in Payment and £340.5m of liabilities shown in the product group UK Pensions NP Form 51 Deferred Annuity. There are less material annuity related liabilities to which the waiver is not applied.

Non Profit Fund

For 2014, this waiver was applied to all material blocks of UK immediate, UK deferred annuity and Overseas business in the fund.

For PLL annuities, this comprises £3,283m of liabilities shown in the product group UK Pension F51 Annuity codes 400-405 (2.60%), £586m of liabilities shown in the product group UK F51 Deferred Annuity codes 315-390 (2.63%), £6m of liabilities shown in the product group UK Pension F54 Annuity Index Linked code 905 (2.51%), £360m of liabilities shown in the product group Overseas F51 Annuity codes 395-400 (1.59%) and £3m of liabilities shown in the product group Overseas F51 codes 300-390, 410, 435 (1.59%).

There are less material annuity related liabilities to which the waiver is not applied.

Returns under the Accounts and Statements Rules

Supplementary Notes

Phoenix Life Limited

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NOTES TO APPENDIX 9.3 (continued)

5704 Effect of Waiver

Alba With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Immediate Annuities and UK Pensions NP Form 51 Single Premium Assurances and Deferred Annuities product groups as shown in Form 57 Column 5 is derived as follows:-

Deferred Annuity	Risk-adjusted GRY	2.10%
	IRR adjustment	0.05%
	Risk-adjusted IRR	2.15%
Immediate Annuity	Risk-adjusted GRY	2.15%
	IRR adjustment	0.06%
	Risk-adjusted IRR	2.20%

Phoenix With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Annuities in Payment and UK Pensions NP Form 51 Deferred Annuity product groups as shown in Form 57 Column 5 is derived as follows:-

Deferred Annuity	Risk-adjusted GRY	1.16%
	IRR adjustment	0.03%
	Risk-adjusted IRR	1.19%
Immediate Annuity	Risk-adjusted GRY	1.93%
	IRR adjustment	0.05%
	Risk-adjusted IRR	1.98%

The waiver has not been applied to index-linked annuities in the fund for this valuation. However a check has been done to show that the internal rate of return for this business is higher than the risk-adjusted yield.

SAL With-Profits Fund

In accordance with the direction above, the risk adjusted yield in the UK Pensions NP Form 51 Annuities in Payment and UK Pensions NP Form 51 Deferred Annuity product groups as shown in Form 57 Column 5 is derived as follows:-

Deferred Annuity	Risk-adjusted GRY	1.89%
	IRR adjustment	0.05%
	Risk-adjusted IRR	1.94%
Immediate Annuity	Risk-adjusted GRY	1.93%
	IRR adjustment	0.05%
	Risk-adjusted IRR	1.98%

Returns under the Accounts and Statements Rules

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NOTES TO APPENDIX 9.3 (continued)

Non Profit Fund

In accordance with the direction above, the risk adjusted yield in the UK Deferred annuity, UK Pension Annuity and Overseas product groups, as shown in Form 57 Column 5, is derived as follows:-

PLL Annuity Fund annuities

Deferred annuity	Risk-adjusted GRY	2.59%
	IRR adjustment	-0.17%
	Risk-adjusted IRR	2.42%
Immediate annuity	Risk-adjusted GRY	2.45%
	IRR adjustment	0.42%
	Risk-adjusted IRR	2.87%
Overseas annuity	Risk-adjusted GRY	0.40%
	IRR adjustment	1.23%
	Risk-adjusted IRR	1.63%
Index-linked annuity	Risk-adjusted GRY	3.01%
	IRR adjustment	-0.44%
	Risk-adjusted IRR	2.57%

5800 Long-term insurance business: Distribution of surplus

In respect of the NPI With-Profit Fund Form 58 Long-term insurance business: Distribution of surplus, all amounts required to be shown would be zero and this form has not been included in the Return.

5801 Interim, mortuary or terminal bonuses determined in advance of a valuation

The amounts shown in line 12 and again in line 41, being bonus payments made to policyholders in anticipation of a surplus, are for final and interim bonuses on claims made during the year and for annual bonus, declared investment returns declared in advance.

5900 With-profits payouts on maturity and surrender

There are no entries in either Form 59A or 59B for business originating in NPI Limited because no policies exist at the durations required by the Forms.

Returns under the Accounts and Statements Rules

Statement of Additional Information on Derivative Contracts required by rule 9.29

Phoenix Life Limited

Global business

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(a) Investment Guidelines

Derivative contracts will be held in the insurer as a result of:

(i) discretionary powers exercised by the Investment Manager within the constraints laid down by the Investment Management Agreement or otherwise stipulated by the insurer. The Investment Management Agreement requires that derivative contracts may only be used for the purposes of efficient portfolio management and specific examples include the implementation of tactical asset allocation decisions and changes to the strategic benchmark and cashflow management purposes. The Investment Manager is required to comply with all relevant rules regarding the use of derivative contracts in insurance.

(ii) investment decisions made by the insurer to reduce the degree of market risk within the funds of the insurer. Specific examples include the use of interest rate swaps to improve cashflow matching, interest rate swaptions to hedge interest rate risks on policies with guaranteed annuity options or guaranteed cash options and equity index futures and options to hedge the market risk on policies with policy options and guarantees and spreadlocks to hedge swap spread risks inherent in other hedging instruments. The insurer operates an appropriate control environment in which such investment decisions are taken and implemented.

(b) The Investment Management Agreement referred to in (i) above does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

Investment decisions referred to in (ii) above do involve the use of such derivatives to hedge the funds against interest rate and other market movements. For instance the insurer holds payer swaptions where the fixed rate is as high as 11.1% p.a. However, changes in the value of these options arising from changes in market interest rate expectations provides a hedge against movements in the cost of guarantees attaching to certain policies.

(c) There are payer swaptions where the fixed rate equals or exceeds 8% p.a. with an aggregate nominal of £26.1m in the Phoenix With-Profits sub-fund and £144.8m in the SAL With-Profits sub-fund.

(h) A quasi derivative is embedded in the amounts due to credit institutions related to the refinancing of residential property investments described in detail in note 1401.

Provisions have been recognised of:

Mortality risk	£9.3m
Specific house price risk	£6.7m
Provision for reasonably foreseeable adverse variation	£4.4m

(i) The total value of any fixed consideration received by the insurer during the financial year in return for granting rights under derivative contracts was nil.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Limited

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The persons who, to the knowledge of the insurer, have been controllers at any time during the financial year were:

- a) Pearl Life Holdings Limited
- b) Impala Holdings Limited
- c) Pearl Group Holdings (No. 2) Limited #
- d) Phoenix Life Holdings Limited
- e) PGH (LCA) Limited
- f) PGH (LCB) Limited
- g) PGH (LC1) Limited
- h) PGH (LC2) Limited
- i) PGH (MC1) Limited
- j) PGH (MC2) Limited
- k) PGH (TC1) Limited
- l) PGH (TC2) Limited
- m) Phoenix Group Holdings

ceased to be a controller of the insurer on 31 July 2014

In relation to each such person, the information required to be disclosed pursuant to rule 9.30 (b) is as follows:

1. Pearl Life Holdings Limited

As at 31 December 2014, Pearl Life Holdings Limited held 100% of the issued share capital of Phoenix Life Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Limited.

2. Impala Holdings Limited

As at 31 December 2014, Impala Holdings Limited held 100% of the issued share capital of Pearl Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Pearl Life Holdings Limited.

3. Pearl Group Holdings (No. 2) Limited

As at 31 December 2014, Pearl Group Holdings (No. 2) Limited, held no shares (equivalent to nil %) in Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Pearl Group Holdings (No. 2) Limited was not entitled to exercise any voting power at any general meeting of Impala Holdings Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Limited

Global Business

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(continued)

4. Phoenix Life Holdings Limited

As at 31 December 2014, Phoenix Life Holdings Limited held 75% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 75% of the voting power at any general meeting of Impala Holdings Limited.

5. PGH (LCA) Limited

As at 31 December 2014, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

6. PGH (LCB) Limited

As at 31 December 2014, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

7. PGH (LC1) Limited

As at 31 December 2014, PGH (LC1) Limited held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 12.5% of the voting power at any general meeting of Impala Holdings Limited.

8. PGH (LC2) Limited

As at 31 December 2014, PGH (LC2) Limited held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 12.5% of the voting power at any general meeting of Impala Holdings Limited.

9. PGH (MC1) Limited

As at 31 December 2014, PGH (MC1) Limited held 100% of the issued share capital of PGH (LC1) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Limited

Global Business

Financial year ended 31 December 2014

(continued)

10. PGH (MC2) Limited

As at 31 December 2014, PGH (MC2) Limited held 100% of the issued share capital of PGH (LC2) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (MC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

11. PGH (TC1) Limited

As at 31 December 2014, PGH (TC1) Limited held 100% of the issued share capital of PGH (MC1) Limited which in turn held 100% of the issued share capital of PGH (LC1) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC1) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

12. PGH (TC2) Limited

As at 31 December 2014, PGH (TC2) Limited held 100% of the issued share capital of PGH (MC2) Limited which in turn held 100% of the issued share capital of PGH (LC2) Limited which in turn held 12.5% of the issued share capital of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, PGH (TC2) Limited was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

13. Phoenix Group Holdings

As at 31 December 2014, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited, PGH (LCB) Limited, PGH (TC1) Limited and PGH (TC2) Limited, which between them indirectly held 100% of the ordinary shares of Impala Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Limited or another company of which Phoenix Life Limited is a subsidiary undertaking.

APPENDIX 9.4

PHOENIX LIFE LIMITED

Abstract of Valuation Report

1. INTRODUCTION

(1) Valuation Date

The valuation relates to 31 December 2014.

(2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2013.

(3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2013.

2. PRODUCT RANGE

In the remainder of this Appendix and Appendix 9.4A, the products are identified by their current fund and / or their originating fund as defined above or, in respect of products that were already in PLL, by their originating company prior to **either**:

- the 2005 fund merger (see the Company's 2005 FSA Returns):
 - "PAL" Phoenix Assurance Limited
 - "SLUK" Swiss Life (UK) Plc
 - "Bradford" Bradford Insurance Company Limited
- **or** the 2006 fund merger (see the Company's 2006 FSA Returns):
 - "Alba" Alba Life Limited
 - "BA" Britannic Assurance plc
 - "BRS" Britannic Retirement Solutions Limited
 - "BULA" Britannic Unit Linked Assurance Limited
 - "Century" Century Life plc
 - "PLP" Phoenix Life & Pensions Limited
- **or** the 2009 fund merger (see the Company's 2009 FSA Returns):
 - "SMA" Scottish Mutual Assurance Limited
 - "SPL" Scottish Provident Limited
- **or** the 2011 transfer of all the business within the long term fund of Phoenix and London Assurance (see the Company's 2011 FSA Returns)
- **or** the 2012 transfer of all the business within the long term fund of NPIL and the annuities that were reassured by NPLL to NPIL (see the Company's 2012 FSA Returns)

For other products transferred into PLL that had been transferred previously, the descriptions previously used in the transferor's returns are still used.

The 100% With-Profits Fund previously accepted reinsurance of unitised with-profits group pensions business from Phoenix & London Assurance Limited. This reinsurance has been recaptured as at 31 December 2008. The 100% With-Profits Fund also previously accepted reinsurance of the with-profits units of ex-SLUK unitised pensions from the Non Profit Fund. Under the 2008 funds merger, reinsurance of these units has transferred from the 100% With-Profits Fund to the 90% With-Profits Fund.

The new business status of each of the with-profits subfunds during the year was:

FUND	STATUS
Alba With-Profits Fund	(d) closed to new business except by increment
Britannic Industrial Branch Fund	(d) closed to new business except by increment
Britannic With-Profits Fund	(d) closed to new business except by increment
NPI With-Profits Fund	(d) closed to new business except by increment
Phoenix With-Profits Fund	(d) closed to new business except by increment
90% With-Profits Fund	(d) closed to new business except by increment
100% With-Profits Fund	(d) closed to new business except by increment
SAL With-Profits Fund	(d) closed to new business except by increment
Scottish Mutual With-Profits Fund	(d) closed to new business except by increment
SPI With-Profits Fund	(d) closed to new business except by increment

Effective from 1 January 2014 the company's Non Profit Fund entered into a longevity swap with a defined benefit pension scheme.

In essence, the swap's workings are:

- The scheme pays the company a stream of pension payments that (apart from future indexation on some tranches of benefit) are fixed according to a mortality basis set out in the swap agreement (the "Fixed Leg");
- The scheme pays the company a stream of fee payments whose amounts are a fixed percentage of the amounts in the Fixed Leg (the "Fee Leg"); and
- The company pays the scheme a stream of pension payments (subject to indexation adjustments consistent with those in the Fixed Leg) that depend on the survival of the individual Scheme pensioners and their spouses (the "Floating Leg").

The scheme supplies a monthly movement file to the company and there is a monthly accounting settlement process between the parties.

At the same date the company entered into an almost identical longevity swap to reinsure 50% of the risk it has accepted from the scheme.

The remaining questions are answered in respect of each fund in turn.

Alba With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

During 2014, market value reductions were applied to accumulating with-profits business as described below.

(a) Unitised with-profits business

Final bonus and market value reductions as a percentage of unit allocations by calendar year of purchase are shown in the tables below. Market value reductions (negative final bonuses) do not apply on maturity or death and the overall final bonus is subject to an overall minimum of nil, and the minimum payout is the face value of the units. For all other claims, the overall final bonus can be negative and a market value reduction of that amount will have been applied to the face value of the units.

Applicable 1 January 2014 to 30 June 2014

Calendar year of purchase of units	Old BLAS business (Life System Company 2)		New BL business (Life System Company 4)	
	Life	Pension	Life	Pension
<=1992		9%		
1993	35%	9%	46%	68%
1994	40%	13%	50%	74%
1995	49%	20%	59%	85%
1996	45%	14%	53%	75%
1997	40%	8%	48%	67%
1998	33%	0%	39%	54%
1999	25%	-8%	30%	42%
2000	23%	-10%	28%	39%
2001	29%	-5%	34%	47%
2002	43%	6%	42%	58%
2003	50%	13%	44%	60%
2004	46%	13%	38%	52%
2005	42%	12%	30%	40%
2006	35%	9%	24%	32%
2007	35%	12%	23%	30%
2008	34%	15%	23%	31%
2009	32%	17%	21%	28%
2010	27%	16%	16%	20%
2011	20%	11%	9%	11%
2012	16%	9%	4%	4%
2013	7%	4%	1%	1%
2014	0%	0%	0%	0%

Applicable 1 July 2014 to 31 December 2014

Calendar year of purchase of units	Old LASIA business (Life company 2)			New BL business (Life company 4)	
	Life	Pensions Fund 18	Pensions Fund 19	Life	Pensions
<=1992		9.0%	68.0%		
1993	35.0%	8.5%	55.5%	47.5%	71.5%
1994	40.0%	12.0%	62.0%	52.5%	77.5%
1995	49.5%	18.5%	73.5%	61.5%	88.5%
1996	44.5%	12.5%	65.5%	55.0%	79.0%
1997	40.5%	7.0%	58.5%	50.0%	70.0%
1998	33.0%	0.0%	48.0%	41.0%	57.5%
1999	25.0%	-7.0%	36.5%	32.0%	45.0%
2000	23.5%	-9.0%	34.5%	30.0%	42.0%
2001	29.0%	-4.5%	42.5%	36.0%	50.0%
2002	43.0%	5.0%	60.0%	43.5%	61.0%
2003	49.5%	12.0%	68.0%	45.5%	64.0%
2004	46.0%	12.0%	62.0%	40.0%	55.0%
2005	41.5%	10.5%	54.5%	31.0%	43.0%
2006	35.0%	8.0%	45.5%	25.5%	35.0%
2007	34.5%	10.5%	44.0%	24.0%	33.0%
2008	34.0%	14.0%	43.0%	24.5%	33.0%
2009	32.0%	16.0%	40.0%	23.0%	30.5%
2010	27.5%	14.5%	33.5%	17.0%	22.5%
2011	19.5%	9.5%	23.0%	10.0%	13.5%
2012	15.5%	7.5%	16.5%	5.0%	6.0%
2013	12.5%	8.5%	13.5%	2.0%	2.5%
2014	10.5%	9.0%	10.5%	0.5%	0.5%

(b) Other with-profits business

For the Unitised Capital Guaranteed Fund business, from 1 January 2014 to 31 December 2014 no market value reduction was applied.

For the Nestegg (post 1988) business, from 1 January 2014 to 31 December 2014 no market value reduction was applied.

For the ex BLA / Crusader With Profits Performance Fund business, from 1 January 2014 to 31 December 2014 no market value reduction was applied.

For the ex BLA / Crusader With Profits Pension Fund business, from 1 January 2014 to 31 December 2014 no market value reduction was applied.

For the Assured Growth Scheme business, individual scheme specific market value reductions were applied, where applicable, throughout 2014.

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

No non-profit deposit administration business is transacted.

(4) Service Charges on Linked Policies

The linked policies that were previously in the Fund are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the current year.

(6) Accumulating With-Profits Charges

There were no changes to unit management charges or notional charges to accumulating with-profits policies since the last valuation.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

Subject to the exceptions specified below, liabilities have been valued using the gross premium valuation method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made except implicitly in setting the per policy expenses.

For deposit administration contracts the current balance of accumulated premiums is built up retrospectively and future guaranteed minimum regular bonus rates are allowed for in projecting the current balance to maturity and discounting back to the current valuation date.

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

(i) The minimum of (a) and (b) below:

- (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
- (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).

(ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Exceptions:

- (a) Negative reserves may have been included and some contracts of may insurance have been treated as an asset.
- (b) A prospective method of valuation has not been used for some contracts, although the mathematical reserves for these various lines of business do not exceed the materiality limits.

(2) Valuation Interest Rates

The following table shows the valuation interest rates:

Product Group	Current Valuation	Previous Valuation
Life		
Conventional whole life withprofits OB	1.35%	2.24%
Conventional endowment withprofits OB savings	1.05%	2.24%
Conventional endowment withprofits OB target cash	0.88%	2.24%
Group conventional deferred annuity withprofits	1.74%	3.64%
Miscellaneous conventional withprofits	0.74%	2.24%
Regular premium nonprofit WL/EA OB	1.36%	2.54%
Single premium non-profit WL/EA OB	0.88%	2.54%
Level term assurance	0.85%	2.54%
Deferred annuity nonprofit	1.68%	3.39%
Annuity nonprofit (PLA)	1.13%	3.36%
Group income protection	4.00%	2.24%
Miscellaneous nonprofit	0.88%	2.54%
Life UWP single premium	0.00%	2.24%
Life UWP whole life regular premium	1.75%	2.24%
Life UWP endowment regular premium – target cash	0.88%	2.24%
Individual pensions UWP	0.88%	2.24%
Group money purchase pensions UWP	0.88%	3.36%
Pension		
Conventional deferred annuity withprofits	2.11%	3.64%
Group conventional deferred annuity withprofits	2.86%	2.70%
Level term assurance	1.06%	3.43%
Deferred annuity nonprofit	2.10%	3.43%
Annuity nonprofit (CPA)	2.15%	3.43%
Miscellaneous nonprofit	1.10%	3.39%
Individual pensions UWP	1.10%	2.91%
Group money purchase pensions UWP	1.10%	2.70%
Group deposit administration withprofits	1.53%	2.70%
DWP National Insurance rebates UWP	1.10%	2.70%

For deferred annuities, the stated valuation interest rate applies before and after vesting.

The valuation interest rate for immediate and deferred pension annuity business is calculated based on the waiver granted by the Prudential Regulation Authority, under section 148 of the Financial Services and Markets Act 2000. Under this waiver a company is allowed to calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of the gross redemption yields on each asset weighted by their market values. Details of this waiver are covered in the Notes to Appendix 9.3.

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

A number of different techniques were then employed to arrive at an additional haircut, namely:

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.
- For corporate bonds rated below B no value was taken for the yield.
- For investments in secured loans, a different assumption is made for recovery rates on default, leading to different assumed default rates.

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

The adjustments described in this section are in addition to the 2.5% required by the regulations.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the over 5 years, 5% inflation FTSE Index linked gilt index. This cap applies to both approved and non-approved variable interest securities.

Property

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

(4) Mortality Basis

Product Type	Current Valuation Table	Previous Valuation Table
Life Fund Permanent Assurances	94% AM92	94% AM92
	94% AF92	94% AF92
Term Assurances	94% TM92	94% TM92
	94% TF92	94% TF92
GAF Annuities	95% Modified IMA92	95% Modified IMA92
	95% Modified IFA92	95% Modified IFA92
PBF Annuities	92.5% Modified PCMA00	95% Modified PCMA00
	87.9% Modified PCFA00	83.1% Modified PCFA00
PBF Deferred Annuities (In deferment)	64% AM92	64% AM92
	64% AF92	64% AF92
GAF Deferred Annuities (In deferment)	64% AM92	64% AM92
	64% AF92	64% AF92
PBF Deferred Annuities (In Payment)	92.5% Modified PCMA00	95% Modified PCMA00
	87.9% Modified PCFA00	83.1% Modified PCFA00
GAF Deferred Annuities (In Payment)	95% Modified IMA92	95% Modified IMA92
	95% Modified IFA92	95% Modified IFA92
	Percent of Premium	Percent of Premium
Group Pensions % of premium	0.15%	0.15%
Group Life % of premium	70%	70%

For 31 December 2014, the improvement factors remained unchanged at CMI 2012.

Male	2016	2026	2036	2046	2056	2066
40	2.59%					
50	1.05%	2.55%				
60	2.95%	1.49%	2.52%			
70	3.22%	2.52%	2.08%	2.50%		
80	2.86%	2.41%	2.21%	2.19%	2.22%	
90	1.99%	1.69%	1.71%	1.67%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%
Female	2016	2026	2036	2046	2056	2066
40	2.26%					
50	1.97%	2.39%				
60	2.29%	2.20%	2.46%			
70	2.69%	2.53%	2.39%	2.50%		
80	2.89%	2.35%	2.23%	2.21%	2.22%	
90	1.75%	1.77%	1.70%	1.67%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

Expectation of life resulting from these improvement factors:

Product Type	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.91	27.35	24.54	27.67
	75	75	15.34	17.40	15.01	17.68
Deferred annuities	45	65	27.95	30.30	27.57	30.62
	55	65	26.42	28.85	26.03	29.17

(5) Morbidity Basis

Not required as below de minimis level.

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group		Per Policy Expense	
		Current Valuation	Previous Valuation
		£	£
CWP savings endowment (product code 120)	RP	102.18	97.54
	PUP	51.09	48.77
CWP target cash endowment (125)	RP	102.18	97.54
	PUP	51.09	48.77
CWP pensions (155/165)	RP	170.31	162.57
	SP/PUP	51.09	48.77
Term assurance (325 / 330)		61.31	58.53
Income protection (360 / 365)		98.78	94.29
Income protection claims in payment (385)		0.00	0.00
Annuity (400)		61.31	58.53
UWP savings endowment (510)	RP	102.18	97.54
	PUP	51.09	48.77
UWP target cash endowment (515)	RP	102.18	97.54
	PUP	51.09	48.77
UWP regular premium pension (525/545)	RP	170.31	162.57
	PUP	51.09	48.77
UWP single premium pension (525/545)		51.09	48.77
UWP group regular premium pension (525/545)		170.31	83.88
UWP group single premium pension (525/545)		170.31	83.88

where:

- RP Regular premium policies
- SP Single premium policies
- PUP Paid up policies

The expenses on life business are netted down for tax at 20%.

For the current valuation the investment expense assumptions have been updated to allow for the impact of the investment fee scale agreed with the asset manager.

The base fees are as follows:

Alba With-Profits Fund

Investment expense (gross of tax)	Current valuation	Previous valuation
LASER, BL/BLA Controlled Funding, High gtee WP Pens & LAS Cash Bonus	0.08%	0.08%
Ex-BLA Deposit Admin & ex-LAS Deposit Admin	0.11%	0.11%
Ex-BL Deposit Admin & UCGF	0.13%	0.13%
Other WP	0.14%	0.14%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £1.5m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates And Inflation Assumptions

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

Future expenses are assumed to increase by RPI+1% p.a.

The following rates are used for conventional contracts administered by Pearl Group Management Services (PGMS):

	Current Valuation	Previous Valuation
2014	4.1%	4.6%
2015	4.1%	4.6%

and at RPI+1% p.a. thereafter.

(8) Future Bonus Rates

The company is a realistic basis life firm and as such, in accordance with INSPRU 1.2.9(R), no allowance has generally been made for future reversionary bonuses.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date (but see paragraph 4 (10) below).

(10) Other Material Assumptions

Provision has been made in the value of liabilities held for guaranteed benefits included in the terms of contracts in force at the valuation date.

For accumulating with-profits contracts, the published reserve basis applies a market value adjustment where one applies in practice.

(11) Allowance for Derivatives

No contracts have liabilities that have been calculated by reference to derivative assets. We have a holding of swaptions to hedge against the risk of interest rate falls affecting the guaranteed annuity option reserves, where a matching additional reserve is also held.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2010.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

Product Name	GAO Reserve £m	Min Duration years	Max Duration years	Guaranteed Annuity Rate % cash sum	Type of annuity	Retirement Age
Indiv Arr 1st and 2nd Series	1.3	0.0	23.0	6.0	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	1.3	0.0	21.0	4.9	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	1.5	0.0	16.0	3.8	Joint Life 50%	60
Indiv Arr 1st and 2nd Series	1.0	0.0	23.0	8.0	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	1.1	0.0	21.0	5.3	Joint Life 50%	61
Indiv Arr 1st and 2nd Series	0.7	0.0	21.0	6.4	Joint Life 50%	64
Indiv Arr 1st and 2nd Series	0.7	0.0	22.0	7.6	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	0.3	0.0	13.0	9.5	Joint Life 50%	65
Indiv Arr 1st and 2nd Series	0.4	0.0	20.0	4.5	Joint Life 50%	63
Indiv Arr 1st and 2nd Series	0.4	0.0	20.0	9.5	Single Life	65
Indiv Arr 1st and 2nd Series	0.3	0.0	20.0	8.8	Single Life	62
Indiv Arr 1st and 2nd Series	0.1	0.0	12.0	11.1	Single Life	65
Indiv Arr 1st and 2nd Series	0.1	0.0	15.0	7.3	Single Life	60
Indiv Arr 1st and 2nd Series	0.2	0.0	15.0	7.3	Joint Life 50%	61
Indiv Arr 1st and 2nd Series	0.1	0.0	16.0	7.0	Joint Life 50%	60
Seda Series 3 - Individual	1.9	0.2	29.4	5.6	Single Life	75
Seda Series 3 - Individual	15.8	0.2	29.4	6.8	Single Life	75

A portfolio of Swaptions is held to hedge against the risk of falling interest rates.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Guaranteed surrender values – the reserves for these do not exceed the materiality limits.

(3) Guaranteed Insurability Options

Guaranteed insurability options - the reserves for these do not exceed the materiality limits.

(4) Other Guarantees and Options

Provision was made for any guarantees and options (other than investment performance guarantees) on the following basis.

The following guarantees have been allowed for by linearly running off an historically calculated reserve over the remaining lifetime of the business:

- (i) Conversion and guaranteed insurability options under convertible term policies;
- (ii) Mortality reserves in respect of guaranteed and other death benefits: and
- (iii) Permanent health insurance benefits.

6. EXPENSE RESERVES**(1) Aggregate Expense Loadings**

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £13.2m. This is composed of the following elements:

	£m
Explicit allowances for investment expenses	0.2
Explicit allowances for other maintenance expenses	11.2
Implicit allowances	1.8

(2) Implicit Allowances

Implicit allowances cover investment expenses and are allowed for by a reduction in the valuation interest rate based on the rates actually charged by Resolution Ignis Asset Management.

Asset Type	Current valuation (%)	Previous valuation (%)
UK Gilts	0.079	0.080
UK Corporate Bonds	0.080	0.080
UK Index Linked Bonds	0.075	0.075
EU Gilts	0.079	0.100
EU Corporate Bonds	0.080	0.110
Property	0.320	0.320
Cash	0.085	0.085

(3) Form 43 Comparison

The maintenance expenses in paragraph 6 (1) (£13.2m) differ from line 14 of Form 43 (£11.2m) mainly due to:

- £(1.8)m due to the difference in actual expenses during 2014 and projected expenses in 2014.
- £(0.2)m of performance related investment fees which are included in table 6(1).

(4) New Business Expense Overrun

As the fund is closed to new business the expense incurred is not a material amount and as a result, it was not deemed necessary to hold a further specific reserve.

(5) Maintenance Expense Overrun

Specific expense reserves have not been calculated for LASPEN Managed Fund contracts.

As the basis of charging for both administrative and investment management services can be varied outside the period of guarantee, which covers only the first three years following the commencement of a policy, no explicit provision for future expenses was deemed necessary.

No additional allowance has been made for redundancy costs or management service agreement termination costs.

(6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

7. MISMATCHING RESERVES**(1) Analysis of Reserves by Currency**

	Liabilities *	Matching Assets		Mismatching Percentage	Percentage assets to liabilities
		Same Currency	Other Currency		
Currency	£m	£m	£m		
Sterling (£)	1,050.9	989.5	74.5	7.1%	92.4%
Euro (€)	47.5	44.8	2.7	5.8%	397.6%
US (\$)	1.5	1.5	0.0	0.0%	888.5%

* Includes liabilities in respect of the deposits received from reinsurers as shown in Form 14.

The Alba With-Profits Fund has in total UK sterling denominated assets to the value of 94.2% of its UK sterling liabilities. The company has US Dollar assets to the value of 100.0% of its US Dollar liabilities and Euro assets to the value of 100.0% of its Euro liabilities.

The returns provided to Euro and US dollar with-profits policyholders are determined by reference to the same assets as are used for its sterling with-profits policies.

(2) Other Currency Exposures

“Other currency” grouping was not required in paragraph 7 (1).

(3) Currency Mismatching Reserve

No explicit currency mismatching reserve is held.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R))

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

8. OTHER SPECIAL RESERVES

The following special reserves exceed the lesser of £10m and 0.1% of total mathematical reserves (£1.3m).

Description	Reserve
	£m
Data	3.3
Litigation	2.0
Future Projects	2.2
VAT	3.9
Counterparty Risk	12.7
Mathematical Reserves (£m):	1,099.2

An additional reserve of £5.9m was held in respect of ALBA's share of PGL (Pension Scheme) longevity risk at December 2013. This is no longer required as this indemnity was bought out in 2014.

Counterparty Provision

This is a provision for counterparty risk from reinsurance arrangements. This is generally recalculated during the valuation period based on regulatory reserves less collateral assets. The valuation rates are based on the collateral assets and are therefore consistent to those we would obtain if we recaptured the business.

9. REINSURANCE

(1) Facultative Treaties

- (a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
- (b) No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Immediate Annuities (Treaty 1)

(d) XL Re Ltd (UK Branch).

- (e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
- (f) No premiums were paid by the company under this treaty during the year.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) Total mathematical reserves ceded under the treaty amount to £428.2m as at the valuation date.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- (o) No commission is payable on the reinsurance premium.
- (p) This is not a financing reinsurance treaty.

Immediate Annuities (Treaty 2)

- (d) XL Re Ltd (UK Branch).**
- (e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
- (f) No premiums were paid by the company under this treaty during the year.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) Total mathematical reserves ceded under the treaty amount to £162.5m as at the valuation date.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- (o) No commission is payable on the reinsurance premium.
- (p) This is not a financing reinsurance treaty.

Non Profit Deferred Annuities

- (d) American International Reinsurance Company Ltd (AIRCO)**
- (e) The treaty reassures 100% of the liability under the closed book of non profit deferred annuity business covered by the agreement. The assets matching this liability are held in a collateral account over which Alba With-Profits Fund has a charge.
- (f) No premiums were paid by the company under this treaty during the year.
- (g) There is no deposit back arrangement.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) Total mathematical reserves ceded under the treaty amount to £980.4m as at the valuation date.
- (k) There is no retention under the treaty.
- (l) The reinsurer is not authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- (o) No commission is payable on the reinsurance premium.
- (p) This is not a financing reinsurance treaty.

Guaranteed Annuity Options

(d) Britannic With-Profits Fund

- (e) The agreement reinsures the cost of meeting guaranteed annuity options not yet vested at the valuation date exercised under with and non profit policies written with a cash benefit and guaranteed annuity option in the Ordinary Long Term fund in return for a premium of 75% of the cost of meeting any such option on the assumption that the option is exercised to the maximum extent and assuming all such options are exercised. The treaty reassures the company's liability in respect of guaranteed annuity options such that Alba With-Profits Fund's liability is restricted to a maximum of 75% of the option.
- (f) The premiums payable by the company under the treaty during the year were £0.0m.
- (g) There is no deposit back arrangement.
- (h) The treaty is open to new business.
- (i) There are no undischarged obligations.
- (j) Total mathematical reserves ceded under the treaty amount to £28.8m as at the valuation date.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is a subfund of PLL.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.
- (o) No commission is payable on the reinsurance premium.
- (p) This is not a financing reinsurance treaty.

Immediate Annuities

(d) Guardian Financial Services

- (e) 100% of the annuity benefits arising on a specified block of immediate annuities.
- (f) Premiums of £287.1m were paid by the company under this treaty during the year
- (g) There are no deposit back arrangements
- (h) The treaty is closed to new business
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaties at the valuation date was £301.8m
- (k) There is no retention under the treaty
- (l) The reinsurer is authorised to carry on insurance business in UK
- (m) The reinsurer is not a connected company of the insurer
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject. The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place
- (o) No provision has been made under any of the treaties for any liability of the insurer to refund any of the amounts of reinsurance commission in the event of lapses or surrender of the contracts. Where such a liability exists, then the refund of the commission will be more than offset by the return of premium from the reinsurer
- (p) This is not a financing reinsurance treaty

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus was allocated at the rates set out below at the date of this investigation.

Policies previously written in BLA

	Math reserves	Reversionary Bonus rates for current year		Reversionary Bonus rates for previous year		Total g'tee bonus for current year
		Sum Assured	Bonus	Sum Assured	Bonus	
Assurances	£m					
UK and overseas sterling life series A,B,H,D,K	41.4	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Annuities						
Annual Premium Self Employed Deferred Annuities Series 2 & 3	85.1	0.00%	0.00%	0.00%	0.00%	0.00%
Single Premium Self Employed Deferred Annuities Series 2 & 3	19.2	0.00%	0.00%	0.00%	0.00%	0.00%

Group Deposit Administration Contracts

The following rates were applied to these contracts for the valuation year.

	Nestegg	Nestegg 32
	£m	£m
Mathematical reserve	67.3	10.7
Compounded annual rate for previous year	2.75%	2.75%
Compounded annual rate for current year	2.75%	2.75%
Total guarantee bonus for current year	0.00%	0.00%

Growth Pensions

A total of £0.0m was distributed to policyholders. The mathematical reserves totalled less than £15.0m.

Growth Pension surplus is normally distributed annually by reference to an allocated share of assets to each group policy. The allocation of assets is adjusted each year according to the amount of new investment made in respect of each policy, and gives effect to changes in market value. Any bonus declared would be distributed to the policyholder as an amount of premium to be re-applied to the policy on "controlled funding" principles.

Bonuses, if payable, would be allocated in each case in respect of each annual premium due since the previous declaration subject, in the case of deferred life annuities (pension business) only, to payment of any premium outstanding at 31 December required to complete payment of a full year's premium.

Policies previously written in BLL

	Math reserve	Current Valuation		Previous Valuation		Total g'tee bonus for current year
		Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	
Life assurance	£m					
All classes	47.7	0.00%	0.00%	0.00%	0.00%	0.00%
Non Genesis Annual Premium pension Contracts	7.4	0.00%	0.00%	0.00%	0.00%	0.00%
Genesis Premium Rate Annual Premium Contracts	29.8	0.00%	0.00%	0.00%	0.00%	0.00%
Buyouts and Genesis premium rate business Single Premium Contracts.	272.6	0.00%	0.00%	0.50%	0.00%	0.00%

Policies previously written in BLAS

	Math reserve	Current Valuation		Previous Valuation		Total g'tee bonus for current year
		Basic Sum Assured	Bonus	Basic Sum Assured	Bonus	
	£m					
UK Life Assurance Contracts	16.7					
UK Life Assurance Contracts – LAS low cost endowments	5.6	0.00%	0.00%	0.00%	0.00%	0.00%
UK Annual Premium Pension and Annuity Contracts	49.4	0.00%	0.00%	0.00%	0.00%	0.00%
UK Single Premium Pension and Annuity Contracts	30.7	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Annual Premium & Annuity Contracts	5.0	0.00%	0.00%	0.00%	0.00%	0.00%
Republic of Ireland Single Premium & Annuity Contracts	5.5	0.00%	0.00%	0.00%	0.00%	0.00%

Alba With-Profits Fund

Unitised with-profits contracts — bonus allocated to fund balances in addition to any guaranteed rate.

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m			
Life Fund (0% guarantee)	4.0	0.00%	0.00%	2.00%
Pension Fund (4% guarantee)	20.1	0.00%	0.00%	4.00%
Pension Fund (0% guarantee)	30.7	0.00%	0.00%	2.00%

Unitised Capital Guarantee Fund – bonus allocated to fund balances.

	Math reserves	Reversionary Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m			
Unitised Capital Guarantee Fund	8.8	4.25%	4.00%	0.00%

Britannic Industrial Branch Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

There are no policies to which market value reductions can be applied.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration contracts.

(4) Service Charges on Linked Policies

There are no linked policies.

(5) Benefit Charges on Linked Policies

There are no linked policies.

(6) Accumulating With-Profits Charges

There are no accumulating with-profits policies.

(7) Unit Pricing of Internal Linked Fund

Not applicable

(8) Tax Deductions from Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

All policies are valued using a gross premium method. The mathematical reserves are calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The reserves allow for the maturity guarantee of a return of premiums on certain endowment policies.

(2) Valuation Interest Rates

The valuation interest rates used are:

Product Group	Current Valuation	Previous Valuation
Conventional whole life withprofits IB Life	1.79%	2.08%
Conventional endowment withprofits IB Life	1.45%	2.08%
Nonprofit IB Life	0.92%	2.08%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality bases are:

Product Group	Current Valuation	Previous Valuation
With-profit	110% AMC00 ult	110% AMC00 ult
	110% AFC00 ult	110% AFC00 ult
Non profit	110% AMC00 ult	110% AMC00 ult
	110% AFC00 ult	110% AFC00 ult

(5) Morbidity Basis

Not applicable

(6) Expense Basis

The per-policy expenses are shown in the table below.

Product Group	Per Policy Expense Current Valuation		Per Policy Expense Previous Valuation	
	YE14 Premium paying	YE14 Non premium paying	YE13 Premium paying	YE13 Non premium paying
	£	£	£	£
	With-profits (105 / 130)	18.67	9.07	18.83
Non profit (310)	n/a	9.07	n/a	9.15

Britannic Industrial Branch Fund

For the current valuation the investment expense assumptions are based on the investment fee scale agreed with the asset manager. During the valuation period there has been a review of the asset mix in this fund and as a result new investments have been purchased and are reflected in the table below. The base fees are as follows:

Type of Asset	Current Valuation		Current Valuation	
	Growth %	Matched %	Growth %	Matched %
UK Equities	0.150	0.150	0.150	0.150
Emerging market equities	0.004	0.004	0.400	0.400
Other overseas equities	0.208	0.208	0.208	0.212
Private equity	0.600	0.600	0.600	0.600
Property	0.320	0.320	0.320	0.320
Alternative assets	0.300	0.300	0.300	0.300
Gilts	0.079	0.079	0.079	0.079
Other Fixed Interest	0.080	0.080	0.080	0.080
Cash	0.085	0.085	0.085	0.085

The expenses above are shown gross and, for life fund business, are netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.2m. At the previous valuation these additional services had been allowed for explicitly as a provision of £0.3m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates and Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

The allowance made for expense inflation is:

Product Group	Current Valuation	Current Valuation
With-profits policies	4.61%	5.05%
Non profit policies	4.11%	4.55%

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued using true ages and the actual sums assured.

Following an investigation carried out during 2013, the fund now assumes that a large number of in force whole of life policies at each age will never result in a claim as death has already occurred and no claim has been made. At this valuation the fund has applied write-off factors to allow for this and reserves have been released as a result.

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities. In addition there are a few assets having the effect of a derivative contract and these do not impact the long term business insurance liabilities.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

There are no guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Minimum surrender values are applied to both whole of life and endowment policies in accordance with the Industrial Assurance Act 1923. On surrender, the fund aims to pay out 100% of asset share. These surrender values exceed the 1923 Act minimum amounts. The amount of the additional reserve included in Form 51 to ensure the mathematical reserve is no less than the current surrender value is shown in the table below.

Product Name	Mathematical Reserve Excluding Guarantee	Guarantee Reserve	In force premium per annum
	£m	£m	£m
IB policies	186.6	0.1	5.1

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

The maturity value of endowments issued from 6 April 1999 is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

Britannic Industrial Branch Fund

These endowments are conventional with-profits products therefore a market value reduction does not apply. Policyholders may not make increments to these policies

Product Name	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
	£m	years	£m	£m	£m
Industrial Branch Endowment	12.4	1-12	3.4	27.7	1.7

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £4.5m. The aggregate expense loadings is composed of the following elements:

	£m
Explicit allowances for investment expenses	0.0
Explicit allowances for other maintenance expenses	4.3
Implicit allowances	0.2

(2) Implicit Allowances

The implicit allowances represent the allowance for base future investment expenses. These are calculated as the expected investment management charges based on the current asset mix and yields applied to the mathematical reserves.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months and the maintenance expense in Form 43 line 14 are shown in the table below. Due to the significant run-off rate of the business, expense loadings available for the coming year would be expected to be below the actual level of expenses incurred in the past year.

	F43.14	table 6(1)	ratio
Homogeneous risk group	(a) £m	(b) £m	(a)/(b)
Endowment & whole life	4.7	4.5	105%
Total	4.7	4.5	105%

(4) New Business Expense Overrun

Since the company is not actively seeking new business, there is no new business strain and no additional reserve is required.

(5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs.

(6) Non-attributable expenses

All expenses are treated as attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

All liabilities are denominated in sterling and are backed by sterling denominated assets

Currency	Math Reserves	Matching assets
	£m	£m
Sterling (£)	187	187
Euro (€)	-	-
Total	187	187

(2) Other Currency Exposures

All liabilities are denominated in sterling.

(3) Currency Mismatching Reserve

There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

(4) Most Onerous Scenario under INSPRU 3.1.16(R)

PLL is a realistic basis reporting company and as such there is no resilience capital requirement.

(5) Most Onerous Scenario under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of total mathematical reserves are outlined in the table below.

Description	Reserve
	£m
Data	1.1
Litigation	0.5
MSC Expense Review	3.0
VAT	0.7
Costs falling outside MSAs	0.3
Strachan	0.4
Capita Regulatory Buyout	0.3
Solvency II, ICA+ and QR Reporting	0.2

Data

The data contingency reserve covers additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

MSC Expense Review

This is described in paragraph 6(5).

Pension Scheme

An additional reserve of £1.0m was held in respect of BIB's share of PGL (Pension Scheme) longevity risk at December 2013. This is no longer required as this indemnity was bought out in 2014.

9. REINSURANCE

(1) Facultative Reinsurance

Reinsurance	
(a)	No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
(b)	No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

There are no reinsurance treaties in force.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus series	Math reserves	Reversionary bonus rate for current year	Reversionary bonus rate for previous year	Total guaranteed bonus rate for current year
	£m			
Industrial Branch	139.5	0.55%	0.59%	0.55%

The rates shown are weighted averages as the rates of reversionary bonus vary between 0.25% and 1.7% depending on year of entry.

Britannic With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market value reductions may be applied to unitised with-profits and smoothed return business for non-protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include death, maturity, surrender at a guarantee date and retirement at the selected retirement date. The times at which a market value reduction may be applied have previously been fully described in the product range information provided in previous annual returns.

Market value reductions are applied and calculated on an individual policy basis, based on that particular policy's individual circumstances, including the policy's premium history and investment conditions over the duration of the policy and those prevailing at the time of non-protected exit. Consequently a statement of the period for which market value reductions were applied and a summary of the policy years of entry to which it was applied is not available.

During 2014, market value reductions were applied to some claims to some degree for all types of unitised with-profits and smoothed return business.

(2) Premiums on Reviewable Protection Policies

There are no policies with reviewable premiums.

(3) Non-profit Deposit Administration

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

There have been no changes to service charges on linked policies.

(5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies.

(6) Accumulating With-Profits Charges

There have been no changes to unit management charges or notional charges to accumulating with-profits policies during the year.

(7) Unit Pricing of Internal Linked Funds

The internal linked funds are held within the Non Profit Fund.

(8) Tax Deductions from Internal Linked Funds

The tax deductions are described in the Non Profit Fund Section.

(9) Tax Provisions for Internal Linked Funds

The tax provisions are described in the Non Profit Fund Section.

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserve for guaranteed annuity option business reinsured from the Alba With-Profits Fund is based on the excess of the value of the deferred annuity compared to the cash amount. The underlying assumption is that 95% of policyholders exercise the option and that 20% of the policyholders exercising the option take the maximum tax-free cash. These assumptions are at least as prudent as the requirement in INSPRU 1.2.66(G).

The mathematical reserves for with-profits annuity business is the value of projected future cashflows allowing for future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Exceptions:

- (a) Negative reserves may have been included and some contracts of may insurance have been treated as an asset.

Ex- Britannic Hybrid Policies

Policies investing in unitised with-profits units may also invest in unit linked units in the Non Profit Fund. All unit linked liabilities are fully maintained in the Non Profit Fund. This includes both the unit reserve and sterling reserves (in respect of unit linked liabilities) covering future expenses and mortality costs.

(2) Valuation Interest Rates

The valuation interest rates used for the main groups of policy are:

Product Group		2014	2013
		Current Valuation	Previous Valuation
Policies previously written in BA			
Conventional Life Business			
With-profits assurances	discount rate	2.49%	3.16%
Non profit assurances	discount rate	2.49%	3.21%
With-profits deferred annuity	in deferment	4.01%	3.95%
	in payment	4.01%	3.21%
Conventional Pensions Business			
With-profits deferred annuity	in deferment	4.01%	3.95%
	in payment	4.01%	3.21%
Non profit deferred annuity	in deferment	2.31%	3.07%
	in payment	2.31%	3.21%
With-profits annuity	discount rate	2.34%	2.81%
Guaranteed annuity options	in deferment	see note below	
	in payment		
Unitised Life Business			
Single premium whole life (portfolio)	unit growth	2.49%	2.29%
	discount rate	2.49%	2.29%
Single premium whole life (series B2, FWL)	unit growth	2.49%	2.29%
	discount rate	2.49%	2.29%
Regular premium endowment - savings	unit growth	1.87%	2.29%
	discount rate	1.87%	2.29%
Regular premium ISA	unit growth	1.87%	3.95%
	discount rate	1.87%	3.95%
Unitised Pensions Business			
Individual pensions	unit growth	2.25%	2.81%
	discount rate	2.25%	2.81%
Overseas Business			
Single premium series I (Irish life)	unit growth	2.25%	2.81%
	discount rate	2.25%	2.81%
Unit linked pensions			
Stakeholder	unit growth	2.31%	3.90%
	discount rate	2.31%	3.90%
Policies previously written in Century			
With-profits whole life and endowments	discount rate	2.49%	3.16%
Non linked deferred annuity with profits	in deferment	4.01%	3.95%
	in payment	4.01%	3.21%

For guaranteed annuity options reassured in from the PLL Alba WP fund, the deferred annuity valuation bases described in the Alba section of this appendix are used.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut. Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality bases for the main classes of business are:

Product Group	Current Valuation	Previous Valuation
Conventional Life Business		
With-profits and non profit assurances	100% AMC00 ult 100% AFC00 ult	110% AMC00 ult 110% AFC00 ult
With-profits deferred annuity		
in deferment	100% AMC00 ult 100% AFC00 ult	85% AMC00 ult 85% AFC00 ult
in payment	120% RMV00 135% RFV00	56% RMV00 56% RFV00
Conventional Pensions Business		
With-profits deferred annuity		
in deferment	100% AMC00 ult 100% AFC00 ult	85% AMC00 ult 85% AFC00 ult
in payment	120% RMV00 135% RFV00	56% RMV00 56% RFV00
Non profit deferred annuity		
in deferment	100% AMC00 ult 100% AFC00 ult	85% AMC00 ult 85% AFC00 ult
in payment	120% RMV00 135% RFV00	56% RMV00 56% RFV00
With-Profits Annuity		
	91% of Modified PFA 92 91% of Modified PFA 92	Modified PMA 92 Modified PFA 92
Guaranteed annuity options		
	100% AMC00 ult 100% AFC00 ult	see note below
Unitised Life Business		
Single premium whole life	100% AMC00 ult 100% AFC00 ult	110% AMC00 ult 110% AFC00 ult
Single premium whole life series B2	100% AMC00 ult 100% AFC00 ult	110% AMC00 ult 110% AFC00 ult
Regular premium endowment savings	100% AMC00 ult 100% AFC00 ult	110% AMC00 ult 110% AFC00 ult
ISA	110% AMC00 ult 110% AFC00 ult	New Row
Unitised Pensions Business		
Individual pensions	150% AMC00 ult 140% AFC00 ult	165% AMC00 ult 154% AFC00 ult
Overseas Business		
Single premium series I	100% AMC00 ult 100% AFC00 ult	110% AMC00 ult 110% AFC00 ult
Unit Linked Pensions		
Stakeholder	150% AMC00 ult 140% AFC00 ult	165% AMC00 ult 154% AFC00 ult

For guaranteed annuity options reassured in from the PLL Alba WP fund, the deferred annuity valuation bases described in the Alba section of this appendix are used.

The longevity improvement factors used for post vesting mortality assumptions for the current year are:

Males	2015	2025	2035	2045	2055	2065
40	2.55%					
50	1.13%	2.52%				
60	2.71%	1.48%	2.51%			
70	3.45%	2.35%	2.03%	2.50%		
80	3.09%	2.57%	2.12%	2.18%	2.22%	
90	1.85%	1.76%	1.75%	1.66%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

Females	2015	2025	2035	2045	2055	2065
40	2.12%					
50	1.98%	2.33%				
60	2.14%	2.23%	2.42%			
70	2.77%	2.44%	2.40%	2.49%		
80	3.12%	2.43%	2.20%	2.21%	2.22%	
90	1.65%	1.85%	1.72%	1.66%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

These improvements are used in conjunction with a base assumption of 111.0% of RMV00 and 124.9% of RFV00 for annuities in payment.

The expectations of life for with-profits deferred annuity for the current and previous year are:

Expectation of life from age 65 for current age	Current Valuation	Previous Valuation
Male aged 45	26.1	25.9
Male aged 55	24.6	24.4
Female aged 45	28.2	28.9
Female aged 55	26.8	27.5

The mortality tables used for with-profits deferred annuity for the current year are RFV00/RMV00.

(5) Morbidity Basis

There is not a significant amount of business with critical illness cover.

(6) Expenses

The following tables show the gross attributable expenses per policy.

OBWP Product Group	2014	2013
	Per Policy Expense	
	Current Valuation (£)	Previous Valuation (£)
CWP savings endowment (120)		
Premium paying	52.23	50.82
Single premium/paid up	26.12	25.42
CWP target cash endowment (125)		
Premium paying	52.23	50.82
Single premium/paid up	26.12	25.42
CWP pensions (155/165)		
Premium paying	87.04	84.69
Single premium/paid up	26.12	25.42
UL pension (725)		
Regular premium	66.15	64.37
Single premium/paid up	66.15	64.37
UWP Bond (500) - Series B		
Regular premium	52.23	50.82
Single premium/paid up	26.12	25.42

Product Group	Current Valuation	Previous Valuation
	% Basic Units	% Basic Units
	UWP Bond (500)	
Premium paying	0.62	0.60
Single premium/paid up	0.62	0.60
UWP savings endowment (510)		
Premium paying	0.62	0.60
Single premium/paid up	0.62	0.60
UWP pension (525 / 545)		
Regular premium	0.62	0.60
Single premium/paid up	0.62	0.60
UL pension (725)		
Regular premium	Regular premium	n/a
Single premium/paid up	Single	n/a

The expenses on life business are netted down for tax at 20%.

For the current valuation the investment expense assumptions are based on the investment fee scale agreed with the asset manager. The base fees are as follows:

Type of Asset	Current Valuation (2014)		Previous Valuation (2013)	
	Growth %	Matched %	Growth %	Matched %
UK Equities	0.150	0.150	0.150	0.150
Emerging Market Equities	0.400	0.400	0.400	0.400
Overseas Equities	0.208	0.212	0.208	0.212
Private Equity	0.600	0.600	0.600	0.600
Property	0.320	0.320	0.320	0.320
Alternative Assets	0.300	0.300	0.300	0.300
Gilts	0.079	0.079	0.079	0.079
Other Fixed Interest	0.080	0.080	0.080	0.080
Cash	0.085	0.085	0.085	0.085

The investment expenses for life fund business are netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £3.7m. At the previous valuation these additional services had been allowed for as a provision of £3.1m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates and Expense Inflation

Policies previously written in BA

Fund OB	2014	2013
Product Group	Current Valuation	Previous Valuation
Unit growth rates		
Pensions business	2.31%	3.90%
Expense inflation		
With profit policies	4.61%	5.05%
Stakeholder Pension policies	4.11%	4.55%

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional and unitised with-profits business other than product lines with guaranteed minimum regular bonuses.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

All policies subject to a contingent debt have been valued at true ages and the actual sums assured.

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in paragraph 5 (1) below.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

The reinsurance accepted in respect of guaranteed annuity options referred to in paragraph 4 (1) and shown on Form 51 relates to the liability arising when the annuities vest in the Alba With-Profits Fund in the future.

Britannic With-Profits Fund

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (iv) the cash amount, and
- (v) the intrinsic value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate), plus time value (using stochastic modelling).

It is assumed that 95% of policyholders exercise the guaranteed annuity option and that 20% of policyholders exercising the option take the maximum tax free cash.

Details of guaranteed annuity options that were in force at the valuation date are shown in the table below:

Product	Basic Reserve	O/S Durn Spread	Gtee Reserve	GAO Rate	Incrs Yes/No	Ann. Form	Ret. Ages
	£m	years	£m	%cash sum			
Ex-Sentinel Dfd. Ann	1.60	1-26	1.01	10.25%	No	*	60-75

*The guaranteed annuity option rates shown are for a male age 65, monthly level annuity, payable in advance with 5 year guarantee period – other options are available.

In general, where policyholders may make increments to the policy, the guaranteed annuity option does not apply to the regular premium increases or additional single premiums.

(2) Guaranteed Surrender and Unit-linked Maturity Values

There are no policies with a unit linked maturity guarantee in force. Details of policies with guaranteed surrender values are described below.

Product	Basic Reserve	Guarantee Reserve	Guaranteed amount	In force premium per annum
	£m	£m	£m	£m
Life UWP single premium	72.6	0.0	72.6	0.0
With Profit Bond (series B2)	4.6	0.0	4.6	0.0
With Profit Bond (series I)	17.8	0.0	17.8	0.0

Portfolio Investment Bond

- (a) The general method and basis of valuation are described in paragraph 4. The policies are valued assuming the benefits are paid as death benefits at age 105 as this is more onerous than allowing for surrender on a guarantee date. No additional surrender guarantee reserve is required.
- (b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

On surrender at a guarantee date, with-profits units and bonus units have a guaranteed value of £1.00. In addition, for policies issued from 28 May 1997, the surrender value at the guarantee date in respect of the with-profits benefits will not be less than the premium applied to purchase those benefits. The guarantee date varies by date of issue of the policy:

Date of issue	Guarantee dates
Prior to 12 July 1994	Fifth and subsequent policy anniversaries
12 July 1994 to 6 April 1999	Fifth and subsequent quinquennial policy anniversaries
From 6 April 1999	Tenth and subsequent policy anniversaries

- (v) No increments can be made to the policy.

With Profits Bond (series B2)

- (a) The general method and basis of valuation are described in paragraph 4.
- (b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

This policy invests in the With-Profits Fund and participates in surplus in the With-Profits Fund by the allocation of smoothed investment returns. Each contribution has two separate values, the smoothed value and the guaranteed value, together with an underlying unsmoothed value. The smoothed value is the contribution increased or decreased by the smoothed investment return net of the initial charge and annual management charge. The guaranteed value is initially 75% of the smoothed value and will be increased such that it is equal to 75% of the previous highest smoothed value.

The full or partial withdrawal value at a guarantee date is the higher of the smoothed value and the guaranteed value.

The guarantee dates are the 5th and subsequent quinquennial policy anniversaries.

- (v) No increments can be made to the policy.

With Profits Bond (Series I)

- (a) The general method and basis of valuation are described in paragraph 4.
- (b) (i) product name, (ii) basic reserve, (iii) guarantee reserve, (iv) guaranteed amount and (v) in force premiums are shown in the table above.

(iii) and (iv)

This policy invests in the With-Profits Fund and reversionary bonus vests on a daily basis at a rate declared at the previous valuation date in anticipation of surplus that would otherwise emerge following the previous valuation.

The full withdrawal value at a guarantee date is the full value of the units including reversionary bonus added to date.

The guarantee dates are the 7th and subsequent policy anniversaries.

(v) No increments can be made to the policy.

(3) Guaranteed Insurability Options

(a) A reserve of £0.44m is established to cover the cost of guaranteed insurability options. This reserve is aggregated using data as at 31 December 2009 and it is calculated as 5% of the office premiums plus 0.1% of the sum at risk for these policies.

(b) The total sum assured for policies with guaranteed insurability, continuation and conversion options is less than £1bn.

(4) Other Guarantees and Options

For endowments issued from 6 April 2000, the maturity value is guaranteed to be at least equal to the premiums paid. The method and basis of valuation is described in paragraph 4 above and the guarantee is valued on all relevant policies.

Product	Basic Reserve	Spread of outstanding durations	Guarantee Reserve	Guarantee Amount	In force premiums
	£m		£m	£m	£m
Ordinary Branch Endowment	13	1-19	2	21	1

Policyholders may not make increments to these policies.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £15.2m. This is composed of the following elements.

	£m
Explicit allowances for investment expenses	0.47
Explicit allowances for other maintenance expenses	1.5
Implicit allowances	13.22

(2) Implicit Allowances

The basis for calculating the implicit allowances within 6 (1) is outlined in section 4, the main elements of the calculation being:

- (a) allowance for investment management charges which is calculated as the expected investment management charge for the next financial year applied to the mathematical reserves in Form 50;
- (b) The expenses for UWP business as set out in the new MSA with PGMS.

(3) Form 43 Comparison

The aggregate expense loading arising in the next 12 months and the maintenance expense in Form 43 line 14 are shown in the table below. Due to the significant run-off rate of the business, expense loadings available for the coming year would be expected to be below the actual level of expenses incurred in the past year.

	F43.14	table 6(1)	ratio
Homogeneous risk group	(a) £m	(b) £m	(a)/(b)
Policies previously written in BA	21.7	15.2	143%
Policies previously written in Century Life		0.0	0%
Total	21.7	15.2	143%

The difference between the expenses in line.14 of Form 43 and the expenses in table 6(1) can be explained by the following.

- The investments expenses allowances in table 6(1) above are only based on the reserves held and ignore the surplus assets in the Fund
- The run off of the business each year. The BWP Fund is closed to new business so the modelled expenses in the 12 months following the valuation date will be lower than actually incurred in the previous year
- The expenses in line. 14 of Form 43 include performance linked investment expenses which are not allowed in investment expenses allowances in table 6(1)

After adjusting for these other expenses the expense loadings are not materially different to the expenses in Form 43.

(4) New Business Expense Overrun

Since the company is not actively seeking new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

The mathematical reserves include explicit allowance for future expenses inflating in line with the current management services agreements. These expenses exclude future redundancy costs. An additional reserve of £4.0m is established to cover the risk that there is a one-off increase in per policy charges when the current management services agreement is reviewed.

The equivalent reserve held at the previous valuation was £3.7m.

(6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are mostly in sterling and are mostly matched by assets in sterling realisable in the United Kingdom.

The table shows the results.

Currency	Mathematical Reserves	Backed by assets
	£m	£m
Sterling (£)	2,890.6	2,890.6
Other currencies	17.7	17.7
Total	2,908.4	2,908.4

(2) Other Currency Exposures

See paragraph 7 (1).

(3) Currency Mismatching Reserve

A sub-fund of euro-denominated assets is maintained in respect of euro-denominated liabilities. There is no significant mismatching of assets and liabilities by currency and so no reserve is made to cover this risk.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

PLL is a realistic basis company and therefore the resilience capital requirement does not apply.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

No applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching. Liabilities are analysed by duration and currency and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of the mathematical reserves (i.e. £2.9m) are:

Description	Reserve
	£m
Data	10.6
Litigation	6.4
Project and other costs	6.9
Pensions Review	14.0
MSC Expense Review	4.0
VAT	12.3
Fender	3.7
Cost of guidance	4.2

Data

The data contingency reserve covers additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

Pensions Review

This is described in paragraph 6(5).

VAT

This covers the risk that new EU legislation may come into effect meaning that VAT needs to be applied to the charges made by external outsourcers. However, the date the proposal is expected to be agreed is uncertain as it needs the support of all EU member states.

The probability of the new legislation coming into effect has been set at 100%. The provision assumes that this change comes into effect in 2014. The VAT liability is assumed to be 15.0% (20% less 5% recoverable by outsourcers).

The provision at the previous valuation was £11.5m.

Pension Scheme Reserve

An additional reserve of £24.0m was held in respect of BWP's share of PGL (Pension Scheme) longevity risk at December 2013. This is no longer required as this indemnity was bought out in 2014.

9. REINSURANCE

The treaty now only includes unit linked stakeholder pensions business.

(1) Facultative Reinsurance

(a)	No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
(b)	No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Not applicable.

10. REVERSIONARY (OR ANNUAL) BONUS

Bonus Series	Math reserves £m	Reversionary Bonus Rate for Current Year %	Reversionary Bonus Rate for Previous year %	Total g'tee bonus for current year %
Policies previously written in BA				
Conventional				
Assurances	161.3	0.477%	0.466%	0.477%
Life Deferred Annuities	15.5	0.855%	0.836%	0.855%
Pensions Deferred Annuities	74.6	1.052%	1.012%	1.052%
Unitised With-Profits				
Life Regular Premium	4.5	0.000%	0.000%	0.000%
Life Single Premium	71.7	2.000%	0.000%	2.000%
Pensions	2,280.7	2.500%	1.000%	2.500%
Irish life - Euro denominated	19.3	1.76%/5.30%	1.76%/5.30%	1.76%/5.30%
New WP bond (smoothed returns)				
	5.6	7.580%	4.590%	7.580%
WP annuity	11.5	8.300%	4.500%	8.300%
Policies previously written in Century				
Ex - Sentinel				
Simple Bonus	6.6	4.75%	4.75%	4.75%
Compound - assurances	0.2	3.80%/3.80%	3.80%/3.80%	3.80%/3.80%
Compound - deferred annuities	1.7	3.80%/3.80%	3.80%/3.80%	3.80%/3.80%
Ex-NEL				
Simple Bonus	6.5	6.00%	6.00%	6.00%
Compound Bonus	4.7	6.00%	6.00%	6.00%
Ex-Prosperity				
All contracts	4.5	3.35%/4.00%	3.35%/4.00%	3.35%/4.00%

Notes

- (a) The unitised with-profits bonus is the percentage addition per annum to basic and bonus units in force as at 31 December and allows for the period the units had been in force during that year.
- (b) The reversionary bonus for conventional business previously written in BA is a simple bonus scale where the addition for the year depends on the duration in force.
- (c) The smoothed return allocated to the Britannic With Profits Bond is declared quarterly and varies by unit series which is based on policy date of commencement and rate shown is the weighted average applied.

The average declared return applied for the with-profits annuity was 4.50% and average guaranteed uplift applied for 2014 was 3.48%.

Phoenix With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Unitised With Profit Bond

These policies were sold between June 1996 and September 2001.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2014.

Lifestyle Bond

These policies were sold between February 2001 and December 2001.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2014 for any months of entry.

UK With Profit Bond (Pre 1997)

These policies were sold in various different tranches between January 1992 and December 1996.

Separate MVRs are calculated for each tranche. No MVRs were applied during 2014 for any months of entry.

Isle of Man With Profit Bond (Pre 1999)

These policies were sold between December 1992 and December 1998.

Separate MVRs are calculated for each tranche. No MVRs were applied during 2014 for any months of entry.

Living Pensions

The following products within the Living Pensions range have a unitised with-profits option:

- Living Pensions Personal Pension
- Living Pensions Personal Option Policy
- Living Pensions Top Up Pension

These policies were sold between April 1996 and December 1996 although remained open to increments until April 2001.

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2014.

Unitised With-Profits Pensions

The following products within the unitised with-profits pensions range have a unitised with-profits option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

These policies were sold between January 1995 and April 2001 although remain open to increments.

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2014.

Pensions Solutions

The following products within the Pensions Solutions range have a unitised with-profits option:

- Individual Personal Pension Plan
- Group Personal Pension Plan
- Contracted-in Money Purchase Plan
- Executive Pension Plan
- Trustee Investment Plan

These policies were sold between April 2001 and December 2002 although remain open to increments.

Separate MVRs are calculated for each month of entry. No MVRs were applied to any months of entry between April 2001 and December 2002 when the products were sold, nor to increments after December 2002.

Growth Protector Fund

For these policies, separate MVRs are calculated for each year of entry. No MVRs were applied during 2014.

(2) Premiums on Reviewable Protection Policies

There were no changes to premiums on non-linked reviewable protection policies since the previous valuation date. The amount of the mathematical reserves at the valuation date was £0.5m.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The linked policies that were previously in the Fund are now in the Non Profit Fund and the changes in charges are disclosed in that section of the abstract.

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the current year.

(6) Accumulating With-Profits Charges

The following expenses, which are notionally charged to specimen policy asset shares when determining terminal bonus or market value reductions for accumulating with-profits policies, have changed:

Annual maintenance expenses (net of policy fee where applicable), which changed from £57.49 to £59.85.

Charges apply to all accumulating with-profits business, except Lifestyle Bond. The mathematical reserves at the valuation date amount to £907.2m.

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

M & G Securities Limited - Authorised Unit Trust

The Company receives a 1% discount on the cost of purchasing units in excess of £1,000. Policyholders do not benefit from this discount. There is no discount to the Company on the sale of units. The company does not receive any rebate of the annual management charge on its holdings in the unit trust.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserves for with-profits annuity business is the value of projected future cashflows allowing for future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Negative reserves have been included for some contracts.

Calculation Notes

Where annuity benefits are payable to any spouse that may exist at the date of death of the annuitant, we assume that 90% are married with the female 3 years younger than the male life.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

Life/Pensions	Product	Current Valuation	Previous Valuation
Life	Conventional whole life withprofits OB - BLAGAB	1.02%	2.15%
Pensions	Conventional whole life withprofits OB - GRB	1.02%	2.15%
Life	Conventional endowment withprofits OB target cash	0.98%	2.15%
Pensions	Conventional endowment withprofits OB target cash	1.94%	2.15%
Pensions	Conventional pensions endowment withprofits - GRB	1.02%	2.94%
Pensions	Conventional deferred annuity withprofits - GRB	2.33%	3.87%
Life	Group conventional deferred annuity withprofits -	2.55%	3.14%
Pensions	Group conventional deferred annuity withprofits -	2.29%	3.14%
Pensions	Group conventional pensions endowment withprofits	2.12%	3.36%
Life	Miscellaneous conventional withprofits - BLAGAB	0.92%	2.14%
Pensions	Miscellaneous conventional withprofits - GRB	1.93%	2.14%
Life	Regular premium nonprofit WL/EA OB - BLAGAB	0.63%	1.57%
Pensions	Regular premium nonprofit WL/EA OB - GRB	0.81%	2.57%
Life	Single premium nonprofit WL/EA OB - BLAGAB	1.58%	2.57%
Pensions	Single premium nonprofit WL/EA OB - GRB	2.34%	2.57%
Life	Level term assurance - BLAGAB	1.23%	2.42%
Pensions	Level term assurance - GRB	1.23%	2.42%
Life	Income protection claims in payment - BLAGAB	2.44%	3.44%
Pensions	Deferred annuity nonprofit - GRB	1.16%	2.76%
Life	Annuity nonprofit (PLA) - BLAGAB	1.96%	3.18%
Pensions	Annuity nonprofit (PLA) - GRB	1.96%	3.18%
Pensions	Annuity nonprofit (CPA) - GRB	1.93%	3.44%
Pensions	Miscellaneous nonprofit - GRB	1.24%	1.42%
Life	Life UWP single premium - BLAGAB	0.95%	2.17%
Pensions	Life UWP single premium - GRB	0.95%	2.17%
Pensions	Individual pensions UWP - GRB	1.47%	3.27%
Pensions	Group money purchase pensions UWP - GRB	1.25%	2.22%
Pensions	Individual deposit administration withprofits - G	1.24%	1.42%
Pensions	DWP National Insurance rebates UWP - GRB	1.50%	2.22%
Pensions	Index linked annuity (CPA) - GRB	0.19%	1.57%
Life	Life property linked endowment regular premium savings - BLAGAB	0.35%	2.43%

* Valuation interest rates are real rates and not nominal rates.

The valuation interest rate for immediate and deferred pension annuity business is calculated based on the waiver granted by the Financial Services Authority, under section 148 of the Financial Services and Markets Act 2000. Under this waiver a company is allowed to

calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of the gross redemption yields on each asset weighted by their market values. Details of this waiver are covered in the Notes to Appendix 9.3.

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality bases used for the valuation were:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life	80.6% AM92	80.6% AM92
	83.8% AF92	83.8% AF92
Term Assurances - aggregate	71.5% TM92	71.5% TM92
	93.2% TF92	93.2% TF92
Term Assurances – non-smoker	66.0% TM92	66.0% TM92
	77.4% TF92	77.4% TF92
Term Assurances – smoker	132.0% TM92	132.0% TM92
	148.7% TF92	148.7% TF92
Pensions pre-vesting and pension term assurances	48.3% AM92	48.3% AM92
	54.5% AF92	54.5% AF92
Life Annuities currently in Payment	Modified IM80 c2010	Modified IM80 c2010
	Modified IM80 c2010	Modified IM80 c2010
Pension Deferred Annuities post vesting	87.9% PCMA00 with CMI 2012 improvement factors	95.0% PCMA00 with CMI 2012 improvement factors
	101.8% PCFA00 with CMI 2012 improvement factors	104.5% PCFA00 with CMI 2012 improvement factors
Pension Immediate Annuities	87.9% PCMA00 with CMI 2012 improvement factors	95.0% PCMA00 with CMI 2012 improvement factors
	101.8% PCFA00 with CMI 2012 improvement factors	104.5% PCFA00 with CMI 2012 improvement factors

Life annuities currently in payment

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

Life Annuities

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	22.52	23.30	23.21	25.72
75	14.26	14.84	14.84	16.55

Pension annuities currently in payment

Specimen percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 65	64.2%	81.4%	62.3%	75.1%
At age 75	59.2%	73.3%	57.8%	68.0%
At age 85	69.4%	85.0%	68.2%	79.0%
At age 95	85.8%	98.6%	82.2%	90.2%

Phoenix With-Profits Fund

Specimen annual improvement rates, dependent on calendar year, are:

Males	2015	2025	2035	2045	2055	2065
65	1.71%	2.28%	2.14%	2.50%	2.50%	2.50%
75	2.59%	1.64%	2.37%	2.46%	2.50%	2.50%
85	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
95	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%
Females	2015	2025	2035	2045	2055	2065
65	2.02%	2.75%	2.36%	2.50%	2.50%	2.50%
75	2.72%	2.29%	2.62%	2.49%	2.50%	2.50%
85	2.97%	1.96%	1.84%	1.96%	1.94%	1.94%
95	1.32%	1.50%	1.39%	1.38%	1.39%	1.39%

The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

Pension Annuities

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	25.36	26.12	24.54	25.74
75	15.72	16.32	15.01	15.99

Deferred pension contracts (post vesting) including guaranteed annuity options.

Sample percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 55	73.9%	89.9%	72.2%	83.2%
At age 65	64.2%	81.4%	62.3%	75.1%
At age 75	59.2%	73.3%	57.8%	68.0%
At age 85	69.4%	85.0%	68.2%	79.0%
At age 95	85.8%	98.6%	82.2%	90.2%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2015	2025	2035	2045	2055	2065
55	2.43%	1.68%	2.50%	2.50%	2.50%	2.50%
65	1.71%	2.28%	2.14%	2.50%	2.50%	2.50%
75	2.59%	1.64%	2.37%	2.46%	2.50%	2.50%
85	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
95	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%

Females	2015	2025	2035	2045	2055	2065
55	2.53%	2.17%	2.50%	2.50%	2.50%	2.50%
65	2.02%	2.75%	2.36%	2.50%	2.50%	2.50%
75	2.72%	2.29%	2.62%	2.49%	2.50%	2.50%
85	2.97%	1.96%	1.84%	1.96%	1.94%	1.94%
95	1.32%	1.50%	1.39%	1.38%	1.39%	1.39%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions for are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
45	28.39	29.10	27.57	28.75
55	26.87	27.64	26.03	27.26

(5) Morbidity Basis

Not applicable

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Annuity (400)	28.35	27.11
All other policies	60.12	57.49

The expenses on life business are netted down for tax at 20%.

There are no Zillmer adjustments for the policies to which the above expenses apply.

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. The MSA specifies fee inflation is RPIX +1.0% at 1 January each year.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

	Current valuation	Previous valuation
UWP Bond 4 & Lifestyle E	0.101%	0.136%
Other Conventional With-	0.126%	0.162%
Expenses for Annuity	0.084%	0.080%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.1m. Previous to the 31st of December 2011 valuation these additional services had been allowed for implicitly within the investment expense assumption. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions on the residual linked business as the reserve held is the face value of the units.

Future expenses are assumed to increase at 3.11% p.a.

(8) Future Bonus Rates

For conventional with-profits business there is no allowance for future bonuses.

Phoenix With-Profits Fund

For accumulating with-profits business the assumed reversionary bonus rates are:

Product	2015	2016	2017+
UWP Bond (pre August 2000)	2.50%	0.42%	0.00%
UWP Bond (post August 2000)	1.50%	0.25%	0.00%
Lifestyle Bond	3.50%	1.50%	0.00%
Profit Plus Fund	0.10%	0.02%	0.00%
UWP Pensions	1.50%	0.25%	0.00%

and for the UK With Profits Bonds (pre 1997) the rates are:

Tranche	2015	2016	2017+
1	4.25%	2.25%	0.25%
2a	3.25%	1.25%	0.00%
2b	3.00%	1.00%	0.00%
3a	4.00%	2.00%	0.00%
3b	5.25%	3.25%	1.25%
4	3.75%	1.75%	0.00%
5	2.50%	0.50%	0.00%
6	3.50%	1.50%	0.00%
6a	2.50%	0.50%	0.00%
7	3.25%	1.25%	0.00%
8	4.00%	2.00%	0.00%
8a	4.50%	2.50%	0.50%
8b	4.00%	2.00%	0.00%
9	3.50%	1.50%	0.00%
10	2.75%	0.75%	0.00%

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

Not applicable

(11) Allowance for Derivatives

The assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities except as described in paragraph 5 (1) (a) below.

(12) Effect on Reserves of Changes in INSPRU Valuation Rules

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the intrinsic value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate), plus time value (using stochastic modelling).

It is assumed that:

- (a) The expenses of payment are 3.00% of the value of the annuity
- (b) 100% of policyholders exercise the guaranteed annuity option and:
- (c) that the percentage of cash sum which will be used to purchase the annuity on guaranteed terms will be:
 - 30% for Convent Scheme contracts
 - 95% for Retirement Plans and Personal Retirement Policies (post 1978)
 - For Personal Retirement Policies issued between 1971 and 1978, where the policy only provides for a proportion of the benefit to be taken on guaranteed terms, the assumed proportion is in accordance with the policy conditions

Phoenix With-Profits Fund

Product Name	Basic Reserve £m	Spread of outstanding durations Years	Guarantee Reserve £m	Guaranteed Annuity Rate (Male at 65)	Increments	Form of annuity	Retirement Ages
Personal Retirement Plan (Pre 1978)	9.9	0 to 12	6.4	10.74%	No	Level – Single Life Twice annually in arrears No guarantee period	60 to 75
Personal Retirement Plan (Post 1978)	177.9	0 to 32	105.1	9.00%	No	Level – Single Life Annually in arrears No guarantee period	60 to 75
Personal Retirement Plan (Post 1988)	106.9	0 to 38	57.3	9.00%	No	Level – Single Life Annually in arrears No guarantee period	50 (*) to 75
Personal Retirement Plan (Eire)	21.7	0 to 25	14.7	9.25%	No	Level – Single Life Monthly in advance Five year guarantee period	50 to 75
Retirement Plan	96.7	0 to 27	87.7	11.11%	No	Level – Single Life Monthly in advance Five year guarantee period	50 (*) to 75
Convent Schemes	6.0	0 to 17	1.1	10.04%	Yes (**)	Level – Single Life Monthly in advance No guarantee period	60 to 70
Philips Scheme	7.1	0 to 26	4.4	10.00%	Yes (**)	Level – Single Life Monthly in advance Five year guarantee period	60 to 65

(*)From age 55 for retirements from 2011.

(**) There is no guaranteed annuity rate for increments.

(2) Guaranteed Surrender and Unit-linked Maturity ValuesUniflex

- (a) For Uniflex policies (endowment-type policies maturing at age 65, included in Endowment assurance in Form 51) the basis for calculating surrender values on the 10th or any subsequent anniversary of the commencement of the policy is guaranteed.

The guaranteed surrender value available at the 10th or any subsequent policy anniversary is

$$[\text{Basic Sum Assured} + \text{Reversionary Bonus}] \times t / n$$

where t = duration at the policy anniversary (in years)
 n = original policy term (in years)

- (b)

(i) Product Name	Uniflex Endowment
(ii) Basic Reserve	£19.0m
(iii) Spread of Outstanding Durations	0 to 24
(iv) Guarantee Reserve	£0.1m
(v) Guaranteed Amount	£18.4m
(vi) MVR Free Conditions	MVRs do not apply
(vii) In Force Premiums	£0.3m
(viii) Increments	No

UWP Bond

- (a) There is a “money back” guarantee on full surrender on the 10th policy anniversary for bonds commencing from August 2000 onwards.

The policy reserve is not less than the value of the benefits at the 10th policy anniversary calculated on the assumptions in Paragraph 4.

- (b)

(i) Product Name	UWP Bond Version 4	Lifestyle Bond
(ii) Basic Reserve	£29.5m	£19m
(iii) Spread of Outstanding Durations	0 to 3 years for guarantee	0 to 1 years for guarantee
(iv) Guarantee Reserve	£0.0m	£0.0m
(v) Guaranteed Amount	£29.5m	£19m
(vi) MVR Free Conditions	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits	On full surrender on the 10th policy anniversary the surrender value will be at least the original amount invested less any partial or regular withdrawals. There is no MVR on death or on regular withdrawals within certain limits
(vii) In Force Premiums	N/A	N/A
(viii) Increments	Yes	Yes

Personal Retirement Policy / Personal Retirement Plan

(a) Policyholders may elect to retire at ages other than the retirement age selected at outset, on a guaranteed cash option basis, which varies with the actual retirement age. The ages that can be selected depends on the product.

(b)

(i) Product Name	Personal Retirement Policy (Pre 1978)	Personal Retirement Policy (Post 1978)	Personal Retirement Plan (Post 1988)
(ii) Basic Reserve (*)	£16.2m	£282.9m	£163.1m
(iii) Spread of Outstanding Durations	0 to 12 years	0 to 32 years	0 to 38 years
(iv) Guarantee Reserve (**)	£0.0m	£0.0m	£0.0m
(v) Guaranteed Amount	N/A	N/A	N/A
(vi) MVR Free Conditions	N/A	N/A	N/A
(vii) In Force Premiums	£0m	£1m	£0.8m
(viii) Increments	No	No	No

(*) The basic reserve above includes the guaranteed annuity reserve.

(**) The reserves established exceed the value of the liabilities if an alternative retirement date is selected.

Unitised With-Profits Pensions

The following products within the unitised with-profits pensions range have a unitised with-profits option:

- Executive Pension Plan
- Company Pension Scheme
- Company Additional Pension Scheme
- Individual Personal Pension Plan
- Group Personal Pension Plan
- Personal Additional Pension Plan

(a) Provided certain conditions apply, the policyholder can elect to take early retirement before the selected retirement age without penalty.

(b)

(i) Product Name	UWP Pensions
(ii) Basic Reserve	£82.4m
(iii) Spread of Outstanding Durations	0 to 35 years
(iv) Guarantee Reserve	£3.9m
(v) Guaranteed Amount	£79.1m
(vi) MVR Free Conditions	MVRs do not apply on retirement within 3 years of the selected retirement date, provided there has been a regular investment in the UWP Fund for at least 5 years, on death and ill health early
(vii) In Force Premiums	£0.9m
(viii) Increments	Yes – existing policies and new members to existing plans in the case of group schemes

(3) Guaranteed Insurability Options

Various endowments purchased in connection with a mortgage include options to effect additional cover in certain circumstances without requiring additional evidence of health. Take-up of this option has been extremely low and no additional reserve is held.

Some of the term assurance policies include options to convert to other policies without requiring further evidence of health. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES**(1) Aggregate Expense Loadings**

The aggregate amount of expense contributions loadings, grossed up for taxation where appropriate, expected to arising arise during the 12 months following the valuation date from explicit and implicit margins reserves made in the valuation basis are to meet expenses in fulfilling contracts in force at the valuation date is £11.5m. This is composed of the following elements:

	£m
Explicit allowances for investment expenses	0.01
Explicit allowances for other maintenance expenses	7.6
Implicit allowances	3.7
Non-attributable expenses	0.2

(2) Implicit Allowances

The implicit allowance has been calculated by applying the basic rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in paragraph 6 (1), £20.7m would be reported on line 14 of Form 43. The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

	F43.14	table 6(1)	Difference
Homogeneous risk group	(a) £m	(b) £m	(a)-(b)
All products	20.7	11.5	9.2
Total	20.7	11.5	9.2

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes investment management performance related fees and transaction expenses of £6.7m and project costs of £2.5m which are not included in table 6(1).

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with paragraph 6 (1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.

An allowance has been made for redundancy costs in respect of redundancies following compensation review exercises. The company is not liable for redundancy costs in general due to its outsourcing arrangement with Resolution Pearl Group Management Services.

(6) Non-attributable Expense Reserves

The non-attributable expense reserve is the cost of certain planned projects of a non-recurring nature that are not covered by the standard fee under the management services agreement.

7. MISMATCHING RESERVES**(1) Analysis of Reserves by Currency**

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

Currency	Mathematical Reserves £m	Backed by assets £m
Sterling (£)	2,942	2,942
Other currencies	121	121
Total	3,063	3,063

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

The liabilities in currencies other than sterling are matched by assets in the same currency. The currency mismatching reserve is therefore nil.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

Description	Reserve
	£m
MER	3.6
Data	9.9
Litigation	5.9
Future Projects	6.4
Reassurer Default	3.1
Outsourcer Expenses Risk Transfer	9.8

Data contingency reserve

Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

Outsourcer Expenses Risk Transfer

This provision is held as part of an outsourcer enterprise risk transfer to offset an accounting prepayment asset held to cover the transfer of risk payments made to Diligenta.

9. REINSURANCE**(1) Facultative reinsurance**

- (a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
- (b) No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of reinsurance treaties in force at the valuation date are set out below.

(d) Munich Re:

- (e) Certain term assurances are 100% reinsured on original terms.
- (f) The premiums payable by the insurer during the year are £11.9m.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £136.9m.
- (k) New business only arises from incremental policies or the exercising of options under existing contracts. Where such business is unit-linked then all of the business is reinsured and the Company's retention is nil.
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) No provision has been established for credit risk for any reassurances with other companies in The Phoenix group.
- (o) No provision has been made under any of the treaties for any liability of the company to refund any amount of reinsurance commission in the event of the lapse or surrender of the contracts. Where such a liability exists, then the refund of commission will be more than offset by the return of the premium from the reinsurer.
- (p) The treaty is not a financing arrangement.

(d) Guardian Financial Services:

- (e) 100% of the annuity benefits arising on a specified block of immediate annuities.
- (f) Premiums of £541.4m were paid by the company under this treaty during the year
- (g) There are no deposit back arrangements
- (h) The treaty is closed to new business
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaties at the valuation date was £607.6m
- (k) There is no retention under the treaty
- (l) the reinsurer is authorised to carry on insurance business in UK
- (m) The reinsurer is not a connected company of the insurer
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject. The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place
- (o) No provision has been made under any of the treaties for any liability of the insurer to refund any of the amounts of reinsurance commission in the event of lapses or surrender of the contracts. Where such a liability exists, then the refund of the commission will be more than offset by the return of premium from the reinsurer
- (p) This is not a financing reinsurance treaty

10. REVERSIONARY (OR ANNUAL) BONUS

For policies entitled to participate, reversionary bonuses (except when otherwise specified) were allotted at the following rates.

(1) Conventional With-Profits Policies

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous Year	Total g'tee bonus for current year
	£m	%	%	%
UK Life (excluding Uniflex)	494.1	2/2	1 / 1	0.00
Uniflex Endowment Assurances	22.4	2/2	1 / 1	0.00
Convent Schemes	5.7	2/2	2 / 2	0.00
Eire Life	5.0	2/2	1 / 1	0.00
UK Pensions	477.7	2.5/2.5	2 / 2	0.00
Eire Pensions	17.5	2.5/2.5	1 / 1	0.00

(*) The first rate applies to the sum assured and the second rate to the attaching bonus.

(2) Accumulating With-Profits Policies (except With Profit Bonds)

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous Year	Total g'tee bonus for current year
	£m	%	%	%
UWP Pensions	78.8	1.50	1.00	0.00
Profit Plus Fund	419.7	0.10	0.10	0.00
PlusPlan	156.2	0.10	0.10	0.00

Phoenix With-Profits Fund

(3) UK With Profits Bond (pre 1997)

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous Year	Total g'tee bonus for current year
	£m	%	%	%
1	4.9	5.50	4.25	5.50
2a	3.5	5.25	4.75	5.25
2b	0.0	5.00	4.75	5.00
3a	13.2	6.00	6.50	6.00
3b	0.4	7.25	7.25	7.25
4	6.2	5.25	3.75	5.25
5	5.4	4.50	4.25	4.50
6	1.8	5.50	4.50	5.50
6a	0.2	4.50	3.25	4.50
7	2.3	5.25	4.75	5.25
8	5.5	6.00	5.50	6.00
8a	6.2	5.75	4.50	5.75
8b	1.7	6.00	6.25	6.00
9	8.5	5.00	3.50	5.00
10	13.1	4.75	3.75	4.75
TOTAL	72.9			

(4) Unitised With-Profits Bonds

The mathematical reserves and reversionary bonus rates are as follows:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous Year	Total g'tee bonus for current year
	£m	%	%	%
2	23.2	0.50	0.50	0.50
3	73.2	0.50	0.50	0.50
4	34.8	1.00	1.00	1.00
Lifestyle	4.8	1.00	1.00	1.00
TOTAL	136.0			

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. Within a bonus series, bonus rates do not vary.

90% With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS**(1) Application of Market Value Reduction**

During the year, market value reductions were applied to the ex-SLUK unitised with-profits pension policies as described below:

Month	MVR
Jan-14	0.0%
Feb-14	0.0%
Mar-14	0.0%
Apr-14	0.0%
May-14	0.0%
Jun-14	0.0%
Jul-14	0.0%
Aug-14	0.0%
Sep-14	0.0%
Oct-14	0.0%
Nov-14	0.0%
Dec-14	0.0%

The market value reduction is a percentage of units applied in addition to any final bonus.

(2) Premiums on Reviewable Protection Policies

Not applicable

(3) Non-profit Deposit Administration

Not applicable

(4) Service Charges on Linked Policies

Not applicable

(5) Benefit Charges on Linked Policies

Not applicable

(6) Accumulating With-Profits Charges

Not applicable

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Negative reserves have been included for some contracts.

(2) Valuation Interest rates

The interest rates used for life business in the fund were as follows:

Product Group	Current Valuation	Previous Valuation
Life		
Conventional whole life withprofits OB	1.84%	2.40%
Conventional whole life withprofits IB	1.84%	2.40%
Conventional endowment withprofits OB savings	1.35%	2.40%
Conventional endowment withprofits OB target cash	1.26%	2.40%
Conventional endowment withprofits IB	1.50%	2.40%
Conventional deferred annuity withprofits	2.46%	2.40%
Regular premium nonprofit WL/EA OB	1.53%	2.40%
Nonprofit IB	1.67%	2.40%
Individual pensions UWP	2.49%	2.40%
DWP National Insurance rebates UWP	2.43%	2.40%
Pension		
Conventional whole life withprofits OB	1.46%	3.00%
Conventional whole life withprofits IB	1.46%	3.00%
Conventional endowment withprofits OB savings	1.35%	3.00%
Conventional endowment withprofits OB target cash	1.26%	3.00%
Conventional endowment withprofits IB	1.75%	3.00%
Conventional deferred annuity withprofits	2.46%	3.00%
Regular premium nonprofit WL/EA OB	1.53%	3.00%
Nonprofit IB	2.18%	3.00%
Individual pensions UWP	2.49%	3.00%
DWP National Insurance rebates UWP	2.43%	3.00%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Rating	Standard (non-subordinated)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Ex-SLUK OB	71.5% AM92 ult Females as above -3yrs	71.5% AM92 ult Females as above -3yrs
Ex-SLUK UWP	82.5% AM92 ult Females as above -3yrs	82.5% AM92 ult Females as above -3yrs
Ex-SLUK IB	28% ELT15(M) Females as above	28% ELT15(M) Females as above
Ex-BULA	99% AM92 ult 121% AF92 ult	99% AM92 ult 121% AF92 ult

Note that for all the above business, no additional mortality has been incorporated within the valuation and no separate reserve has been determined in respect of AIDS.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

(5) Morbidity Basis

There are no significant groups of products where morbidity assumptions are used.

(6) Expense Basis

For the current valuation the investment expense assumptions agreed with the assets manager are unchanged. The base fees are as follows:

Investment Expenses	Current valuation	Previous valuation
	%	%
Life	0.08	0.08
Pension	0.10	0.10

The investment expenses for life fund business have been netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.2m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates and Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

All conventional business is valued on a net premium basis and expenses on unitised business are met by the Non Profit Fund so there are no expense inflation assumptions.

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional life business.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

At this valuation, it has been assumed that a proportion of in force Industrial Branch whole of life policies at each age will never result in a claim, because death has already occurred and no claim has been made. The write-off factors applied to allow for this are based on an investigation carried out during 2013, and reserves have been released as a result.

(11) Allowance for Derivatives

Not applicable

(12) Effects of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

There are no significant groups of business with guaranteed annuity rate options.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

For ex-SLUK unitised with-profits pension policies, there is a guarantee that the unit price will increase at not less than 4%p.a. This has been valued by assuming regular futures regular bonus additions in the calculation described in section 4(1).

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £0.3m. This is composed of the following elements.

	£m
Explicit allowances for investment expenses	0.0
Explicit allowances for other maintenance expenses	0.0
Implicit allowances	0.3

(2) Implicit Allowances

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

The maintenance expenses in paragraph 6 (1) (£0.26m - rounded to £0.3m) differ from line 14 of Form 43 (£0.53m - rounded to £0.5m). The main factors contributing to the difference are:

- £0.05m of investment expenses on surplus
- £0.11m of expense run-off
- £0.08m of performance related investment fees.

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with paragraph 6 (1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency	Mathematical Reserves	Backed by assets
	£m	£m
Sterling (£)	59.0	59.0
Other currencies	0.7	0.7
Total	59.8	59.8

(2) Other Currency Exposures

Liabilities totalling £0.72m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

There are no significant territories outside the United Kingdom.

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

Description	Reserve £m
Litigation Contingency Reserve	0.20
Solvency II	0.09
Asset Management Services	0.17

9. REINSURANCE**(1) Facultative Treaties**

- (a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
- (b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Not applicable

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

Bonus Series	Math reserves £m	Reversionary Bonus Rate for Current %SA / %RB	Reversionary Bonus Rate for Previous %SA / %RB	Total g'tee bonus for current year %
Ex-SLUK OB (conventional)				
Series B	2.0	3.3% / 3.3%	3.3% / 3.3%	0.00%
Series C	1.1	3.3% / 3.3%	3.3% / 3.3%	0.00%
Stamford	0.0	3.5% / 0%	3.5% / 0%	0.00%
Blackburn	0.03	5.15% / 0%	5.15% / 0%	0.00%
Pioneer Life Simple		5.55% / 0%	5.55% / 0%	0.00%
Pioneer Life Double	0.03	11.1% / 0%	11.1% / 0%	0.00%
Pioneer Life Compound		4.85% / 4.85%	4.85% / 4.85%	0.00%
Ex-SLUK IB				
Pioneer Mutual	3.0	15% / 0%	13% / 0%	0.00%
Stamford with periodic cash payments	7.4	5.25% / 0%	4.25% / 0%	0.00%
All others	6.3	10.5% / 0%	8.5% / 0%	0.00%
Ex-BULA				
Life	3.9	0.5% / 1.5%	1.5% / 2.5%	0.00%
Pensions		0.25% / 0.25%	1.25% / 1.25%	0.00%

Swiss Life UWP Pensions		Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
guaranteed bonus	27.4	4.00%	4.00%	4.00%
in addition to guaranteed bonus	0.6	0.00%	0.00%	0%

For all bonus series, the first rate applies to the basic sum assured or annuity and the second rate to the attaching bonus.

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

100% With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable as there is no unitised with-profits business in the With-Profit Fund.

(2) Premiums on Reviewable Protection Policies

Not applicable

(3) Non-profit Deposit Administration

Not applicable

(4) Service Charges on Linked Policies

Not applicable

(5) Benefit Charges on Linked Policies

Not applicable

(6) Accumulating With-Profits Charges

Not applicable

(7) Unit Pricing of Internal Linked Funds

Not applicable

(8) Tax Deductions From Internal Linked Funds

Not applicable

(9) Tax Provisions for Internal Linked Funds

Not applicable

(10) Discounts on Unit Purchases

Not applicable

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

(2) Valuation Interest Rates

The interest rates used for life business in the fund were as follows:

Product Group	Current Valuation	Previous Valuation
Life	2.00%	3.00%

There is no pensions business in the fund.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 Yr	10 Yr	20 Yr
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

Policies originally written in PAL

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment	85.0% AM92	85.0% AM92
	116.0% AF92	116.0% AF92

Policies originally written in SLUK

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment	77.0% AM92	77.0% AM92
	Females as above -3yrs	Females as above -3yrs
Deferred Annuities	82.5% IMA92	82.5% IMA92
	Females as above -3yrs	Females as above -3yrs

Allowance for mortality improvements

Mortality improvement rates for valuing the post-vesting element of the deferred annuities are as follows and are based on the CMI Medium Cohort projection basis:

(%)	2015	2025	2035	2045	2055	2065
40	2.12%	2.50%	2.50%	2.50%	2.50%	2.50%
50	1.98%	2.33%	2.50%	2.50%	2.50%	2.50%
60	2.14%	2.23%	2.42%	2.50%	2.50%	2.50%
70	2.77%	2.44%	2.40%	2.49%	2.50%	2.50%
80	3.12%	2.43%	2.20%	2.21%	2.22%	2.22%
90	1.65%	1.85%	1.72%	1.66%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

Allowance for Disease

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the SLUK business in the Fund.

No explicit allowance is made for AIDS.

(5) Morbidity Basis

Not applicable

(6) Expense Basis

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Ex-Phoenix Assurances	78.84	69.45
Ex-Swiss Life UK	155.50	49.16

The expenses on life business are netted down for tax at 20%.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

Business Group	Investment Expense (gross of tax)	
	Current Valuation	Previous Valuation
	%	%
Life	0.13%	0.11%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

There is also a performance overlay to the base fee which allows for increased fees when the investment performance exceeds a specified target, and for fee reductions when investment performance falls short of a specified target. No allowance is made for this in the investment expense assumption because the long-term projections do not allow for any over or under performance in investment return. Instead, the impact of any performance overlay during the year will be allowed for implicitly in the investment variance in the analysis of movement.

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

The expense inflation assumptions are as follows:

Product Group	Expense Inflation per annum	
	Current Valuation	Previous Valuation
	%	%
Ex-Phoenix Assurances	3.11%	5.55
Ex-Swiss Life UK	3.11%	5.55

(8) Future Bonus Rates

No future bonuses are assumed in the mathematical reserves for conventional life business.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material basis assumptions.

(11) Allowance for Derivatives

Not applicable

(12) Effects of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Not applicable

(2) Guaranteed Surrender and Unit-linked Maturity Values

Not applicable

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

Not applicable

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £0.20m. This is composed of the following elements.

	£m
Explicit allowances for investment expenses	0.0
Explicit allowances for other maintenance expenses	0.1
Implicit allowances	0.1

(2) Implicit Allowances

The implicit allowance for investment expenses has been calculated by applying the rate of the investment manager's fees to the reserves. This is funded by the margin between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

Of the aggregate amount in paragraph 6 (1), £0.26m would be reported on line 14 of Form 43. The balance of the aggregate amount in paragraph 6 (1) would be reported on line 15 of Form 43. The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

	F43.14	Table 6(1)	Difference
Homogeneous risk group	[a]	[b]	[a]-[b]
	£m	£m	£m
All products	0.26	0.20	0.12
Total	0.26	0.20	0.12

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes performance related investment fees of £0.05m which is not included in table 6(1).

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with paragraph 6 (1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

7. MISMATCHING RESERVES**(1) Analysis of Reserves by Currency**

Currency	Mathematical	Backed by assets
	£m	£m
Sterling (£)	16.8	16.8
Other currencies	1.5	1.5
Total	18.3	18.3

(2) Other Currency Exposures

There are no liabilities in other currencies.

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

There are no significant territories outside the United Kingdom.

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves are:

Description	Reserve £m
Litigation	0.10
Solvency II	0.06
Fund Projection Issue	-
Asset Management Services	0.17

9. REINSURANCE**(1) Facultative Reinsurance**

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Not applicable

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

Bonus Series	Mathematical Reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous Year	Total g'tee bonus for current year
	£m	%	%	%
Life Assurance* (Ex-Swiss Life UK)	2.8	3.0	3.0	0.0
Deferred Annuity* (Ex-Swiss Life UK)	0.7	4.5	4.5	0.0
Whole life & Endowment** (Ex-Phoenix Assurance)	13.7	5 / 8	5 / 8	0.0

The above bonus rates, where marked (*), apply to both the sum assured and the attaching bonus. For bonus series marked (**) the first rate applies to the sum assured and the second rate applies to the attaching bonus.

SAL With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

The Company reserves the right to apply a Market Value Reduction (MVR) to policies that invest in the Unitised With Profits (UWP) Fund.

Mortgage Savings Plan, Regular Savings Plan and Universal Protection Plan

Separate MVRs are calculated for each year of entry. No MVRs were applied to policies or increments during 2014.

Unitised With-Profit Bonds

These policies were written between June 1996 and December 1998.

Separate MVRs are calculated for each month of entry. No MVRs were applied during 2014.

UWP Group Pensions

Separate MVRs are calculated for each quarter year of entry. No MVRs were applied during the final 3 quarters of 2014. During the first quarter of 2014 MVRs only applied for Group Pensions commencing between 1st April 2013-30th June 2013 and 1st October 2013 – 31st December 2013.

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

Separate MVRs are calculated for each year of entry. No MVRs were applied to policies or increments during 2014.

(2) Premiums on Reviewable Protection Policies

There were no changes to premium rates on reviewable non-linked protection policies since the previous valuation.

(3) Non-profit Deposit Administration

There are no non-profit deposit administration policies.

(4) Service Charges on Linked Policies

The policy charges for the following linked contracts have changed since the previous valuation:

Product	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Universal Protection Plan	4.05	4.20	3.70%
Mortgage Savings Plan and Regular Savings Plan	4.76	4.94	3.68%

SAL With-Profits Fund

For Individual Personal Pension Plan, Group Personal Pension Plan, Company Pension Scheme & Company Additional Pension Scheme the monthly policy charges changed as follows:

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium and increments	0.00	0.00	n/a
Paid-up policies and policies on premium holidays (other than for Group Personal Pension Plan)	2.35	2.45	4.26%
Paid-up policies and policies on premium holidays for Group Personal Pension Plan	0.00	0.00	n/a
Single premium stand alone contracts issued before 16 October 1995	6.60	6.80	3.03%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.60	2.70	3.85%
Single premium stand alone contracts issued between 21 September 1998 and 9 April 2000	4.80	4.85	1.04%
Single premium stand alone contracts issued after 9 April 2000	4.20	4.30	2.38%

For Personal Additional Pension Plan the monthly policy charges changed as follows:

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	6.60	6.90	4.55%
Regular premium policies issued between 29 January 1996 and 9 April 2000	6.25	6.60	5.60%
Regular premium policies issued after 9 April 2000	4.20	4.40	4.76%
Paid-up policies and policies on premium holidays	2.35	2.45	4.26%
Single premium stand alone contracts issued before 16 October 1995	6.60	6.80	3.03%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.60	2.70	3.85%
Single premium stand alone contracts issued between 21st September 1998 and 9 April 2000	4.80	4.85	1.04%
Single premium stand alone contracts issued after 9 April 2000	4.20	4.30	2.38%

For Executive Pension Plan the monthly policy charges changed as follows:

SAL With-Profits Fund

Contribution Type	Previous Policy Charge	New Policy Charge	Percentage Increase
	£	£	
Regular premium policies issued before 29 January 1996	6.60	6.90	4.55%
Regular premium policies issued after 29 January 1996	6.25	6.60	5.60%
Paid-up policies and policies on premium holidays	2.35	2.45	4.26%
Single premium stand alone contracts issued before 16 October 1995	6.60	6.80	3.03%
Single premium stand alone contracts issued between 16 October 1995 and 20 September 1998	2.60	2.70	3.85%
Single premium stand alone contracts issued after 20 September 1998	4.80	4.85	1.04%

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies since the previous valuation.

(6) Accumulating With-Profits Charges

When determining terminal bonus or MVR's, expenses are notionally charged to the specimen policy asset shares in respect of Unitised with-profit bonds.

The maintenance expense allowance for the period 1 January 2014 to 31 December 2014 was £65.75. This compares with £63.66 for the period 1 January 2012 to 31 December 2013.

Investment expenses were charged according to the fee structure in following table between the current and the previous valuation.

Investment expenses (net of 20% Policyholder tax on Life Fund business)	Current valuation	Previous valuation
Conventional Life & UWP Bond	0.087%	0.109%
Conventional Pensions PE non-Libra policies & Conventional Pensions DA	0.109%	0.109%
Conventional Pensions PE Libra policies	0.145%	0.145%
UWP Group Pensions	0.140%	0.140%
Life Non Profit business	0.064%	0.080%
Pensions Non Profit business	0.080%	0.080%

(7) Unit Pricing of Internal Linked Funds

There are no changes in methods or assumptions since the previous valuation.

Immediate Annuity Fund

Policyholder benefits consist of an annual annuity equal to the unit price multiplied by the number of units allocated to their policy. The unit price is calculated quarterly as the value of the fund, divided by the actuarial value of the units in issue.

The fund is closed to new business so no units are being created. Annuity payments and other expense are debited to the fund. Units are cancelled (and thus disregarded from the unit price calculation) when benefits stop being payable due to the death of the annuitant.

The assets of the fund mainly comprise shares in the UK Commercial Property Trust and money market funds. These assets are valued on a bid basis when determining the fund value.

(8) Tax Deductions From Internal Linked Funds

There is no deduction for tax within the Immediate Annuity Fund.

(9) Tax Provisions for Internal Linked Funds

There is no provision for tax within the Immediate Annuity Fund.

(10) Discounts on Unit Purchases

No commission is payable by the managers of F&C UK Equity OEIC on the purchase of units by the company. This OEIC backs the Family Fund and Equity Plan products of which only Equity Plan continues to purchase units.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. Allowance for future lapses is made.

The mathematical reserves for with-profits annuity business is the value of projected future cashflows allowing for future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Exceptions:

- (a) Negative reserves may have been included and some contracts of may insurance have been treated as an asset.

Calculation Notes

Where annuity benefits are payable to any spouse that may exist at the date of death of the annuitant, we assume that 90% are married with the female 3 years younger than the male life.

(2) Valuation Interest Rates

The valuation interest rates used are as follows:

	Current Valuation	Previous Valuation
Life Business		
With-Profits Endowment Assurances	0.82%	1.65%
Other With-Profits Assurances	0.82%	1.93%
UWP Bond	2.40%	1.92%
Non-Profit Endowment Assurances	2.56%	1.96%
Other Non-Profits Assurances	2.60%	1.93%
Annuities in payment (new GAF)	2.10%	2.50%
Annuities in payment (old GAF)	1.40%	2.83%
Monies on Deposit	3.60%	3.60%
RPI Linked Annuities in payment (net)	0.49%	-0.22%
PHI		
Claims In Payment	1.55%	2.65%
Other	1.55%	2.65%
	Current Valuation	Previous Valuation
Pensions Business		
With Profits Pure Endowment & With Profits Deferred Annuities – Regular		
	2.04%	2.83%
With Profits Pure Endowment & With Profits Deferred Annuities – Single premiums and paid-ups:		
Initial rate	2.04%	3.58%
Reinvestment rate	2.04%	3.58%
Annuities in Payment	1.93%	2.83%
RPI Linked Annuities in payment	1.49%	-0.29%
RPI Linked Deferred Annuities	1.49%	-0.29%
Group UWP	2.06%	1.80%
Non-Profit Assurances	2.60%	3.04%
Non-Profit Deferred Annuities		
Pre Vesting	1.89%	3.04%
Post Vesting	1.89%	3.04%
Monies on Deposit	4.50%	4.50%

The valuation interest rate for immediate and deferred pension annuity business is calculated based on the waiver granted by the Financial Services Authority, under section 148 of the Financial Services and Markets Act 2000. Under this waiver a company is allowed to calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of the gross redemption yields on each asset weighted by their market values. Details of this waiver are covered in the Notes to Appendix 9.3.

The methodology for setting the valuation interest rate for the index linked annuities does not utilise the waiver, i.e. the portfolio yield is the arithmetic mean of the gross redemption yield on each asset weighted by its market value.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5	10	20
AAA	4.0	10.0	5.2
AA	20.7	30.3	17.8
A	34.5	45.3	24.8
BBB	74.5	84.9	43.4
BB	250.5	255.2	119.9
B	601.8	548.4	230.6

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The valuation mortality bases (on ultimate rates) are as follows:

Product Group	Current Valuation	Previous Valuation
Endowment and Whole of Life Assurances	81% AM92 110% AF92	81% AM92 110% AF92
Term Assurance - aggregate	95% TM92 116% TF92	95% TM92 116% TF92
Term Assurance - non-smoker	79% TM92 95% TF92	79% TM92 95% TF92
Term Assurance - smoker	200% TM92 237% TF92	200% TM92 237% TF92
Pensions pre-vesting and pension term assurances	52.6% AM92 59.3% AF92	52.6% AM92 59.3% AF92
Life Annuities in Payment	Modified IM80 c2010 Modified IF80 c2010	Modified IM80 c2010 Modified IF80 c2010
Pensions post vesting	90.2% PCMA00 90.2% PCFA00	95.0% PCMA00 90.2% PCFA00
Pensions immediate annuities	90.2% PCMA00 90.2% PCFA00	95.0% PCMA00 90.2% PCFA00

Life annuities currently in payment

The mortality basis for the current (previous) year is:

Males: 77.7% (77.7%) of IM80 (c=2010) improving at 1.5% (1.5%) p.a.

Females: 79.0% (79.0%) of IF80 (c=2010) improving at 1.25% (1.25%) p.a.

The expectation of life under the current and previous valuation assumptions for sample ages are:

Life Annuities

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	22.32	24.22	21.82	24.64
75	14.08	15.65	13.72	15.63

Pension annuities currently in payment

Specimen percentages of the base tables used for the current and previous years valuations are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	25.13	27.13	24.54	26.97
75	15.52	17.21	15.01	17.06

Specimen annual improvement rates for the current valuation, dependent on calendar year, are:

Males	2015	2025	2035	2045	2055	2065
65	1.71%	2.28%	2.14%	2.50%	2.50%	2.50%
75	2.59%	1.64%	2.37%	2.46%	2.50%	2.50%
85	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
95	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%

Females	2015	2025	2035	2045	2055	2065
65	2.02%	2.75%	2.36%	2.50%	2.50%	2.50%
75	2.72%	2.29%	2.62%	2.49%	2.50%	2.50%
85	2.97%	1.96%	1.84%	1.96%	1.94%	1.94%
95	1.32%	1.50%	1.39%	1.38%	1.39%	1.39%

The expectation of life under the current and previous valuation assumptions for sample ages are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	24.54	26.97	24.28	26.62
75	15.01	17.06	14.86	16.73

Deferred pension contracts (post vesting) including Guaranteed Annuity Options

Sample percentages of the base tables used for the current year and previous year valuations are:

Pension deferred Annuities

		Current valuation		Previous valuation	
		Male	Female	Male	Female
at age	55	75.8%	79.7%	72.2%	71.8%
at age	65	65.9%	72.2%	62.3%	64.9%
at age	75	60.8%	65.0%	57.8%	58.7%
at age	85	71.2%	75.3%	68.2%	68.2%
at age	95	88.0%	87.4%	82.2%	77.9%

Specimen annual improvement rates, dependent on calendar year, are:

Males	2015	2025	2035	2045	2055	2065
55	2.43%	1.68%	2.50%	2.50%	2.50%	2.50%
65	1.71%	2.28%	2.14%	2.50%	2.50%	2.50%
75	2.59%	1.64%	2.37%	2.46%	2.50%	2.50%
85	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
95	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%

Females	2015	2025	2035	2045	2055	2065
55	2.53%	2.17%	2.50%	2.50%	2.50%	2.50%
65	2.02%	2.75%	2.36%	2.50%	2.50%	2.50%
75	2.72%	2.29%	2.62%	2.49%	2.50%	2.50%
85	2.97%	1.96%	1.84%	1.96%	1.94%	1.94%
95	1.32%	1.50%	1.39%	1.38%	1.39%	1.39%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous) valuation assumptions are:

Pension deferred annuities

	Current Age	Expectation of life from Age	Current Year		Previous Year	
			Males	Females	Males	Females
Deferred annuities	45	65	28.17	30.09	27.57	29.94
	55	65	26.64	28.64	26.03	28.48

(5) Morbidity Basis

For Individual Permanent Health Insurance the assumed inception & recovery rates are based on modified CMIR12. The percentages of CMIR12 for sample inception & recovery rates, based on a 12 month deferred period, are as follows:

Percentages of inception rates for the modified CMIR12 table at current year and previous valuation.

Inception rates

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	89.00%	150.00%	89.00%	150.00%
35	CMIR12	89.00%	150.00%	89.00%	150.00%
45	CMIR12	37.00%	62.00%	37.00%	62.00%
55	CMIR12	48.00%	81.00%	48.00%	81.00%

Recovery rates expressed as a percentage of CMIR12 for all durations.

Recovery rates all durations

Age	Table	Current Year		Previous Year	
		Male	Female	Male	Female
25	CMIR12	23.00%	23.00%	23.00%	23.00%
35	CMIR12	23.00%	23.00%	23.00%	23.00%
45	CMIR12	23.00%	23.00%	23.00%	23.00%
55	CMIR12	23.00%	23.00%	23.00%	23.00%

Mortality for Individual Permanent Health Insurance has remained unchanged from the previous valuation at 76% TM92 for males and 76% TF92 for females.

(6) Expenses

The following table shows the gross attributable expenses per policy.

Product Group	Per Policy Expense	
	YE14	YE13 (reconciled)
	£	£
Annuity	31.37	29.84
All other classes	66.50	63.26

The expenses on life business are netted down for tax at 20%.

There are no Zillmer adjustments for the policies to which the above expenses apply.

The life company entered into a new MSA with Pearl Group Management Services (PGMS) with effect from 1 September 2010. The MSA specifies fee inflation is RPIX +1.0% at 1 January each year.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

Investment expenses (<u>net of 20% Policyholder tax on Life Fund business</u>)	Current valuation	Previous valuation
Conventional Life & UWP Bond	0.087%	0.109%
Conventional Pensions PE non-Libra policies & Conventional Pensions DA	0.109%	0.109%
Conventional Pensions PE Libra policies	0.145%	0.145%
UWP Group Pensions	0.140%	0.140%
Life Non Profit business	0.064%	0.080%
Pensions Non Profit business	0.080%	0.080%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £3.6m. At the previous valuation this provision was £3.8m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates And Inflation Assumptions

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

The assumption in relation to future levels of expense inflation is 4.55% p.a. at the current valuation compared to 3.88% p.a. at the previous valuation.

(8) Future Bonus Rates

For conventional with-profits business there is no allowance for future bonuses.

For accumulating with-profits business the assumed reversionary bonus rates are:

Product	2014 p.a	2015 p.a	2016& later p.a
Bonds	0.50%	0.08%	0.00%
Other life	0.50%	0.08%	0.00%
UWP Group pensions	2.00%	0.33%	0.00%
Other pensions	1.00%	0.17%	0.00%

(9) Persistency Assumptions

The Company anticipates voluntary premium discontinuances on the with-profits life and pension contracts specified in the table below; no voluntary discontinuances are assumed for other products.

Initial discontinuance rates are in accordance with the tables below and are assumed to reduce linearly to 5% of the initial rate at maturity/retirement.

For with-profits life products (excluding whole life) and with-profits pension products initial rates of discontinuance are:

Initial Surrender Rates (%)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	-	2.1%	1.1%	1.1%
CWP target cash endowment	Surrender	-	2.8%	2.5%	2.5%
CWP Executive Pension	Pup	1.8%	1.1%	1.8%	1.8%
CWP Executive Pension	Surrender	1.8%	1.1%	1.8%	1.8%
CWP Personal pension - regular premium	Pup	1.8%	1.1%	1.8%	1.8%
CWP Personal pension regular premium	Surrender	1.8%	1.1%	1.8%	1.8%
CWP Personal pension single premium	Surrender	1.8%	1.1%	1.8%	1.8%

Policies becoming paid-up after the valuation date are assumed not to subsequently surrender.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement.

(10) Other Material Assumptions

Not applicable.

(11) Allowance for Derivatives

The Company holds a number of swaps in connection with its fixed interest assets. The effect of the swaps has been taken into account by adding the value of the fixed interest assets to the value of the swaps and adjusting the yield on the fixed interest assets to take account of the effect of the swaps. The effect of the swaps has been determined by assuming that the future yields are in accordance with the yields implied by the forward swap curve.

We hold a number of Swaption contracts to hedge against interest rate falls impacting the guaranteed annuity option reserves. Further details are provided in section 5 below.

We hold a number of Spreadlock contacts to assist in managing the risk of variation in the spreads on the Swap contacts that are held. These contacts do not directly impact the long term insurance liabilities.

(12) Effect of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (iii) the cash amount, and
- (iv) the intrinsic value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate), plus time value (using stochastic modelling).

It is assumed that:

- (a) The expenses of payment are 1.82% of the he value of the annuity
- (b) 100% of policyholders exercise the guaranteed annuity option; and
- (c) that the initial percentage of cash sum which will be used to purchase the annuity on guaranteed terms will be:
 - 85% for Pension Reserve contracts:
 - 85% for Personal Pension Scheme protected rights contracts:
 - 85% for Additional Pension Plan contracts:
 - 83% for Executive Benefits Plan and Retirement Security Plan:
 - 85% for Personal Pension Plan and Personal Pension Scheme contracts:
 - 85% for Transfer Plan: and

These initial proportions are assumed to increase linearly to 95% over 20 years.

(b)

(i) Product Name	(ii) Basic Reserve £m	(iii) Spread of outstanding durations (yrs)	(iv) Guarantee Reserve £m	(v) Guaranteed Annuity Rate (Male at 65)	(vi) Increments	(vii) Form of annuity ²	(viii) Retirement Ages
Additional Pension Plan	5.4	0 to 40	2.6	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Executive Benefit Plan	72.5	0 to 38	38.0	10.0% 7.6% 8.1% 5.6%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Retirement Security Plan	70.6	0 to 40	34.7	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Transfer Plan	151.7	0 to 33	47.3	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
PPP81	191.3	0 to 30	74.0	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Fowler	311.5	0 to 42	84.0	10.0% 8.1% 8.1% 6.2%	Yes ¹	Level - single life Esc 3% - single life Level - 60% spouse Esc 3% - 60% spouse	Ages 50 to 75
Fowler (DSS)	677.8	0 to 34	73.0	10.0% 8.1% 8.3% 6.4%	Yes ¹	Level - single life Esc 3% - single life Level - 50% spouse Esc 3% - 50% spouse	Ages 60 to 75
Pensions Reserve	11.5	0 to 31	3.8	10.0% 8.1%	Yes ¹	Level - single life Level - 60% spouse	Ages 50 to 75

¹ Benefits secured by increments commencing after 1 December 1998, DSS payments received after 30 June 1999 or on payments received on Transfer Plan after 31 July 1999 do not include a guaranteed annuity option.

² Annuity is payable monthly in advance and guaranteed for 5 years. The forms of annuity represent the various forms assumed in the reserving calculation. Not all forms are necessarily contractual obligations and may represent a concession by the Company.

(2) Guaranteed Surrender and Unit-linked Maturity ValuesUWP Bond

Policies established on the administration system after 29 September 1997 are wholly reassured with PLL Phoenix With-Profits Fund and the required disclosure for these policies may be found in the Returns of that Fund.

Executive Pension Plan, Company Pension Scheme, Company Additional Pension Scheme, Individual Personal Pension Plan, Group Personal Pension Plan & Personal Additional Pension Plan

UWP benefits secured are wholly reassured with PLL Phoenix With-Profits Fund and the required disclosure may be found in the Returns of that Fund.

Guaranteed Unit-Linked Maturity Values

In respect of business retained by the Fund there are no guaranteed unit-linked maturity values.

(3) Guaranteed Insurability Options

Various endowments purchased in connection with a mortgage include options to effect additional cover in certain circumstances without requiring additional evidence of health. Take-up of this option has been extremely low and no additional reserve is held.

Some of the term assurance policies include options to convert to other policies without requiring further evidence of health. Take-up of this option has been extremely low and no additional reserve is held. The sum assured under the policies is less than £1bn.

(4) Other Guarantees and Options

None.

6. EXPENSE RESERVES**(1) Aggregate Expense Loadings**

The aggregate amount of expense contributions arising during the 12 months following the valuation date from explicit and implicit margins made in the valuation are:

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All products	3.7	0.5	7.9	2.5	14.5
All expenses attributable	3.7	0.5	7.9	n/a	12.0
Total	3.7	0.5	7.9	2.5	14.5

(2) Implicit Allowances

The implicit allowances above are in respect of investment management expenses. They are based on the rate of investment fees payable to the investment manager applied to the amount of reserves. This implicit allowance is met by the difference between the risk-adjusted yield on the assets and the valuation rate of interest.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in 6 (1) is different from the total shown in line 14 of Form 43:

	F43.14	table 6(1)	Difference
Homogeneous risk group	(a) £m	(b) £m	(b) - (a)
All products	19.2	14.5	-4.7
Total	19.2	14.5	-4.7

The expense loadings in table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in form 43 line 14, though this is partially offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally, Form 43 Line 14 includes performance related investment fees of £3.7m which is not included in table 6(1).

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under a management services agreement plus a prudent allowance for costs that are not covered by these fees.

No costs of terminating the management services agreement have been allowed for because the contract is not cancellable by the services provider.

(6) Non-attributable expenses

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature that are not covered by the standard fee under the management services agreement.

7. MISMATCHING RESERVES**(1) Analysis of Reserves by Currency**

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

Currency	Mathematical Reserves £m	Percentage matched in same currency
Sterling (£)	3,616.5	100%
Other	33.5	100%
Total	3,650.0	

(2) Other Currency Exposures

See table in paragraph 7 (1).

(3) Currency Mismatching Reserve

The liabilities in currencies other than sterling are matched by assets in the same currency. The currency mismatching reserve is therefore nil.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required for mismatching as investments are closely matched to the liabilities.

8. OTHER SPECIAL RESERVES

The special reserves exceeding 0.1% of the mathematical reserves (i.e. £4.2m) are:

Description	Reserve
	£m
Data Contingency Reserve	11.9
Litigation Reserves	7.2
Project & Other Costs	7.7
Outsourcer Expenses Risk Transfer	8.8

Data Contingency Reserve

Data contingency reserves for additional liabilities which may arise in connection with data errors affecting the long-term business.

9. REINSURANCE

(1) Unauthorised Reinsurers

(a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.

(b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of reinsurance treaties in force at the valuation date are below.

(g) Not applicable since there are no deposit back arrangements under any of the treaties.

- (h) All treaties are open to new business, other than those marked with an asterisk.
- New business only arises from incremental policies or the exercising of options under existing contracts.
- (i) There are no undischarged obligations.
- (j) Reinsurance ceded external reserves total £968.9m. This total has not been split between the respective reinsurers.
- (n) Credit risk arises from a possible failure of the reinsurer to meet its obligations. For reinsurers that are not connected companies the risk is not deemed material. No provision has been made for credit risk in respect of reassurances with other companies in the Phoenix group.
- Legal risks arise from disputes regarding the operation of the treaties. Provision for any associated costs is by way of the litigation provision described in 8 above.
- The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place
- (o) No provision has been made under any of the treaties for any liability of the company to refund any amount of reinsurance commission in the event of the lapse or surrender of the contracts. Where such a liability exists, then the refund of commission will be more than offset by the return of the premium from the reinsurer.
- (p) There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 1508.

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(d) Name of Reinsurer	(e) Type of Business	Type of Reinsurance	Ceded Reserves	(f) Premiums £000s	(l) Authorised in UK	(m) Connected to Company
Revios Re	Individual Life Assurance	2nd Surplus	297,624	11.2	No	No
*Munich Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	1,116,089	24.6	Yes	No
Hannover Re	Individual Life Assurance	2nd Surplus	595,248	44.1	Yes	No
Swiss Reinsurance	Individual Life Assurance	1st Surplus (Risk Premium)	3,348,268	557.4	Yes	No
GE Frankona	Individual Life Assurance	1st Surplus (Risk Premium)	1,116,089	52.8	Yes	No
*Pacific Life Re Limited	Individual Life Assurance	2nd Surplus (Risk Premium)	148,812	29.0	Yes	No
Guardian Financial Services	Pensions Annuities	1st Surplus (Risk Premium)	962,236,961	907,200.0	Yes	No

10. REVERSIONARY (OR ANNUAL) BONUS**(1) Details of Bonus Rates**

The following rates of reversionary bonus, which are independent of age and original term of the contract, were declared on the valuation date:

Bonus Series	Math reserves	Reversionary Bonus Rate for Current Year	Reversionary Bonus Rate for Previous year	Total g'tee bonus for current year
	£m	%	%	%
Category 1 Contracts	2,408.1	0.05/0.05	0.05/0.05	0.05/0.05
Category 2 Contracts	395.3	0.10/0.10	0.10/0.10	0.10/0.10
UWP Group Pensions	11.2	2.00	2.00	0.00
UWP life ¹	23.8	0.50	0.50	0.00

¹ The Fund also writes unitised with-profits business which is wholly reassured to PLL Phoenix With-Profits Fund. The reversionary bonuses applying to these contracts are fully described in the Returns of that Fund.

Category 1 contracts are:

- Additional Pension Plan
- Executive Benefit Plan
- Jersey Prosperity Plan
- Pension Reserve
- Personal Pension Plan
- Retirement Security Plan
- Transfer Plan

Category 2 contracts are all other contracts entitled to participate in profits excluding unitised with-profits contracts.

(2) Unitised with-profits business unit price increases

For unitised with-profits life policies, the reversionary bonus is added daily in the form of growth of the unit price. For business retained by the Fund the reversionary bonus rate was 0.5% throughout 2014.

(3) Super compound bonus

The table in 10 (1) shows bonus rates expressed as X%/Y% where X% is the bonus rate applied to the sum assured and Y% is the bonus rate applied to the attaching bonuses.

(4) Bonus series

Within a bonus series bonus rates do not vary.

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3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

The firm has the right to apply Smoothing Reductions to its Smoothed Investment Funds and market value reductions to the various series of with-profits units.

Market value reductions may be applied to unitised with-profits and smoothed return business for non-protected exits such as surrenders, transfers and early or late retirements. Market value reductions may not be applied for protected exits which generally include death, maturity, surrender at a guarantee date and retirement at the selected retirement date.

During 2014 market value reductions were applied. A summary for the main business types follows.

Regular Premium

Date	Life		Pensions		
	Series I & II RP	Series III RP	Series I & II RP	Series III RP	Series VII RP
Jan-2014	N/A	N/A	N/A	N/A	N/A
Feb-2014	N/A	N/A	N/A	N/A	N/A
Mar-2014	N/A	N/A	N/A	N/A	N/A
Apr-2014	N/A	N/A	N/A	N/A	N/A
May-2014	N/A	N/A	N/A	N/A	N/A
Jun-2014	N/A	N/A	N/A	N/A	N/A
Jul-2014	N/A	N/A	N/A	N/A	N/A
Aug-2014	N/A	N/A	N/A	N/A	N/A
Sep-2014	N/A	N/A	N/A	N/A	N/A
Oct-2014	N/A	N/A	N/A	N/A	N/A
Nov-2014	N/A	Business written in: Jan 1993 to Dec 2013	N/A	Business written in: Jan 1997 to Dec 2013	Business written in: Jan 2003 to Dec 2003 and Jan 2005 to Dec 2013
Dec-2014	N/A	N/A	N/A	N/A	N/A

Single Premium

Date	Life		Pensions		
	Series III SP	Series IV SP	Series I & II SP	Series III SP	Series VII SP
Jan-2014	N/A	N/A	N/A	N/A	N/A
Feb-2014	N/A	N/A	N/A	N/A	N/A
Mar-2014	N/A	N/A	N/A	N/A	N/A
Apr-2014	N/A	N/A	N/A	N/A	N/A
May-2014	N/A	N/A	N/A	N/A	N/A
Jun-2014	N/A	N/A	N/A	N/A	N/A
Jul-2014	N/A	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A
Aug-2014	N/A	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A
Sep-2014	N/A	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A
Oct-2014	N/A	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A
Nov-2014	Business written in: Oct 1994 - Dec 1994; Jan 1996 - Dec 1996; Jan 2000 - Dec 2000; Jan 2002 - Dec 2003; Jan 2005 - Dec 2005; Jan 2008 - Dec 2008; Jan 2010 - Dec 2010; Jan 2012 - Dec 2012	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A
Dec-2014	N/A	N/A	Business written in: Jan 1999 - Dec 2000	N/A	N/A

(2) Premiums on Reviewable Protection Policies

There are no reviewable protection policies.

(3) Non-profit Deposit Administration

Transactions on non-profit deposit administration business has totalled £6.75m since the previous valuation.

(4) Service Charges on Linked Policies

Policy fees on unit linked contracts were increased between 0.00% and 3.51% during 2014. Policy fees for majority of these contracts were increased by over 1%.

(5) Benefit Charges on Linked Policies

There have been no changes to benefit charges on linked policies since the previous valuation.

(6) Accumulating With-Profits Charges

There has been no changes to charges on accumulating with-profits policies since the previous valuation.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

The mathematical reserves for with-profits annuity business is the value of projected future cashflows allowing for future annuity payments, future expenses, shareholder profit and loss transfers and tax on future declared investment return distributions.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (i) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Exceptions:

- (a) Negative reserves may have been included and some contracts of may insurance have been treated as an asset.

(2) Valuation Interest rates

The valuation interest rates used were as follows:

Life/Pensions	Product	YE14	Previous Valuation
Life	Conventional whole life withprofits OB - BLAGAB	1.23%	2.45%
Life	Conventional endowment withprofits OB savings - BLAGAB	1.42%	2.45%
Life	Conventional deferred annuity withprofits - BLAGAB	2.20%	2.50%
Pensions	Conventional deferred annuity withprofits - GRB	2.20%	2.50%
Pensions	Group conventional deferred annuity withprofits - GRB	1.79%	2.40%
Pensions	Annuity withprofits (CPA) - GRB	2.48%	2.60%
Life	Miscellaneous conventional withprofits - BLAGAB	1.36%	2.45%
Pensions	Miscellaneous conventional withprofits - GRB	1.69%	2.45%
Life	Life UWP single premium - BLAGAB	1.39%	2.45%
Pensions	Life UWP single premium - GRB	1.82%	2.45%
Life	Life UWP whole life regular premium - BLAGAB	1.42%	2.45%
Life	Life UWP endowment regular premium savings - BLAGAB	1.42%	2.45%
Pensions	Individual pensions UWP - GRB	1.58%	1.90%
Pensions	Group money purchase pensions UWP - GRB	0.76%	1.90%
Pensions	DWP National Insurance rebates UWP - GRB	1.62%	1.90%
Pensions	Income drawdown UWP - GRB	0.81%	1.90%
Pensions	Trustee investment plan UWP - GRB	1.23%	1.90%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest

a) Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 Yr	10 Yr	20 Yr
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality assumptions for the current (and previous) valuation are:

Product Group		Current Valuation	Previous Valuation
CWP life assurances	non- smoker	61% AM92 ult1 72% AF92 ult	61% AM92 ult1 72% AF92 ult
	smoker	105% AM92 ult1 116% AF92 ult	105% AM92 ult1 116% AF92 ult
CWP pensions assurances (individual and group)		72% AM92 ult 66% AF92 ult	72% AM92 ult 66% AF92 ult
Deferred annuities (in deferment) (individual and group)		72% AM92 ult 66% AF92 ult	72% AM92 ult 66% AF92 ult
Immediate and deferred pensions annuities in payment		Modified PMA00 Modified PFA00	Modified PMA00 Modified PFA00
Unitised life business		77% AM80 ult1 77% AF80 ult	77% AM80 ult1 77% AF80 ult
Unitised pensions business		77% AM80 ult 77% AF80 ult	77% AM80 ult 77% AF80 ult

Pension annuities currently in payment.

Percentages of the life tables used under the current (and previous year) valuation assumptions at sample ages are:

Age	Current Year		Previous Year	
	Male	Female	Male	Female
At age 65	102.1%	95.0%	102.1%	95.0%
At age 75	102.1%	95.0%	102.1%	95.0%

Improvement factors for future calendar years assumed in the current valuation at sample ages are:

Males	2015	2025	2035	2045	2055	2065
60	2.71%	1.48%	2.51%	2.50%	2.50%	2.50%
70	3.45%	2.35%	2.03%	2.50%	2.50%	2.50%
80	3.09%	2.57%	2.12%	2.18%	2.22%	2.22%
90	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
100	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%

Females	2015	2025	2035	2045	2055	2065
60	2.14%	2.23%	2.42%	2.50%	2.50%	2.50%
70	2.77%	2.44%	2.40%	2.49%	2.50%	2.50%
80	3.12%	2.43%	2.20%	2.21%	2.22%	2.22%
90	1.65%	1.85%	1.72%	1.66%	1.67%	1.67%
100	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

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The expectation of life under the current (and previous year) valuation assumptions for sample ages are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
65	24.3	27.3	23.9	26.2
75	14.8	17.4	14.5	16.4

Deferred pension contracts (post vesting) including guaranteed annuity options.

Percentages of the life tables used under the current (and previous year) valuation assumptions for deferred annuities at a sample age are:

Age	Current Year		Previous Year	
	Male	Female	Male	Female
At age 45	102.1%	95.0%	102.1%	95.0%
At age 55	102.1%	95.0%	102.1%	95.0%

Improvement factors for future calendar years assumed in the current valuation at sample ages are:

Male

Males	2015	2025	2035	2045	2055	2065
40	2.55%	2.50%	2.50%	2.50%	2.50%	2.50%
50	1.13%	2.52%	2.50%	2.50%	2.50%	2.50%
60	2.71%	1.48%	2.51%	2.50%	2.50%	2.50%
70	3.45%	2.35%	2.03%	2.50%	2.50%	2.50%
80	3.09%	2.57%	2.12%	2.18%	2.22%	2.22%

Female

Females	2015	2025	2035	2045	2055	2065
40	2.12%	2.50%	2.50%	2.50%	2.50%	2.50%
50	1.98%	2.33%	2.50%	2.50%	2.50%	2.50%
60	2.14%	2.23%	2.42%	2.50%	2.50%	2.50%
70	2.77%	2.44%	2.40%	2.49%	2.50%	2.50%
80	3.12%	2.43%	2.20%	2.21%	2.22%	2.22%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
45	27.3	30.3	27.0	29.2
55	25.8	28.9	25.4	27.7

(5) Morbidity Basis

Not applicable.

(6) Expense Basis

The following table shows the gross attributable expenses per policy:

Product Group		Per Policy	
		YE14 £ p.a.	YE13 (reconciled) £ p.a.
Conventional business			
CWP savings endowment (120/125)	Premium-paying	54.15	49.01
	Paid-up	37.90	34.30
CWP pensions (155/165)	Premium-paying	69.85	63.22
	Paid-up	48.90	44.26
Unitised business			
UWP bond (500)		41.38	37.45
UWP savings endowment (510)	Premium-paying	48.22	46.38
	Paid-up	33.75	32.47
UWP regular premium pension (525/545)	Premium-paying	57.12	54.94
	Paid-up	39.34	38.46
UWP group regular premium pension (535)	Premium-paying	57.12	54.05
	Paid-up	39.99	37.84
UWP single premium pension (525/545)		39.34	38.46
UWP group single premium pension (535)		39.99	37.84

The expenses on life business are netted down for tax at 20%.

The renewal commission rate payable is 2.50% for applicable business.

For the current valuation the investment expense assumptions have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The base fees are as follows:

Investment expense (gross of tax)	Current valuation	Previous valuation
CWP Life	0.167%	0.167%
CWP Pension	0.132%	0.132%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

In addition to the base fees, there is an explicit additional services fee which is allowed for as a provision of £0.1m. There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Unit Growth Rates and Expense Inflation

There are no unit growth rate assumptions as there is no linked business.

Future expenses are assumed to increase at 3.11% p.a.

(8) Future Bonus Rates

Assumed future bonus rates are 0% for all business, with the exception of unitised with-profits policies invested in the unit series where there is a guaranteed minimum bonus rate of 3% (life business) or 4% (pensions business). In these cases, the guaranteed bonus rates are used in the valuation.

These assumptions have not changed since the previous valuation.

(9) Persistency Assumptions

No allowance is made for lapses, except in the Bonus Reserve Valuation calculations for the With Profits Bonds as shown:

Product		Average Lapse/Surrender Rate for the Policy Years			
		1 - 5	6 - 10	11 - 15	16 - 20
UWP With Profit Investment Bond	Surrender	26.0%	30.8%	15.0%	15.0%
UWP Select With Profits Bond	Surrender	26.0%	30.8%	15.0%	15.0%
UWP With Profit Investment Bonds	Partial withdrawals	4.6%	6.8%	7.6%	7.6%
UWP Select With Profits Bond	Partial withdrawals	4.6%	6.8%	7.6%	7.6%
UWP With Profits Bond	Partial withdrawals	4.6%	6.8%	7.6%	7.6%

(10) Other Material Assumptions

There are no changes in methods and assumptions since the previous valuation other than those already discussed.

(11) Allowance for Derivatives

There are no changes in methods and assumptions since the previous valuation.

(12) Effects of Basis Changes

Not applicable.

5. OPTIONS AND GUARANTEES

(1) Guaranteed annuity rate options

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the intrinsic value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate), plus time value (using stochastic modelling).

It is assumed that:

- (a) The expenses of payment are 2.20% of the value of the annuity
- (b) 100% of policyholders exercise the guaranteed annuity option and that the initial percentage of cash sum which will be used to purchase the annuity on guaranteed terms will be 85%.
- (c) These initial proportions are assumed to increase linearly to 95% over 20 years

A distribution of retirement ages has been assumed for these contracts.

Scottish Mutual With-Profits Fund

Product	Basic Reserve	O/S Duration	Gtee Reserve	GAO Rate (male age 65)	Incrs Yes/No	Annuity Form	Ret. Ages
	£m	years	£m				
Self Employed (S226)	257.3	25.0	214.2	11.00%	Yes *		50-75 (with few exceptions)

(2) Guaranteed surrender and unit-linked maturity values

The Flexible Endowment contract is written as a with profit endowment assurance maturing on the policy anniversary prior to the sixty-fifth birthday. There are guaranteed early maturity values available from the tenth policy anniversary. The contracts are valued as endowment assurances to the earliest guaranteed option date.

Product	Basic Reserve	O/S Duration	Gtee Reserve	Gtee Amount	MVA-free conditions	In-force premiums	Incrs Yes/No
	£m	years	£m	£m		£m	
Flexible Endowment	3.02	31.9	4.8	10.2	n/a	0.2	No

(3) Guaranteed insurability options

There are no guaranteed insurability options.

(4) Other guarantees and options

Some classes of deferred annuity have a cash option. The reserve for these policies is calculated in the same way as for cash contracts with guaranteed annuity options, as described in paragraph 5.(1). For Self Employed (S226) Personal Pensions and Master policy plans, the take-up rate assumed for the cash option is:

15% for plans maturing immediately at the valuation date
 5% for plans maturing 20 years after the valuation date
 Interpolated linearly between these limits for intermediate maturity dates

For Individual Pension Arrangements, the take-up rate assumed for the cash option is:

10% for plans maturing immediately at the valuation date
 5% for plans maturing 20 years after the valuation date
 Interpolated linearly between these limits for intermediate maturity dates

The vesting date is taken to be Normal Retirement Age for Individual Pension Arrangements and Master policy plans; for Self Employed (S226) Personal Pensions the distribution of retirements with age is the same as that shown in paragraph 5 (1).

The total reserves on these contracts, after allowing for the cash option which reduces the reserve from that which would be required if only the deferred annuity was valued, are:

Scottish Mutual With-Profits Fund

Deferred Annuity Contract	Total Mathematical Reserves	Mathematical Reserves if No Option	Reduction to Mathematical Reserves in Respect of Option
	£m	£m	£m
Self Employed (S226) Personal Pensions	4.8	5.1	0.3
Individual Pension Arrangements	127.8	137.0	9.2
Masterpolicy plans	253.4	270.6	17.2

6. EXPENSES

(1) Aggregate Expense Loadings

The aggregate gross of taxation amount available in the next 12 months, arising from margins in the valuation basis, to meet ongoing expenses from existing business is £11.2m. This is composed of explicit allowance of £8.3m for non-investment maintenance expenses and £2.8m for investment expenses.

(2) Implicit Allowances

There is an implicit allowance in the valuation basis for investment expenses. For conventional with-profits life business the allowance is 0.167% p.a. and for conventional with-profits pensions business the allowance is 0.132% p.a.

(3) Form 43 Comparison

The maintenance expenses shown at line 14 of Form 43 are £13.7m. This includes £3.6m investment management expenses and £10.1m in administrative expenses.

(4) New Business Expense Overrun

The company is no longer writing new business and so there is no requirement for a new business expense overrun reserve

(5) Maintenance Expense Overrun

The company has already closed to new business and the expense assumptions set out in paragraph 4.6 take account of this fact. There is thus no requirement for an additional expense overrun reserve allowing for future closure to new business.

(6) Non-attributable Expenses

Not applicable.

7. MISMATCHING RETURNS

(1) Analysis of Reserves by Currency

The reserves held by currency and the assets backing them are as follows:

Currency	Mathematical Reserves	Backed by Assets
	£m	£m
Sterling (£)	2,182.5	2,182.5
Euro (€)	5.8	5.8
Other currencies	0.0	0.0
Total	2,188.2	2,188.2

(2) Other Currency Exposures

No information required.

(3) Currency Mismatching Reserve

No reserve is held for currency mismatching. Any non-sterling-denominated assets are held within the fund as part of the diversified portfolio of investments. The discretionary nature of the payouts on with profit policies is such that they can vary with the returns on the assets and so there is no need to hold an additional reserve for currency mismatching.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve arises from the test on assets in INSPRU 1.1.34(2)(R). The liabilities are analysed by duration and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

8. OTHER SPECIAL RESERVES

Data Provision	5.7
Future Litigation Costs	3.4
Project and Other Costs	3.7
Solvency II	1.2
VAT	1.2
Costs falling outside MSAs	0.2
TCF	0.1
Capita Regulatory Buyout	0.2
Asset Management Services	1.5
Cost of Guidance	0.4

A Data contingency reserve of £5.7 was held for additional liabilities which may arise in connection with data errors affecting the long-term business.

9. REINSURANCE

(1) Facultative Reinsurance

No reinsurance is ceded on a facultative basis to a reinsurer who is not authorised to carry on business in the UK.

(2) Reinsurance Treaties

There are no reinsurance treaties with reinsurance premiums and ceded reserves above the de minimis limits.

10. REVERSIONARY (OR ANNUAL) BONUS

The following table shows the modelled reserves, excluding provisions and non-policy related reserves, for the with profit business along with the reversionary bonus for the current (and previous) years:

Bonus Series	Gross Mathematical Reserves £m	Reversionary Bonus Rate (Current Year)	Reversionary Bonus Rate (Previous Year)	Total Guaranteed Bonus Rate (Current Year)
Conventional Business				
Conventional life assurance and general annuity business	45.60	0.0%	0.0%	0.0%
Conventional pension business	1135.96	0.0%	0.0%	0.0%
Unitised Business				
Unitised Life Series I	2.13	3.0%	3.0%	3.0%
Unitised Life Series II	1.17	3.0%	3.0%	3.0%
Unitised Life Series III	207.56	0.0%	3.0%	0.0%
Unitised Pensions Series I	180.56	4.0%	4.0%	4.0%
Unitised Pensions Series II	205.86	4.0%	4.0%	4.0%
Unitised Pensions Series III	218.14	0.0%	4.0%	0.0%
Unitised Pensions Series VII	0.16	0.0%	4.0%	0.0%
Unitised International Series I – £	1.10	0.0%	2.0%	0.0%
Unitised International Series I – \$	0.51	0.0%	1.0%	0.0%
Unitised International Series I – Euro	4.41	0.0%	0.0%	0.0%
With Profit Annuity	183.2	0.0%	5.0%	0.0%

SPI With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

For the UK business written in the with-profits fund, market value reductions applied were as follows:

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
From 1 January 2014 to 31 January 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 February 2014 to 28 February 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 March 2014 to 31 March 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 April 2014 to 30 April 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 May 2014 to 30 May 2014	No MVA applied to this business.	No MVA applied to this business.
From 2 June 2014 to 30 June 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 July 2014 to 31 July 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 August 2014 to 29 August 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 September 2014 to 30 September 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 October 2014 to 31 October 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 November 2014 to 28 November 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 December 2014 to 31 December 2014	No MVA applied to this business.	No MVA applied to this business.

For the Irish business written in the with-profits fund, market value reductions applied were as follows:

Date	Irish Life With-Profits Funds	Irish Pensions With-Profits Funds
From 1 January 2014 to 31 January 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 February 2014 to 28 February 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 March 2014 to 31 March 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 April 2014 to 30 April 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 May 2014 to 30 May 2014	No MVA applied to this business.	No MVA applied to this business.
From 2 June 2014 to 30 June 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 July 2014 to 31 July 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 August 2014 to 29 August 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 September 2014 to 30 September 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 October 2014 to 31 October 2014	No MVA applied to this business.	No MVA applied to this business.
From 3 November 2014 to 28 November 2014	No MVA applied to this business.	No MVA applied to this business.
From 1 December 2014 to 31 December 2014	No MVA applied to this business.	No MVA applied to this business.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Not applicable.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With-Profits Charges

There were no changes to charges applied to accumulating with-profits policies.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

(10) Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS

(1) Valuation Methods

The valuation methods used to calculate the mathematical reserves for each significant product group are described below. Unless otherwise stated, a prospective valuation method has been used and all policies are valued individually.

Conventional Business

All main classes of conventional business are valued using a gross premium method. The mathematical reserves were calculated as the value of future benefits and expenses less the value of future expected office premiums. No allowance for future lapses is made.

Unitised Business

The mathematical reserve for all unitised contracts linked to units in the unitised with-profits fund has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the number of units including attaching bonus units allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, death, selected retirement age or on withdrawals under the regular withdrawal scheme;
 - (b) Asset Share (unless the contract has a guaranteed Market Value Adjustment free date, in which case Face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

Exceptions:

- (a) Negative reserves may have been included and some contracts of may insurance have been treated as an asset.

(2) Valuation Interest rates

The valuation interest rates used were as follows:

UK Valn Interest Rates

Life/Pensions	Product	Current Valuation	Previous Valuation
Life	Conventional whole life withprofits OB - BLAGAB	1.56%	2.64%
Life	Conventional whole life withprofits OB - BLAGAB	1.87%	2.64%
Life	Conventional deferred annuity withprofits - BLAGAB	2.42%	2.74%
Pensions	Conventional deferred annuity withprofits - GRB	1.72%	2.74%
Life	Regular premium nonprofit WL/EA OB - BLAGAB	1.38%	2.20%
Life	Single premium nonprofit WL/EA OB - BLAGAB	1.00%	2.20%
Pensions	Single premium nonprofit WL/EA OB - GRB	1.00%	2.44%
Life	Deferred annuity nonprofit - BLAGAB	1.92%	3.44%
Pensions	Deferred annuity nonprofit - GRB	2.60%	2.33%
Life	Life UWP single premium - BLAGAB	1.11%	2.33%
Life	Life UWP whole life regular premium - BLAGAB	1.30%	2.33%
Life	Life UWP endowment regular premium savings - BLAGAB	1.11%	2.69%
Pensions	Individual pensions UWP - GRB	1.75%	2.44%
Pensions	Index linked deferred annuity - GRB	1.20%	0.00%

Irish Valn Interest Rates

Life/Pensions	Product	Current Valuation	Previous Valuation
Pensions	Conventional whole life withprofits OB - GRB	1.30%	1.89%
Pensions	Conventional endowment withprofits OB savings - GRB	0.95%	1.89%
Pensions	Conventional deferred annuity withprofits - GRB	1.31%	1.54%
Pensions	Regular premium nonprofit WL/EA OB - GRB	0.00%	0.35%
Pensions	Life UWP single premium - GRB	0.72%	1.89%
Pensions	Life UWP endowment regular premium savings - GRB	0.72%	1.94%
Pensions	Individual pensions UWP - GRB	0.40%	1.82%

Note: the valuation interest rates are shown net of tax for with-profits life business and non-profit life term assurance business but gross of tax for all other business.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Equities

The risk adjusted yield on equities is determined by INSPRU 3.1.37R as the sum of the dividend yield and the earnings yield, divided by two unless the dividend yield is greater than the earnings yield. If the dividend yield is greater than the earnings yield then the risk adjusted yield is taken to be the dividend yield.

To allow for unreasonably high yields, a cap is applied to the dividend yield and earnings yield which is the lower of 25% or twice the annualised 15 year gilt yield.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

Due to potential issues with the timing of rental income, a cap is applied of the contracted income arising from the property over the previous twelve months.

To allow for unreasonably high yields, a cap is applied to the resulting yield which is the greater of 10% or twice the annualised 15 year gilt yield.

Fixed Interest**a) Approved Securities**

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

b) Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The investment managers obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard		
	Term		
	5 Yr	10 Yr	20 Yr
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume a third of the standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. To allow for unreasonably high yields, a cap is applied to the yield which is the real yield of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index. This cap applies to both approved and non-approved variable interest securities.

(4) Mortality Basis

The mortality tables used for each product group are shown in the following table:

Product Group		Current Valuation	Previous Valuation
Conventional endowment assurance (UK and overseas)	non-smoker	70% AM92 ult1 88% AF92 ult	70% AM92 ult1 88% AF92 ult
	smoker	141% AM92 ult1 176% AF92 ult	141% AM92 ult1 176% AF92 ult
	smoker status unknown	88% AM92 ult1 110% AF92 ult	88% AM92 ult1 110% AF92 ult
Conventional whole life assurances other than Bonus Mortgage Plan (UK and overseas)		Modified TM92 ult1 Modified TF92 ult	Modified TM92 ult1 Modified TF92 ult
Bonus Mortgage Plan		88% AM92 ult1 110% AF92 ult	88% AM92 ult1 110% AF92 ult
Conventional Capital Options and With-Profit Bond (overseas)		Nil Mortality	Nil Mortality
Conventional term assurance (UK and overseas)		Modified TM92 sel1 Modified TF92 sel	Modified TM92 sel1 Modified TF92 sel
Unitised assurances other than Flexible Mortgage Plan (UK and overseas)	non-smoker	70% AM92 ult1 88% AF92 ult	70% AM92 ult1 88% AF92 ult
	smoker	141% AM92 ult1 176% AF92 ult	141% AM92 ult1 176% AF92 ult
Flexible Mortgage Plan (UK)		Modified TM92 ult1 Modified TF92 ult	Modified TM92 ult1 Modified TF92 ult
Conventional deferred annuities (in deferment)	Overseas (group & individual)	Nil Mortality	Nil Mortality
	UK (individual)	Nil Mortality	Nil Mortality
	UK (group)	88% AM92 ult 110% AF92 ult	88% AM92 ult 110% AF92 ult
Simplified Pensions Investment Plan (in deferment)	UK and overseas	Nil Mortality	Nil Mortality
Linked deferred annuities (in deferment) and group pensions	Overseas	Nil Mortality	Nil Mortality
Deferred annuities in payment	UK and overseas, group and individual	Modified PMA00 Modified PFA00	Modified PMA00 Modified PFA00

AIDS 33% R6A (peak) for males only

Assurance contracts using modified tables

Where the mortality assumptions are based on the TM92/TF92 tables, age-related percentages are used. Select rates are used for conventional term assurance and ultimate rates for conventional whole life assurance and the Flexible Mortgage Plan. Sample mortality rates per 1000 lives are as follows:

Conventional term assurance – current year

Sample rates per 1000 for term assurance (current year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.408	0.729	0.185	0.280
35	0.438	0.719	0.287	0.486
45	0.990	1.720	0.715	1.343
55	2.549	6.481	1.873	3.864

Conventional term assurance – previous year

Sample rates per 1000 for term assurance (previous year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.408	0.729	0.185	0.280
35	0.438	0.719	0.287	0.486
45	0.990	1.720	0.715	1.343
55	2.549	6.481	1.873	3.864

Conventional whole life assurance other than Bonus Mortgage Plan – current year

Sample rates per 1000 for whole of life assurance (current year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.421	0.421	0.218	0.218
35	0.444	0.444	0.348	0.348
45	1.025	1.025	0.892	0.892
55	2.917	2.917	2.406	2.406

Conventional whole life assurance other than Bonus Mortgage Plan – previous year

Sample rates per 1000 for whole of life assurance (previous year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.421	0.421	0.218	0.218
35	0.444	0.444	0.348	0.348
45	1.025	1.025	0.892	0.892
55	2.917	2.917	2.406	2.406

Unitised Flexible Mortgage Plan – current year

Sample rates per 1000 for Unitised Flexible Mortgage Plan (current year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.503	0.500	0.244	0.391
35	0.539	0.495	0.378	0.680
45	1.190	1.221	0.942	1.877
55	3.116	4.485	2.468	5.401

Unitised Flexible Mortgage Plan – previous year

Sample rates per 1000 for Unitised Flexible Mortgage Plan (previous year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.503	0.500	0.244	0.391
35	0.539	0.495	0.378	0.680
45	1.190	1.221	0.942	1.877
55	3.116	4.485	2.468	5.401

Deferred pension contracts (post vesting) including guaranteed annuity options.

Sample percentages of the base tables used for the current year (and previous year) valuation are:

	Current Year		Previous Year	
	Male	Female	Male	Female
At age 55	102.1%	90.3%	102.1%	95.0%
At age 65	102.1%	90.3%	102.1%	95.0%
At age 75	102.1%	90.3%	102.1%	95.0%
At age 85	102.1%	90.3%	102.1%	95.0%
At age 95	102.1%	90.3%	102.1%	95.0%

Specimen annual improvement rates, dependent on calendar year, are:

Male

Males	2015	2025	2035	2045	2055	2065
55	2.43%	1.68%	2.50%	2.50%	2.50%	2.50%
65	1.71%	2.28%	2.14%	2.50%	2.50%	2.50%
75	2.59%	1.64%	2.37%	2.46%	2.50%	2.50%
85	3.15%	1.70%	1.54%	1.93%	1.94%	1.94%
95	0.94%	1.51%	1.35%	1.35%	1.39%	1.39%

Female

Females	2015	2025	2035	2045	2055	2065
55	2.53%	2.17%	2.50%	2.50%	2.50%	2.50%
65	2.02%	2.75%	2.36%	2.50%	2.50%	2.50%
75	2.72%	2.29%	2.62%	2.49%	2.50%	2.50%
85	2.97%	1.96%	1.84%	1.96%	1.94%	1.94%
95	1.32%	1.50%	1.39%	1.38%	1.39%	1.39%

The expectation of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are:

Age	Current Year		Previous Year	
	Males	Females	Males	Females
45	27.3	30.3	26.9	29.5
55	25.8	28.9	25.4	28.1

No other reserves for possible detrimental changes in mortality rates have been made.

(5) Morbidity Basis

All morbidity assumptions are based on the reinsurer's rates for the relevant contract. Sample morbidity rates per 1000 lives are as follows.

Sample rates per 1000 for Flexible Mortgage Plan - SCI (current year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.633	0.721	0.493	0.610
35	0.889	1.389	1.188	2.020
45	2.021	4.262	2.476	5.882
55	7.055	12.986	6.505	13.120

Sample rates per 1000 for Flexible Mortgage Plan - SCI (previous year)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.633	0.721	0.493	0.610
35	0.889	1.389	1.188	2.020
45	2.021	4.262	2.476	5.882
55	7.055	12.986	6.505	13.120

No allowance was made for future deterioration in mortality, critical illness or TPD.

(6) Expense Basis

The following table shows the gross attributable expenses per policy:

Product Group	Per Policy Expense			
	Current Valuation		Previous Valuation	
	UK (£)	Ireland (€)	UK (£)	Ireland (€)
Conventional With-Profits Business				
CWP savings endowment (120)				
- premium-paying	41.78	65.30	30.62	69.34
-single premium / paid-up	29.25	65.30	21.44	69.34
CWP pensions (165)				
- premium-paying	80.23	65.30	155.60	69.34
-single premium / paid-up	80.23	65.30	108.93	69.34
Unitised With-Profits Business				
UWP savings endowment (510)				
- premium-paying	80.23	N/A	26.67	N/A
-single premium / paid-up	80.23	N/A	18.68	N/A
UWP pension (525)				
- premium-paying	80.23	65.30	183.59	69.34
-single premium / paid-up	80.23	65.30	128.52	69.34

The expenses on life business are netted down for tax at 20%.

Investment Expense (Gross of Tax)	Current valuation	Previous valuation
Type of Business		
Conventional With-Profits (CWP)		
UK CWP Life	0.140%	0.140%
UK CWP Pensions	0.140%	0.140%
UK NP	0.080%	0.080%
IRE CWP Life	0.140%	0.140%
IRE CWP Pensions	0.140%	0.140%
IRE NP	0.105%	0.105%
Unitised With-Profits (UWP)		
UK UWP Life	0.177%	0.163%
UK UWP Pensions	0.142%	0.163%
IRE UWP Life	0.186%	0.163%
IRE UWP Pensions	0.169%	0.163%

The investment expenses for life fund business should be netted down for policyholder tax at 20%.

There is a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates And Expense Inflation

There are no unit growth rate assumptions as there is no linked business. Future expenses are assumed to increase at 3.11% p.a.

(8) Future Bonus Rates

Assumed future bonus rates are 0% for all business, with the exception of unitised with-profits policies invested in the unit series where there is a guaranteed minimum bonus rate of 3% (Series 1, life business), 0% (Series 2, life business), 4% (Series 1, pensions business) or 0% (Series 2, pensions business). In these cases, the guaranteed bonus rates are used in the valuation.

The above rates are as per the 2014 bonus recommendation paper.

(9) Persistency Assumptions

It is assumed that there are no lapses or surrenders and no policies are made paid-up after the valuation date.

(10) Other Material Assumptions

There are no other material basis assumptions.

(11) Allowance for Derivatives

Not applicable

(12) Effects of Basis Changes

There have been no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Guaranteed annuity rate options are included on the following contracts:

- Conventional pension pure endowments
- Simplified Pension Investment Funding Plan
- Select Executive and Personal Retirement Plans written in the Republic of Ireland prior to October 1998

For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the intrinsic value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract (but subject to a maximum of the re-investment rate), plus time value (using stochastic modelling).

It is assumed that:

- (a) The total reserve is based on the annuity take-up rate assumptions set out below. These assumptions take account of the guaranteed terms for escalating annuities, which are more onerous than those for level annuities.

Contract	Cash option	Level annuity	Escalating annuity
Conventional pure endowments	20%	40%	40%
Simplified Pension Investment Funding	0%	0%	100%

- (b) The reserves based on these assumptions are subject to a minimum of 95% of the reserves that would be held based on assumptions of 100% level annuities for conventional pure endowments and 100% escalating annuities for Simplified Pension Investment Funding Plan.
- (c) The Select Executive and Personal Retirement Plans assume 100% of policyholders exercise the guaranteed annuity option.

The total reserves on these contracts are:

Product	Basic Reserve	O/S Duration	Gtee Reserve	GAO Rate (male aged 65)	Incrs Yes/No	Ann. Form	Ret. Ages
	£m	years	£m				
Conventional Pension Pure Endowments	67.0	0 - 31	69.7	11.1% / 4.6% (UK) 11.1% / 9.1% / 4.6% (Ireland)	Yes	*	50-75
Simplified Pension Investment Funding Plan	39.7	0 - 13	14.2	10.0% / 4.5%	Yes	*	50-75
Select Executive & Personal Retirement Plan	13.8	0 - 41	9.1	9.1%	Yes, but guaranteed annuity rates do not apply.	*	60-70

* Sample guaranteed annuity rates are provided based on single life, level annuities paid monthly in advance and guaranteed for 5 years. Other options are available. For the Simplified Pension Investment Funding Plan, the basis of the annuity is decided at scheme level; for the other plans, policyholders may choose a different basis, e.g. with spouse's annuity, escalating payments or different payment frequency.

For Conventional Pensions, the guaranteed annuity rates were reduced in July 1999 in the UK and in both March and October 1998 in the Republic of Ireland. For the Simplified Pension Investment Funding plan, the guaranteed annuity rates were reduced in June 1999. The sample rates shown above are those applicable before and after these reductions.

(2) Guaranteed Surrender and Unit-linked Maturity Values

Additional reserves are held for the following guarantees. The additional reserves are deemed sufficient to cover the additional liability arising under the most onerous of the guarantee option dates in each case.

- Certain conventional endowment assurances (Selected Period Investment and Step-up Investment Plan) are written to mature on the policy anniversary before the 65th birthday but offer guaranteed early maturity values on each policy anniversary from the tenth onwards.
- UK Early Option Mortgage plans (with-profit endowment assurances) offer guaranteed early maturity options on any of the last five policy anniversaries.
- Irish Options Plus Endowment Plans (with-profit endowment assurances) offer guaranteed early maturity options on each policy anniversary from years 5 or 10 onwards.
- Irish Capital Options plans (with-profit endowment assurances) were available for terms of between 10 and 30 years (subject to a maximum age at expiry of 85) but with guaranteed early maturity options available on each policy anniversary from the fifth anniversary onwards.
- Irish Bonus Mortgage Plans offer guaranteed early maturity options on each policy anniversary from year 10 onwards.
- Certain conventional deferred annuities were written to retirement ages of 70 or 75 but with guaranteed early retirement factors from age 60.

No additional reserve is required for the following guarantees:

- UK Capital Investment Bonds investing in the Series I With-Profits Life Fund guarantee that no MVA will be applied on quinquennial policy anniversaries. There has been no new business since 1997 and so this business falls outside the commencement period for which MVAs apply.
- Irish With-Profits Bonds sold after March 1999 have a surrender value guarantee of a return of premium on the fifth policy anniversary. The amount of basic reserve held is greater than total premium in force, and so no additional reserve is required.

Product	Basic Reserve	O/S Duration	Gtee Reserve	Gtee Amount	MVA-free conditions	In-force premiums	Incrs Yes/No
	£m	years	£m	£m		£m	
Selected Period Investment	58.1	0 - 33	1.3	47.7	n/a	2.0	No
Step-up Investment Plan	45.7	0 - 33	2.1	66.5	n/a	3.2	No
UK Early Option Mortgage Plans	22.4	0 - 22	0.5	45.1	n/a	2.7	No
Irish Options Plus Endowment Plan	7.8	0 - 34	0.1	7.3	n/a	0.2	No
Irish Capital Options	10.9	0 - 19	0.3	19.3	n/a	1.1	No
Irish Bonus Mortgage Plan	3.7	0 - 22	0.0	5.7	n/a	0.4	No
Deferred annuities (SEDA)	241.9	0 - 46	0.1	16.6	n/a	2.1	No
UK Capital Investment Bonds	36.5	0 - 73	0.0	41.8	On quinquennial anniversaries	0.0	No
Irish With-Profits Bonds	1.3	0 - 78	0.0	1.8	n/a	0.0	No

(3) Guaranteed Insurability Options

Not applicable

(4) Other Guarantees and Options

Not applicable.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £6.92m. This is composed of the following elements:

	£m
Explicit allowances for investment expenses	0.00
Explicit allowances for other maintenance expenses	5.25
Implicit allowances for investment expenses	1.68

(2) Implicit Allowances

The implicit allowance for investment expenses has been calculated as a reduction in the valuation interest rate, which is the rate of the investment manager's fees. The expense by class of business is shown in the table above under paragraph 4 section (6) Expense Basis.

(3) Form 43 Comparison

The table below shows the difference between the amount in paragraph 6 (1) and that reported on line 14 of Form 43.

	F43.14	Table 6(1)	Difference
	(a)	(b)	(a) - (b)
	£m	£m	£m
Maintenance expenses	5.25	5.25	0.00
Investment management expenses	2.42	1.68	0.75
Total	7.67	6.92	0.75

The expense loadings in Table 6 (1) are based on a smaller book of business due to the run-off of this closed fund than in Form 43 line 14, though this is partly offset by the inclusion of an additional year's inflation compared to Form 43 line 14. Additionally the following differences exist between the two:

- Form 43 includes a services fees cost of £0.6m as part of the maintenance expense which is not included in Table 6 (1)

(4) New Business Expense Overrun

Since the company is closed to new business, except for contractual increments, it does not expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with paragraph 6 (1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the fees payable under a management services agreement plus a prudent allowance for costs that are not covered by standard fees payable under the agreement.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

Not applicable – all expenses are treated as attributable.

7. MISMATCHING RESERVES**(1) Analysis of Reserves by Currency**

	Matching Assets			
	Mathematical Reserves	Same Currency	Other Currency	Mismatching Percentage
Currency	£m	£m	£m	£m
Sterling (£)	1,260.6	1,076.7	183.9	15%
Euro (€)	393.0	295	98.2	25%

(2) Other Currency Exposures

Not applicable

(3) Currency Mismatching Reserve

No currency mismatching reserve is necessary.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No reserve is required for mismatching. Liabilities are analysed by duration and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

8. OTHER SPECIAL RESERVES

Data Provision	5.5
Future Litigation Costs	3.3
Project and Other Costs	3.6
Solvency II	1.3
VAT	1.2
Costs falling outside MSAs	0.2
TCF	0.0
Capita Regulatory Buyout	0.1
Asset Management Services	0.0
Cost of Guidance	1.2

9. REINSURANCE

(1) Facultative Reinsurance

- (a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
- (b) No premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

Not applicable

10. REVERSIONARY (OR ANNUAL) BONUS

The reversionary bonus rates have been as follows:

Bonus series	Mathematical reserves £m	Reversionary bonus rate (current year)	Reversionary bonus rate (previous year)	guaranteed bonus rate (current year)
Conventional business				
UK Conventional assurances (life)	58.8	1.5%	2%	0%
Irish Conventional assurances (life)	102.5	3.0%	3%	0%
Conventional individual deferred annuities and pure endowments	525.3	1.5%	2%	0%
Unitised Business				
Unitised Life Series I	78.7	5%	3%	3%
Unitised Life Series II	40.7	2%	2%	0%
Irish Unitised Life Fund	2.7	1%	1%	0%
Unitised Pensions Series I	505.3	4%	4%	4%
Unitised Pensions Series II	192.7	2%	2%	0%
Irish Unitised Pensions Series I	29.7	4%	4%	4%
Irish Unitised Pensions Series II & III	35.8	1%	1%	0%
Simplified Pension Investment Funding Plan Tranche 4	1.8	6%	6%	6%
Simplified Pension Investment Funding Plan Tranche 5	7.5	5.25%	5.25%	5.25%
Simplified Pension Investment Funding Plan Tranche 6	12.1	4.5%	4.5%	4.5%
Simplified Pension Investment Funding Plan Tranche 7	23.7	4%	4%	3%
Simplified Pension Investment Funding Plan Tranche 8	9.2	5%	5%	0.5%

For unitised with-profits policies, the reversionary bonus is added daily in the form of growth of the unit price.

NPI With-Profits Fund

As part of the transfer of NPIL to PLL on 1st January 2012 a new NPI WP fund was created. NPIL held predominantly non-profit business but the unit-linked business had a unitised with-profit (UWP) option and this business transferred to NPI WP.

The UWP business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges; the NPI With-Profits fund therefore has no net assets. Asset shares and any bonuses paid by the NPI WP fund are determined by the reinsurer. As a consequence the NPI With-Profits fund does not require the appointment of a With-Profits Actuary. Further to this it is also not the intention to complete a separate Appendix 9.4 for the NPI With-Profits fund, instead relevant questions have been addressed in Appendix 9.4 of the Non Profit Fund.

Non Profit Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Policies previously written in PLL, Alba, Century, BULA, SMA, SPL, BRS, BA

Not applicable.

Policies previously written in NPIL

Market value reductions (“MVRs”) were applied on NPIL business as follows:

Product	Premium Investment Date	Period applied
Portfolio Bond Series 1	Jan 2000 to Mar 2001	Throughout 2014
	Apr 2001 to Jun 2001	Until 30 Sep 2014 and throughout Nov
	Apr 2007 to Dec 2007	Until 31 Mar 2014
Portfolio Bond Series 2	Jan 2000 to Jun 2000	Throughout 2014
	Jul 2000 to Sep 2000	Until 30 Sep 2014
	Oct 2000 to Dec 2000	Until 31 Mar 2014
Investment Bond	Jan 2000 to Mar 2000	Until 30 Jun 2014
	Jan 2006 to Sep 2006	Until 31 Mar 2014
Pensions business (excluding Capital Account)	Jan 2000 to Sep 2000	Throughout 2014
	Oct 2000 to Dec 2000	Until 30 Jun 2014

(2) Premiums on Reviewable Protection Policies

The following table shows the changes to premiums on non-linked reviewable protection policies since the previous valuation date.

Previous Company	Product	No of Policies	Annual Premium (£000s)	Range of increase	
				From (%)	To (%)
BULA	Mortgage Cover Plan	421	151	-31%	0%
Century	Ex-NAL Critical Illness Plan	5,781	1,370	-11%	0%

The following table shows the reviewable protection policies where there were no changes to premiums since the previous valuation.

Previous Company	Product	No of policies	Annual premium in (£000s)
BA	Decreasing term assurance	422	88
BA	Level Term assurance with critical illness	209	39
BA	Critical illness	871	181
BA	Pensions term assurance	2,923	465
BULA	Life Cover Plan	148	46
BULA	Total Cover Plan	332	165

The following table shows the yearly renewable term assurance policies where there were no changes to underlying premium rates since the previous valuation.

Previous Company	Product	No of policies	Annual premium in (£000s)
PLL	Progressive Protection Plan	4,459	19,163
PLL	Flexible Mortgage Plan	939	368

(3) Non-profit deposit administration contracts

Policies previously written in PAL

The Pension Plan for the Self-Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970.

The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970.

The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member.

Under these contracts premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually.

The interest rates applied during the valuation year were as follows:

Month	Interest Rate %p.a.
January	3.28%
February	3.29%
March	3.27%
April	3.26%
May	3.25%
June	3.24%
July	3.23%
August	3.22%
September	3.23%
October	3.22%
November	3.22%
December	3.20%

Policies previously written in SLUK

The interest rate applied during 2013 on deposit administration contracts previously written in SLUK was 0.54%.

Policies previously written in Century

Non profit Deposit Administration

This is a group deposit administration policy approved under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the account accumulates with credited interest additions which are the greater of:

- a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%; and
- b) A basic credited rate increased by 1.5%.

For paid-up policies, the credited rate is reduced by 2% and the addition and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are 0.00% p.a. for each month.

The Pensions 2000 Range (First Series)

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988.

For premium paying schemes the interest additions made to the accounts are the greater of:

- (a) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy. The guaranteed rate is increased for schemes where the level of annual premium exceeds certain thresholds. These thresholds vary according to the year in which the policy was effected, and are increased from year to year in line with the increase in the Retail Price Index over the period between commencement and renewal dates; and
- (b) A credited rate. This rate is increased as described above.

For paid-up policies the credited rate is reduced by 2% and the threshold increases and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are 0.00% p.a. for each month.

For pooled funded arrangements the base thresholds (i.e. before increasing in line with the Retail Price Index) are generally as follows:

Annual premium	Additional Interest
£4,999 or less	Nil
£5,000 to £9,999	0.50%
£10,000 to £49,999	1.00%
£50,000 or over	1.50%

For the money purchase arrangements additional interest is credited at the following rates:

Annual premium	Additional Interest
£9,999 or less	Nil
£10,000 to £49,999	0.50%
£50,000 or over	1.00%

This scale of thresholds applies to each of the first five policy years of a scheme. In subsequent years the threshold levels are indexed in line with the Retail Price Index.

Century Group Deposit Administration

These are group pension contracts designed to secure approval under Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after provision for administration charges and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. There are also guaranteed deferred and immediate annuity rates for the conversion of funds into annuities. Separate life assurance and widows reversionary annuities may be included on a non-profit basis.

Century Personal Pension Plans - pre April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Separate life assurance may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Personal Pension Plans - post April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Separate life assurance may be included on a non-profit basis. Dividends are guaranteed to be not less than 4% per annum (1% per annum on Initial Premiums). There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Capital Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first year of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There remains an absolute guarantee that bonuses will average at least 4.5% and 1.5% per annum. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Century Executive Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years' of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

Policies previously written in Alba, BULA, BRS, BA, SMA, SPL and NPIL

There are no deposit administration policies in force.

(4) Service Charges on Linked Policies

Policies previously written in PLL, Alba, Century, BULA, SMA, SPL and NPIL

The following table shows the range of changes to policy fees on unit-linked contracts during 2014:

Ex-Company	Minimum % increase	Maximum % increase
PLL	0.00%	5.60%
Alba	0.00%	2.85%
Century	0.00%	3.30%
BULA	3.17%	5.00%
SMA	0.00%	0.91%
SPL	0.00%	4.17%
NPIL	1.10%	3.30%

Policies previously written in BRS

There are no linked policies with service charges.

Policies previously written in BA

There are no linked policies in force.

(5) Benefit Charges on Linked Policies

There were no changes to benefit charges on linked policies in the period.

(6) Accumulating With Profits Charges

There were no changes to the unit management charges or notional charges on accumulating with profit policies and linked business during the year.

(7) Unit Pricing of Internal Linked Funds

Policies previously written in PLL

(a) Method used for cancellation and creation of units

All units are allocated to policies at the offer price calculated at the first valuation subsequent to the decision to allocate units. For non-Group units the fund is credited with an amount equal to the number of units allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively).

For Group units the fund is credited with an amount equal to the number of units allocated multiplied by the offer price.

All units are de-allocated from policies at the bid price calculated at the first valuation subsequent to the decision to de-allocate units. For non-Group units the fund is debited with an amount equal to the number of units so de-allocated multiplied by the creation price or cancellation price (depending on whether the assets of the fund are being valued on a creation basis or cancellation basis respectively). For Group units the fund is debited with an amount equal to the number of units de-allocated multiplied by the bid price.

Method used to determine prices of non-Group units in internal linked funds (except units in the Old Building Society Fund)

Prices of non-Group units in internal linked funds are calculated periodically thus:

- (i) The assets of the fund are valued at 8 a.m. on the valuation day using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund less any appropriate tax charge is credited to the fund. Allowance is made for accrued income less deductions for any tax charges, both actual and prospective, and any other appropriate deductions permitted by policy conditions which includes investment management expenses for certain products.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) unless there is material new money into the fund on a pricing day. If this is the case, the assets are valued on a creation basis (i.e. the price at which the assets would be purchased) for that day only.

- (ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.

- (iii) Except for the Lifestyle Bond fund series and the Pensions Solutions fund series (for the range of pension products launched on 6 April 2001), a fund management charge is deducted from the fund at the applicable rate. The fund value for charging purposes may or may not include dealing costs adjustments and certain tax adjustments depending on policy conditions.

- (iv) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

- (v) The offer price is calculated as the creation price or cancellation price, if the assets of the fund are valued on a creation basis and cancellation basis respectively, multiplied by A/B and rounded. The bid price is calculated as B% of the offer price and rounded, where:

A = 101 for all ULA and ULPF fund series except Money and Shield fund series
= 100 for other fund series

B = varies between 94 and 100. 100 less B represents the bid/offer spread

- (vi) Prices in the Deposit and Money funds are guaranteed not to fall.

Method used to determine prices in the Old Building Society fund

The change in unit price of accumulation units is linked to the change in the lowest rate of interest used by Santander (previously Abbey National plc) for new repayment mortgages granted on owner-occupied private domestic premises. In the event that no such rate or more than one rate is used, the Company may use a rate that is in its opinion fair and reasonable. In the case of capital units only, an additional annual management charge, currently 3.5%, applies.

Method used to determine prices of Group units in internal linked funds

Prices of Group units in internal linked funds are calculated periodically thus:

- (i) The assets of the fund are valued on the last working day of the month at 8 a.m. using, where applicable, the latest available prices supplied by a recognised supplier. Income from the assets of the fund is credited to the fund. Allowance is made for accrued income, both actual and prospective, and any appropriate deductions permitted by policy conditions. Certain costs incurred are met by the fund, e.g. custodian's fees, stamp duty and other dealing costs. Investment management expenses are met by the Company.

The assets of the fund are valued on a cancellation basis (i.e. the price at which assets would be sold) or a creation basis (i.e. the price at which the assets would be purchased) depending on whether there is a net cancellation or creation of units at the valuation date.

- (ii) The value determined in (i) is adjusted by an allowance for dealing costs representing dealing costs incurred in purchasing an identical portfolio if valued on a creation basis or dealing costs incurred in realising the portfolio if valued on a cancellation basis.
- (iii) A fund management charge is deducted from the fund at the applicable rate.
- (iv) The value of the fund thus determined divided by the number of units in issue represents the creation price (if assets are valued on a creation basis) or cancellation price (if assets are valued on a cancellation basis).

There is no bid/offer spread. If the fund is valued on a cancellation basis the bid and offer prices are calculated as the rounded cancellation price. If the fund is valued on a creation basis the bid and offer prices are calculated as the rounded creation price.

Method used to determine prices of units in internal linked funds (SLUK, ex-OB Fund)

In pricing units in internal linked funds, investments are valued at the lowest available offer price or the highest available bid price with appropriate allowance for the expenses of purchase or sale. The decision to value on a bid or offer basis is based on whether the trend of the number of units in the fund is downwards or upwards. The valuation is used to determine the bid price, the offer price being determined by adding the bid/offer spread to the bid price. Units are created and cancelled at the bid price; they are allocated to policies at the offer price and redeemed at the bid price. The prices used are those in effect on the day following a decision to carry out a transaction, or on the day a transaction is effected. Pricing is normally carried out daily for those funds which are invested in equities. For other funds, pricing is normally carried out weekly, the prices applying to the following seven days.

(b) Different Pricing Bases

Other than the differences mentioned in (a), different pricing bases do not apply to different policies.

(c) Units in Collective Investment Schemes

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

For externally managed funds, purchases are normally made at the offer price and sales at the bid price.

In addition, for fund series formerly in ULA and ULPF, Series 8, 9 and 10 units for funds formerly in SAPL and the Lifestyle Bond and Pensions Solutions fund series, any remaining unit trust or Open Ended Investment Company fund management charge net of any rebate is reimbursed by the Company to the internal linked fund.

Policies previously written in Alba

(a) Method used for cancellation and creation of units

For all contracts described in this section, unless otherwise stated, the following features apply:

- All unit purchases are subject to a charge (representing the bid-offer spread) of typically 5%.
 - There is currently no charge for one switch between funds every year (though the company reserves the right to introduce such a charge at any time). Charges are normally made for each switch after the first.
- (i) The price at which the company creates and liquidates units is on the bid price on the day in question.
- (ii) Assets are valued at market values where they exist. The following rules apply:

Asset	Bid price	Offer Price
Cash	Face value	Face value
Internal linked Fund	Bid	Bid
Fixed interest	Bid minus dealing	Offer plus dealing
Internal unit trust	Cancellation	Creation
External unit trust	Bid	Offer
Equity	Bid minus dealing	Offer plus dealing
Property	Market value minus sale costs	Market value plus purchase costs

Most of the “Main Funds”, i.e. the Internally Managed BLAS Life and Pensions Funds, are invested directly in unit trusts managed by Ignis Asset Management.

Calculating bid and offer values of the units

The asset values used in the calculation of unit prices include an allowance for dealing costs of buying or selling the assets.

The initial charge incorporated into the calculation of maximum offer prices is fixed at 5/95 of the value of the Fund.

- (iii) Basis of valuation of assets

Funds’ unit movements are reviewed on a regular basis. If there are net purchases expected in the medium term then a fund would be valued on an offer basis, otherwise the fund would be valued on a bid basis.

- (iv) Timing of asset valuation

The Main Funds are valued at noon each day. Funds which are cross invested in other BLAS Funds are valued after pricing the principal Funds and therefore receive same day price.

The Externally Managed Funds are priced on previous day’s closing values.

(b) Different Pricing Bases

There are no differences applying to different policies.

(c) Collective Investment Schemes

This is covered in (a) above.

Policies previously written in Century

(a) Method used for cancellation and creation of units

The valuation price of a unit is calculated by dividing the market value of the relevant assets, including accruals for income and charges and after adjustment for accrued liability for tax on income and on realised and unrealised capital gains and losses, by the number of units in existence for the fund / type.

The creation price of a unit is obtained in the same way as the valuation price, having regard to the offer value of the investments plus the costs of acquisition. The cancellation price is similarly obtained having regard to the bid value of the investments less the costs of disposal.

If a fund has a net cash inflow and this is expected to remain so then the creation price will be used to allocate units to and, within limits, to de-allocate units from funds. Where a fund has a net cash outflow and is expected to remain so then the cancellation price will be used to de-allocate units from and, within limits, to allocate units to funds.

For funds priced on a bid (cancellation) basis, the published bid price is determined from the cancellation price and, where the policy conditions permit, it may be rounded down by up to 1%. However, all prices are rounded to the nearest tenth of a penny. The offer price is then obtained by multiplying by $100/(100-\text{bid offer spread } \%)$.

For funds priced on an offer (creation) basis, the published offer price is determined from the creation price multiplied by $100/(100-\text{bid offer spread } \%)$ and, where the policy conditions permit, may be rounded up by up to 1%. However, all prices are rounded to the nearest tenth of a penny. The published bid price is then $(100-\text{bid offer spread})\%$ of the offer price.

Valuations are carried out daily based on the previous night's closing market values of the investments. Some prices may be adjusted to reflect market and currency movements from the previous close until the valuation of the linked fund. Unit movements are allocated using the price calculated on the same day as the movements are processed. If a policyholder request to deal is received by post, then it is processed using the price on the day of receipt of the notification. If the notification is received by fax, then the following day's price is used.

(b) Different Pricing Bases

Except in very rare situations where a policyholder unit reduction is so large as to attract a dilution levy, at any one time the same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Where externally-managed collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Policies previously written in BA & BULA

(a) Method used for cancellation and creation of units

Ex-Unit Linked Fund: Other than Pensions Managed Fund business

Units are allocated to policies at the published offer price on the valuation date immediately following the date of receipt of the premium. On maturity, units are cancelled at the bid price on the valuation date immediately preceding the maturity date. On retirement, units are cancelled at the bid price on the last valuation date in the month of the selected retirement date. On death, critical illness, surrender, transfer, withdrawal, early retirement or other early termination, units are cancelled at the bid price on the valuation date following date of notification. Charges for mortality and terminal and critical illness cover, where applicable, are made by cancelling units at the bid price.

Units are only created in any linked fund if assets equivalent to such units are added simultaneously to the fund. Except for the purposes of meeting all expenses, charges and any tax liabilities or for reinvestment, assets are only withdrawn from any linked fund if units equivalent to such assets are simultaneously cancelled.

Currently unit prices are determined by valuing the assets of the linked funds weekly, normally on a Wednesday, the valuation date. The day and frequency of such valuations may be amended after giving prior notice. The valuation takes account of all assets including uninvested cash. Stock exchange securities are valued using quoted prices. The value of land and buildings, if any, is based on valuations prepared by independent valuers with due allowance for variations since such valuations. The values of other assets are determined after taking any advice from independent experts or valuers where appropriate.

The offer value of a linked fund is the value of the investments at the prices at which they might be purchased on the valuation date, increased by amounts to cover acquisition costs of these investments and for accrued investment income and reduced by amounts to cover provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The offer price of a unit is the offer value divided by the number of units, multiplied by 100/95 and the result rounded to the nearest tenth of a penny. The published offer price may vary below this offer price.

The bid value of the linked fund is the value of the investments at prices at which they might be sold on the valuation date, increased by amounts for accrued investment income and reduced by amounts to cover realisation costs, provisions for capital gains tax where applicable, other taxes and levies and by the management charge. The bid price of a unit is the bid value of the fund divided by the number of units, rounded to the nearest tenth of a penny. The published bid price may vary above this bid price.

When the published prices are based on an offer basis, then the published offer price is the rounded offer price and the published bid price is 95% of the published offer price. When the published prices are based on a bid basis, then the published bid price is the rounded bid price and the published offer price is 100/95 times the published bid price. The offer basis is generally used for periods of net creation of units and a bid basis is generally used for periods of net cancellation of units. All funds are currently on a bid basis.

Ex-Unit Linked Fund: Stakeholder Pension

These funds are priced daily, on an offer basis if there are net creations that day or on a bid basis if there are net cancellations that day. They are single priced and there is no bid/offer spread.

The offer basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be bought, increased by amounts to cover dealing costs and taxes, where applicable, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded to six decimal places.

The bid basis price is the value of the assets of the fund, based on the prices at which the underlying assets could be sold, decreased by amounts to cover dealing costs, divided by the number of units, then reduced by the equivalent of one day's management charge and then rounded to six decimal places.

Ex-Unit Linked Fund: Pensions Managed Fund Business

These funds are priced in a similar way as described above for Stakeholder Pension business. However, investors can choose whether management charges are reflected in the price or are taken by unit cancellation.

Ex-Non-Profit Fund: Other than the Capital and Super Plan

Unit prices are determined weekly. Unit prices may be determined more frequently at the company's discretion.

Policyholders buy units at the next available published offer price following the day that premiums are paid. Units are bought from policyholders at the next bid price following an instruction to switch units and at the current bid price at the time of maturity or death. Unit charges are deducted at the latest bid price at the time the charge is made. On surrender, units are valued at the latest bid price following receipt of all necessary documentation.

Units in the internal linked funds are created or cancelled at the unrounded offer price to match the number of units allocated or deallocated from policies. When there is expected to be a net purchase of underlying assets over the medium term, the internal linked funds are valued on an offer basis. A bid basis is used when net sales are expected.

When the funds are valued on an offer basis, unrounded offer prices are equal to the net asset value per internal unit for each unit fund. For a particular fund the asset value is:

- the lowest offer value of assets as at the close of the previous working day
- plus an estimate of the buying expenses incurred in purchasing an identical portfolio of assets
- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued realised and unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter item is deducted weekly.

When the funds are valued on a bid basis, unit allocations and deallocations again take place using an unrounded offer price. This again is equal to the net asset value per internal unit for each unit fund. In this case for a particular fund the asset value is:

- the highest bid value of assets at the close of the previous working day
- less an estimate of the cost of realising the portfolio of assets
- plus investment income (net of tax for life funds)
- minus, for life funds, a provision for accrued realised and unrealised capital gains tax
- minus an amount in respect of accrued annual management charge.

The latter is deducted weekly.

On both bases, the published offer price is the unrounded offer price rounded to the nearest 0.5 pence. The published bid price is calculated as 95% of the published offer price rounded to the nearer 0.5 pence.

Within each fund, all policyholder units are valued using the same basis.

Ex-Non-Profit Fund: Capital and Super Plan

Unit prices are calculated on the 16th of each month based on closing prices on the 15th. Premiums are paid on the 15th of each month and policyholders purchase units at the offer price calculated on the 16th. On maturity or death, units are cancelled at the latest bid price. On surrender, units are cancelled at the latest bid price following receipt of all documentation. Super Plan units may be surrendered only on the 16th of each month. At the company's discretion Capital Plan units could be surrendered at the next available bid price.

The published Capital Offer price is the unrounded price multiplied by 1.025 rounded to the nearest half pence. The published Capital Bid price is calculated as the unrounded price rounded to the nearest half pence. The published Super Plan Offer price is the unrounded price multiplied by 1.035 rounded in the same way as the Capital price. The published Super Plan Bid price is calculated as the unrounded price rounded in the same way as the Capital price.

Unrounded prices are equal to the net asset value per internal unit for each unit fund. For each fund the asset value is the mid-market value of assets as at the close on the 15th of the month minus a provision for accrued realised and unrealised capital gains tax.

(b) Different Pricing Bases

The same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

Funds buy units in certain collective investment schemes managed by Ignis Asset Management at the creation price and sell units at the cancellation price. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Where externally-managed collective investments are held, either the published offer price or the published bid price of the underlying unit trust is used, as appropriate. The price used in the fund valuation is in the main from midnight the day before the valuation date, but may be adjusted to reflect market and currency movements from then until the valuation of the linked fund.

Policies previously written in BRS

(a) Method used for cancellation and creation of units

For the Equity Release Plan there is a single unit in each individual internal linked fund. For the purpose of determining unit prices, properties in the funds are held at vacant possession open market value. Properties are independently valued at acquisition and at least once every three years thereafter. The internal linked funds are valued at least once in each calendar year on the basis of the most recent valuation of the property adjusted using statistics for movements in house prices since the date of the last valuation.

(b) Different Pricing Bases

The same pricing basis is used for all policies at all times.

(c) Collective Investment Schemes

The units are not in collective investment schemes.

Policies previously written in SMA and SPL

(a) Method used for cancellation and creation of units

The pricing basis depends on whether the unit-linked fund is expanding or contracting.

The company reviews the pricing basis regularly. Most funds are priced on a contracting basis and in general each fund will be considered to be contracting unless there is evidence of material new money being paid into the fund and a likelihood that will continue over the medium term.

The Bare Price of the fund is the creation Price or cancellation Price, depending on which pricing basis is being used (see below for details).

Method used for allocation and de-allocation of units

The quoted offer price for a particular day is the Bare Price divided by (1 minus the initial charge) and rounded up by no more than 0.1p. The initial charge is typically 5%.

The quoted Bid Price equals the quoted Offer Price adjusted for the Bid-Offer Spread (usually equal to the Initial Charge) and rounded to the lower 0.1p.

The prices used for transactions on a particular day are determined based on the asset position of the fund at 12pm on the previous working day (except Broker Managed Funds which are priced at close of business). The timing of the transaction relative to the time at which the policyholder requested the trade varies by product and is defined in the policy conditions. We no longer accept faxed instructions.

Exceptional circumstances

Special bid and offer prices may be quoted for a material transaction or series of bid and offer prices may be quoted for a material transaction or series of transactions. "Material" means any one transaction or series of transactions which are of such a size that the company considers the basis of the pricing should change from creation to cancellation or vice versa to maintain equity between the transacting policyholders and remaining policyholders in the fund.

(b) Different Pricing Bases

The same pricing bases apply to different policies investing in the same internal linked funds.

(c) Collective Investment Schemes

The internal linked funds managed by Ignis invest predominantly in unit trusts and OEICs. These collective investment schemes are valued using the creation or cancellation price for the collective investment scheme as appropriate for the net expansion or contraction of the linked fund. The price calculated for the collective investment scheme on a particular day is used in the valuation of the linked fund on the same day and is the price at which policyholder transactions in the linked fund on that working day are based.

Where funds are invested in externally-managed collective investment schemes, they are normally valued using either creation or cancellation prices as appropriate for the net

expansion or contraction of the fund. If the collective scheme has a single price, rather than separate buying and selling prices, this single price is used to value the asset.

In all cases prices of collective investment schemes may be adjusted to reflect market and currency movements from their valuation point until the valuation of the linked fund.

Policies previously written in NPIL

(a) Method used for cancellation and creation of units

Units are of two main types. They are called initial and ordinary in NPIL and the corresponding types are capital and accumulation in PAUF and PAULP. LLLA has only accumulation units. The following method applies to all units.

- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction
- (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except on certain PAUF and PAULP policies whose bid prices are rounded to the higher tenth of a penny. Units are allocated to policies at the offer price and cancelled at the bid price. Units are allocated to Stakeholder policies at bid price. Switches in and out of units within a policy are processed at bid prices.
- (iii) The asset values of the internal linked funds are calculated on a “bid” basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
- (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for LLLA business.

(b) Different Pricing Bases

During the financial year there was no time at which different pricing bases applied to different policies.

(c) Collective Investment Schemes

Other than the Multi Manager Pension Fund, the funds are invested in collective investment schemes managed by Henderson. A mid-market price applies to these collectives although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on un-swung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued (except for the Henderson Diversified Growth Fund asset and the assets of the NPIL Multi Manager Pension Fund, where the most recent prices of the collective investment schemes are used.)

(8) Tax Deductions From Internal Linked Funds

This section is applicable to taxable life funds only. Pension funds may suffer tax to the extent that deductions cannot be reclaimed on underlying assets, although generally there would be no direct deductions in unit pricing.

Policies previously written in Alba

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes.

For ordinary disposals each taxable gain is charged at the rate in force at the time of disposal. Details of tax liabilities in respect of investment income and realised capital gains are incorporated into unit pricing from the investment ledger on a daily basis.

In the case of deemed disposals, this is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to gains in the previous 2 years an amount of tax is credited back to the fund. Tax expected to be payable in current and future years as a result of a deemed disposal is removed from the fund in full but at a discounted rate, during the deemed disposal process. The rate at 31 December 2014 was 19.2%.

Current liabilities are maintained in the fund that reflect the Fund's accrual of unrealised capital gains but this may be discounted to the extent that tax on them can be deferred. The rate at 31 December 2014 was 19.2%.

An appropriate allowance is made for indexation in the calculation of gains subject to taxation.

Policies previously written in BA, BULA, Century and ACI

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

Tax is applied to each internal linked fund as if it were a separate fund for tax purposes. Realised tax is removed from the funds at least annually. In the case of unit trusts, a deemed disposal is carried out at the end of each financial year and the tax deducted from the funds. Where a gain occurs subsequent to previous losses, those losses are used to offset the gain. Where a loss occurs subsequent to gains in the previous 2 years an amount of tax is credited back to the fund. Tax expected to be payable in current and future years as a result of a deemed disposal is removed from the fund in full but at a discounted rate, during the deemed disposal process. The rate at 31 December 2014 was 19.2%

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or, in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. The unrealised provision is calculated at a discounted rate of tax where funds are primarily invested in assets subject to deemed disposal (19.2% at 31 December 2014), and the full 20% otherwise. Tax on realised gains is deducted at 20%.

All funds are currently priced on a bid basis except for the Capital and Super Plan Funds, which are priced on a mid basis. The tax on unrealised gains for these funds was 19.2% as at 31 December 2014.

Policies previously written in BRS

No deductions are made for capital gains tax in the Equity Release Plan internal linked funds.

Policies previously written in SMA and SPL

Each individual linked fund is treated as a separate entity for the purpose of tax.

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

If there are net overall realised and unrealised gains, the calculation of the unit price will include a charge for the tax expected to be payable on these gains. Gains are reduced for the benefit of indexation relief, where available. If there are net overall realised and unrealised capital losses, the unit price may include a credit for the expected tax relief that the company can obtain on these losses. If this credit is not given for these losses, they are carried forward to be offset against future gains.

At the end of each year the charge for the tax on accrued realised gains is cash settled with the non profit fund. The fund may be paid a cash credit for tax relief on accrued realised losses. Unrealised gains and losses are carried forward to the next accounting period.

The rate of tax charge on gains is the policyholder tax rate, which may be discounted to reflect timing until the tax is paid, including allowance for spreading of gains under the deemed disposal rules where the underlying holding is a collective investment vehicle. The rate of tax relief on losses is the policyholder tax rate discounted to reflect timing until it is expected that the loss can be used by the company to be offset against future gains.

For UK and Irish funds, as at 31 December 2014 the rate applying to net realised gains was 20%. Net unrealised gains were taxed at an appropriate rate (19.2% for UK funds and 19.5% for Irish funds) where funds were primarily invested in assets subject to deemed disposal, and 20% otherwise. No tax relief was being given where there were net losses. Deemed disposals were taxed at these same rates and income was taxed at 20%.

Policies previously written in NPIL

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements.

Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in Life equity funds are index-adjusted. There are no tax accruals in Pension funds.

As at the end of 2014, all but three Equity funds had accumulated losses and tax rates for both losses and gains (realised and unrealised) were set to zero. In the three exceptions, the funds had a net gain position and tax rates were set to 19.2% for unrealised gains and losses and to 20% for realised gains and losses.

In the event that tax rates are non-zero, the practice is that accruals for realised gains and losses in Equity funds are settled once a year. Accruals for unrealised gains and losses would be cleared at the end of each financial year under the “deemed disposal” regime.

Other Policies

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20%.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Tax on Realised Capital Gains

The provision for tax on realised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the realised capital gain calculated as the excess of the proceeds on disposal of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses are applied to offset any realised capital gains within the same fund.

The tax rate applied to realised capital gains does not exceed that which would apply if the fund comprised the whole of the Company’s life assurance fund with no allowance being made for expenses. For chargeable assets excluding gilts and bonds, the rate of tax applied during the report period has been 20%. Throughout the report period the rate of tax for gilts and bonds, where a tax rate has applied, was 20%. The provision for tax on realised capital gains is deducted from the fund annually at the end of each year.

For deemed disposals, one seventh of the gain is provided for as above. The balance of the instalments is taxed at an appropriate rate (19.2% at 31 December 2014) and the provision is held within the fund. When the capital gains tax charge on a subsequent instalment falls due, the instalment is removed from this provision and treated as other realised tax charges described above.

Where policy benefits are linked to directly held assets, namely authorised unit trusts or other collective investment schemes, a deduction is made from the policy benefits when units are de-allocated representing tax on the realised capital gains as permitted by policy conditions.

Tax on Unrealised Capital Gains

The provision for tax on unrealised capital gains on chargeable assets within internal funds is calculated at each valuation by applying a tax rate to the unrealised capital gain calculated on the excess of the market value of the asset less the book cost of the asset with appropriate allowance for indexation relief.

Any brought forward realised capital losses remaining after offsetting against the provision for realised capital gains are applied to offset any unrealised capital gains within the same fund.

(9) Tax Provisions for Internal Linked Funds

An additional reserve of £10.1m has been reintroduced for the current valuation due to a mismatch between the capital gains position of individual life linked funds and the overall position of the company.

Policies previously written in PLL

For assets of internal linked funds, provision for tax on unrealised capital gains has been implicitly included in the unit liability, the latter being equal to the value of the corresponding linked funds which has been adjusted to allow for future tax on capital gains.

Tax rates used in the determination of the provision are described above in 3(8).

This method applies to all types of units.

Policies previously written in Alba

These are covered in paragraph 3(8) above.

Policies previously written in Century

During the year, realised and unrealised gains and losses are notionally credited in the pricing process. Tax is deducted and credited at the current rate used to calculate the unrealised provision.

Realised and unrealised capital gains are calculated as the difference between the sale proceeds and indexed pooled book cost or in the case of unit trusts, the indexed pooled market value at the date of the latest deemed disposal with adjustments for any subsequent transactions. Tax rates used in the determination of the provision are described above in 3(8).

Income, realised gains and unrealised gains in respect of loan relationships were, at the valuation date, taxed at 20% having regard to the pooled market value at the date of the latest mark to market.

Policies previously written in BULA

In determining unit prices, realised and unrealised gains have been allowed for as follows:

The value of the assets of the linked funds is reduced by any tax due on net realised gains (after taking account of unrelieved tax losses). For net realised losses, no allowance is made for any tax credit.

For unrealised gains, (net of unrelieved tax losses) a provision for the tax charge has been made. For net unrealised losses, no allowance has been made for any tax credit.

Deemed disposals on collective investment schemes have been treated as realised gains.

Tax rates used in the determination of the provision are described above in 3(8).

The rate of tax levied on unrealised fixed interest gains was 20% of the unrealised amounts.

Policies previously written in BRS

A deferred tax provision is held to cover chargeable capital gains made up to the valuation date. The current tax rate applicable to capital gains is currently 20% and the provision covers 100% of this.

Policies previously written in BA

There are no internal linked funds.

Policies previously written in SMA and SPL

Each internal fund is treated as an independent entity for the purposes of assessing capital gains tax. A rate of tax is levied on the gain net of any indexation relief and capital losses, as appropriate.

The maximum rate of tax for realised capital gains is the policyholder rate of tax for the period in question. Where appropriate, this may be reduced to reflect the period between the realisation of the gain and the date when the tax is actually due to be paid.

The maximum rate of tax for unrealised capital gains is the rate for realised capital gains. This is normally reduced to reflect the extra expected period until the gain is finally crystallised.

Tax rates used in the determination of the provision are described above in 3(8).

Policies previously written in NPIL

See (8) above.

(10) Discounts on Unit Purchases

Unit Trust Life and Unit Trust Pension Policies previously written in PLL

The internal linked funds purchase units in collective investment funds managed by certain companies with no connection with the Company where discounts are received on the Initial Charges.

These are detailed below:

Investment Management Company	Initial Charge Discount	Fund buys at:
Framlington	4.00%	-
Henderson	-	Creation price + 0.5%
Barings	4.50%	-
Gartmore	4.50%	-
Invesco	3.00%	-
Perpetual	4.50%	-

Personal Bond Funds, Broker Bond Funds, Executive Pension Plans, Broker Funds and Broker Direct Investment previously written in PLL

Funds buy units in unit trusts and other collective investment schemes managed by Foreign & Colonial Asset Management at the creation price.

All the benefits are passed on to the internal linked fund and therefore reflected in the unit price.

Direct holdings of assets in PLL

The Company holds authorised unit trusts and investments in other collective investment schemes which are direct holdings of assets matching liabilities in respect of property linked benefits.

The Company receives a discount of 5% on the Initial Charge when buying units in respect of unit trusts managed by the JP Morgan Fleming. The benefit of this discount is retained by the Company.

The Company receives a discount of 4.5% on the Initial Charge when buying units in respect of unit trusts managed by Gartmore Fund Managers. The benefit of this discount is retained by the Company.

External Fund links for the Lifestyle Bond previously written in PLL

Certain funds available to the Lifestyle Bond buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such External funds as set out in the following table:

External Fund Link	Rebate p.a.
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed (net of tax at 20%) by the Company to the internal linked fund.

External Fund links for Pensions Solutions Products previously written in PLL

Certain funds available to Pensions Solutions products buy or sell units in funds operated by external companies with no connection with the Company at the creation or liquidation price.

The company receives a rebate of management charge in respect of holdings in such funds External funds as set out in the following table:

External Fund Link	Rebate p.a.
Baille Gifford Managed	0.00%
Framlington Health	0.55%
Framlington Absolute Growth	0.75%
Framlington UK Growth	0.65%
Gartmore American	0.75%
Gartmore Euro Select	0.75%
Gartmore UK & Irish Companies	0.75%
Aberdeen Technology	0.75%
Aberdeen Ethical	0.95%
Newton Life Managed	1.00%
Newton Life Balanced	1.00%
Newton Life Continental	1.00%

The rebates received are reimbursed by the Company to the internal linked fund.

Policies previously written in Alba, BULA, BRS and BA

No units are held that need to be reported.

Policies previously written in Century

The assets of the internal linked funds of the Company include unit trusts and other collective investment schemes, e.g. OEICs, ICVCs and UCITS, available from a range of fund managers.

In general, discounts are available to the Company on the purchase of units and these are passed on to the policyholder. The majority of the assets in what were formerly Century's unit linked funds are managed by Ignis Asset Management Limited and Invesco Fund Managers Limited. Both fully rebate their initial charge.

Both Ignis Asset Management Limited and Invesco Fund Managers Limited rebate to the Company a part of the annual management charge levied by them with the exception of Invesco assets held by the Perpetual Managed Funds. For the majority of the internal funds, the amount rebated to the Company is credited to the relevant fund, less tax where appropriate. Specifically:

- (i) The following linked funds are rebated some or all of the amount received by Century Life in respect of those funds, subject to the deduction of tax in the case of life funds. This applies to:

- Certain Ex-NBA Performance Bond fund links to IAM
- Ex-NBA Multichoice life funds
- Ex-NEL Pensions Multichoice funds
- Ex-CCL funds
- Ex-Crown funds
- Ex-Prosperity funds
- Ex-Hiscox funds
- Ex-City of Edinburgh funds
- Ex-UK Life funds
- Ex-OMLA funds

- (ii) Certain funds are rebated the whole of the unit trust annual management charge, subject to tax. This applies to:

Ex-NBA Performance Bond fund links to Invesco and certain links to IAM
Ex-NBA Pensions
Ex-NEL Pensions NELEX fund links to Invesco and IAM except Invesco Exempt Trust fund
Ex-NAL Funds

- (iii) Certain funds receive no rebate at all. The funds are:

Ex-NEL Pensions NELEX Invesco Exempt Trust fund
Ex-Sentinel funds
Broker funds*

*In respect of unit trust investments held within broker funds neither Ignis nor Invesco rebate their annual management charges to the Company.

Policies previously written in SMA

Where internal linked funds invest in units in collective investment schemes, any discount or other allowance negotiated with the fund manager of the units is fully passed on to the appropriate policyholders.

Policies previously written in SMA and SPL

Where internal linked funds invest in units in collective investment schemes, the policyholder benefits to the full from any discount achieved on the purchase of such units and the valuation of such units reflects the discounts achieved. For investments in an Ignis Asset Management (IAM) collective investment fund, units are purchased at the creation price and sold at the cancellation price, i.e. IAM fully rebates the initial charge. A rebate is only payable if the underlying IAM collective investment scheme has an annual management charge that exceeds the annual management charge payable on the insurer's fund. No renewal commission is payable by IAM.

Policies previously written in NPIL

The internal linked funds receive an initial charge discount and an annual management charge rebate when purchasing, selling or holding units in collective investment funds. This ensures that the policyholder is not subject to two sets of charges.

4. VALUATION BASIS

(1) Valuation Methods

Non Profit Conventional

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including those on rider benefits); plus maintenance expenses; plus investment expenses; less office premiums receivable. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

For decreasing temporary assurances covering mortgages the sums assured decrease in accordance with tables of expected outstanding mortgage amounts.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates.

Mathematical reserves for policies with member records (for example Group Life and Group Term Assurances) are determined at individual member level in the same way as reserves on individual temporary assurances.

Individual Income Protection (PHI)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable; plus maintenance expenses; less office premiums receivable. Premiums are waived during periods of claim. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

Expected claims on active policies allow for claim inception and recovery rates. Expected claims on policies on claim at the valuation date allow for recovery rates.

Mathematical reserves for policies with member records (Group PHI) are determined at individual member level in the same way as reserves on individual income protection policies.

Non-Profit Immediate Annuities (including Index Linked Annuities)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (allowing for any guaranteed minimum payment period and payments to second lives on joint life policies); plus maintenance expenses. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

Property Linked

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including any guaranteed minimum death benefits or benefits on temporary assurance riders); plus maintenance expenses; less office premiums receivable. Investment management expenses on the unit funds are projected explicitly in the non-unit reserve calculation. Other investment management expenses are allowed for by reducing the discount rate used to determine the non-unit reserves. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

The effect of annual management charges, allocation rates, bid/offer spreads, and other policy charges (including those for temporary assurance riders) is allowed for in determining the non-unit reserve. A recursive approach is used to eliminate future valuation strain.

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

Unit cancellations on income drawdown products are allowed for at the drawdown rates current at the valuation date.

Vested loyalty bonus units are allowed for in the unit reserve. Any future accrual of loyalty bonus units is allowed for in determining the non-unit reserve.

For business taxed on "I-E" the unit growth rate and discount rate are net of policyholder tax, and expenses are net of tax relief.

The total reserve is the discounted value of the units plus the non-unit reserve; and non-unit reserve has a lower limit of zero. Hence mathematical reserves cannot be less than zero.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates

A bulk maintenance expense agreement exists for the aggregate of several blocks of property linked policies originally written in Alba (individual policies only), RSALI, SLUK, BULA, and BULA (ACI) under which the future expenses payable (apart from future inflation) are fixed. Thus the expected asset-related policy charge income and expense outgo cash flows on these policies are aggregated to determine whether a non-unit reserve is required (i.e. the maintenance expenses are treated as not being attributable to individual policies). This non-unit reserve cannot be less than zero.

Accumulating With-Profit

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including any guaranteed minimum death benefits or benefits on temporary assurance riders but excluding terminal bonus); plus maintenance expenses; less office premiums receivable. Investment management expenses on the unit funds are projected explicitly in the non-unit reserve calculation. Other investment management expenses are allowed for by reducing the discount rate used to determine the non-unit reserves. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

The effect of annual management charges, allocation rates, bid/offer spreads, and other policy charges (including those for temporary assurance riders) is allowed for in determining the non-unit reserve.

The growth rate used to accumulate unit values is zero unless the contract has a guaranteed bonus rate. The asset share is accumulated by the valuation rate of interest.

Unit cancellations on income drawdown products are allowed for at the drawdown rates current at the valuation date.

Vested loyalty bonus units are allowed for in the unit reserve. Any future accrual of loyalty bonus units is allowed for in determining the non-unit reserve.

For business taxed on "I-E" the unit growth rate and discount rate are net of policyholder tax, and expenses are net of tax relief.

The total reserve cannot fall below:

- the minimum of the face value of units and the asset share, where a market value adjustment (MVA) applies; and
- the face value of units at MVA-free dates.

Hence mathematical reserves cannot be less than zero.

(2) Valuation Interest Rates

All policies excluding Republic of Ireland policies previously written in SPL

The interest rates used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
<u>Sterling reserve discount rates</u>		
Life (unrestricted)	1.60%	2.10%
Life (restricted)	1.60%	2.10%
NPIL Life	1.60%	2.10%
Pensions (unrestricted)	2.00%	2.65%
Pensions (restricted)	2.00%	2.65%
NPIL Pensions	2.00%	2.65%
<u>Annuities</u>		
Pension Annuities in Payment (ex-PPL)	2.60%	3.47%
Pension Annuities in Payment (Euro)	1.27%	2.46%
NPIL Pension Annuities in Payment	2.60%	3.05%
NPIL (PAULP) Pension Annuities in Payment	2.60%	3.05%
Pensions Deferred Annuities pre vesting	2.36%	3.50%
Pensions Deferred Annuities pre vesting (Euro)	1.27%	2.46%
Pensions Deferred Annuities post vesting	2.36%	3.50%
Pensions Deferred Annuities post vesting (Euro)	1.27%	2.46%
Life Annuities In Payment (except NPIL, RSALI & Phoenix)	2.08%	2.10%
NPIL Life Annuities in Payment	2.08%	3.05%
RSALI & Phoenix Life Annuities in Payment	2.08%	3.47%
Life Deferred Annuities	1.60%	2.10%
Index-linked Annuities in Payment	2.51%	0.00%
NPIL Index-linked Annuities in Payment	2.51%	2.65%
NPIL (PAULP) Index-linked Annuities in Payment	2.51%	2.65%
<u>Other</u>		
Assurances (Life)	1.60%	2.10%
NPIL Assurances (Life)	1.60%	2.10%
NPIL Unitised With Profits (Life)	1.60%	2.10%
Assurances (Pensions)	2.00%	2.65%
NPIL Assurances (Pension)	2.00%	2.65%
NPIL Unitised With Profits (Pension)	2.00%	3.30%
Index-linked Assurances (Life)	-0.60%	-0.45%
PHI and Critical Illness	1.60%	2.65%
PHI Claims in Payment	1.60%	2.10%
Deposit Administration	1.60%	2.65%

Republic of Ireland policies previously written in SPL

The interest rates used for each product group are shown in the following table:

Product Group	Current Valuation	Previous Valuation
Whole Life and Endowment Assurances (Life and Pensions)	2.00%	0.30%
Term Assurances (Life)	1.60%	0.25%
Term Assurances (Pensions)	2.00%	0.30%
Life Immediate Annuities (Conventional and Index-Linked)	2.08%	0.25%
Pension Immediate Annuities	1.27%	2.46%
Pension Deferred Annuities in deferment	1.27%	2.46%
Pension Deferred Annuities in payment	1.27%	2.46%
Linked Life non-unit reserves	1.60%	0.25%
Linked Pension non-unit reserves	1.62%	0.30%

Note: the valuation interest rates are shown net of tax for life business and gross of tax for all other business.

The valuation interest rate for immediate and deferred pension annuity business is calculated based on the waiver granted by the Financial Services Authority, under section 148 of the Financial Services and Markets Act 2000. Under this waiver a company is allowed to calculate the valuation rate of interest using the internal rate of return on assets backing the annuity liabilities instead of using the arithmetic mean of the gross redemption yields on each asset weighted by their market values. Details of this waiver are covered in the Notes to Appendix 9.3.

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

(a) Approved Securities:

No reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

(b) Other Securities

A deduction was applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins were calculated as a long term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average.

The long term average default rates (in basis points), net of an allowance for recovery on default, were:

Non Alpha bonds

Rating	5yr	10yr	20yr
AAA	4.0	10.0	10.4
AA	20.7	30.3	35.5
A	34.5	45.3	49.6
BBB	74.5	84.9	86.9
BB	250.5	255.2	239.8
B	601.8	548.4	461.1

Alpha bonds

Rating	5yr	10yr	20yr
AAA	1.1	2.7	2.8
AA	5.5	8.1	9.4
A	9.2	12.1	13.2
BBB	19.8	22.6	23.1
BBB	66.6	67.9	63.8
B	160.1	145.9	122.7
CCC	381.8	298.2	255.3

Loans which sit in Alpha have different default characteristics to other corporate bonds and as such different default assumptions are applied to Alpha bonds

A number of different techniques were then employed to arrive at an additional haircut, namely:

- Stocks were ‘notched’ downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.
- For corporate bonds rated below B no value was taken for the yield.

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

The adjustments described in this section are in addition to the 2.5% required by the regulations.

(4) Mortality Basis

Longevity improvement factors

For immediate annuities in payment and deferred annuities, post vesting where appropriate, a common set of improvement factors has been adopted for all annuities. The improvement factors were derived from the 2012 CMI Projections Model with the long-term improvement rate set to 2.5% at ages 75 and below and zero at ages 120 and above, with linear interpolation in between.

In the tables that follow all mortality tables are ultimate. Furthermore, for annuity in payment business, the fund which is described as ‘previously written in’ may refer to the source pension savings contract.

Policies previously written in PLL but not previously written in PAL or SLUK

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation		Previous Valuation	
	M/F bases		M/F bases	
Linked Life - aggregate	81% AM92		81% AM92	
	105% AF92		105% AF92	
Linked Life - non-smoker	73% AM92		73% AM92	
	80% AF92		80% AF92	
Linked Life - smoker	145% AM92		145% AM92	
	162% AF92		162% AF92	
Seniorplan	138% AM80		138% AM80	
	138% AF80		138% AF80	
Non linked Whole Life	75% AM92		75% AM92	
	81% AF92		81% AF92	
Non linked TA - aggregate	80% TM92		80% TM92	
	84% TF92		84% TF92	
Non linked TA - non-smoker	66% TM92		66% TM92	
	66% TF92		66% TF92	
Non linked TA - smoker	156% TM92		156% TM92	
	182% TF92		182% TF92	
Life Fund Annuities in Payment	79.1% IM80 C=2010		79.1% IM80 C=2010	
	improving 2.5% pa to		improving 2.5% pa to 75,	
	75, linearly down to 0		linearly down to 0 at 120	
	at 120			
Pension Annuities in Payment	80.9% IF80 C=2010		80.9% IF80 C=2010	
	improving 2.5% pa to		improving 2.5% pa to 75,	
	75, linearly down to 0		linearly down to 0 at 120	
	at 120			
Linked Pensions	97.9% PCMA00		99.7% PCMA00	
	99.8% PCFA00		95.0% PCFA00	
Annuities in Deferment	50% AM92		50% AM92	
	57% AF92		57% AF92	
Annuities in Deferment	97.9% PCMA00		50% AM92	
	99.8% PCFA00		57% AF92	

No allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality or morbidity experience of the Company.

For life annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Age	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
65	24.43	26.28	23.33	25.88
75	14.92	16.46	14.95	16.69

For pension annuities in payment, the expectations of life under the current (and previous year) valuation assumptions for sample ages are shown in the table below. For pension deferred annuities, the expectations of life at age 65 for current ages 45 and 55 under the current (and previous year) valuation assumptions are shown in the table below:

Non Profit Fund

	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	24.13	26.54
	75	75	14.92	16.46	14.65	16.68
Deferred annuities	45	65	27.47	29.26	27.15	29.52
	55	65	25.94	27.80	25.61	28.05

Policies previously written in PAL

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Term Assurances	99.4% TMC00	99.4% TMC00
	102.5% TFC00	102.5% TFC00
Whole Life & Endowment	86% AM92	86% AM92
	112% AF92	112% AF92
Pensions pre-vesting	50% AM92	50% AM92
	57% AF92	57% AF92
Pensions post vesting (including GAOs)	97.9% PCMA00	99.7% PCMA00
	99.8% PCFA00	95.0% PCFA00
Pension Annuities currently in payment	97.9% PCMA00	99.7% PCMA00
	99.8% PCFA00	95.0% PCFA00
Life Fund Annuities in Payment	97.9% PCMA00	79.1% IM80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120
	99.8% PCFA00	80.9% IF80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120
Life Annuities in deferment	97.9% PCMA00	50% AM92
	99.8% PCFA00	57% AF92
Permanent Health Insurance	76% TM92	76% TM92
	76% TF92	76% TF92
Linked Life (aggregate)	81% AM92	81% AM92
	105% AF92	105% AF92
Linked Life (non-smoker)	73% AM92	73% AM92
	80% AF92	80% AF92
Linked Life (smoker)	145% AM92	145% AM92
	162% AF92	162% AF92

Non Profit Fund

For life annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

	Current	Expectation of life from Age	Current Valuation		Previous Valuation	
	Age		Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	23.33	25.88
	75	75	14.92	16.46	14.95	16.69
Deferred annuities	45	65	27.47	29.26	26.60	28.39
	55	65	25.94	27.80	24.94	27.12

For pension annuities in payment, the basis is the same as for policies previously written in PLL.

Policies previously written in SLUK

The mortality tables used for each product group are shown in the following table:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Group Spouses' Annuities	N/A Modified PCFA00	N/A Modified PCFA00
Life Annuities in payment	87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120	87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120
Pension Annuities in payment	97.9% PCMA00 99.8% PCFA00	76.0% PCMA00 99.7% PCFA00
Life Deferred Annuities	87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120	87.2% IMA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120 88.6% IFA92 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120
Pension Deferred Annuities	97.9% PCMA00 99.8% PCFA00	76.0% PCMA00 99.7% PCFA00
Whole Life and Endowment	72% AM92 72% AM92 -3 yrs	72% AM92 72% AM92 -3 yrs
RICTA	98% TMC00 98% TMC00 -3 yrs	98% TMC00 98% TMC00 -3 yrs
Group Term Assurance	82.1% TMC00 86.2% TFC00	82.1% TMC00 86.2% TFC00
Individual Life & Pension Term (aggregate)	82.1% TMC00 86.2% TFC00	82.1% TMC00 86.2% TFC00
Individual Life & Pension Term (non-smoker)	78.2% TMN00 84.1% TFN00	78.2% TMN00 84.1% TFN00
Individual Life & Pension Term (smoker)	80.2% TMS00 87.1% TFS00	80.2% TMS00 87.1% TFS00
Life Unit Linked policies	94% AM92 94% AM92 -3 yrs	94% AM92 94% AM92 -3 yrs
Pensions Unit Linked policies	83% AM92 83% AM92 -3 yrs	83% AM92 83% AM92 -3 yrs
Income Protection (pre-claim)	45% TM80 45% AF80	45% TM80 45% AF80
Income Protection (post-claim)	81% TM80 81% AF80	81% TM80 81% AF80

Non Profit Fund

The mortality/morbidity tables used to value individual policies which include total & permanent disability benefits have not been published. Specimen rates from the tables applicable to non-smokers are given below for the current valuation, per 1000 lives:

Age	TPD		Term & TPD	
	Males	Females	Males	Females
25	0.237500	0.237500	0.460000	0.315000
35	0.292500	0.292500	0.543750	0.436250
45	0.900000	0.900000	1.571250	1.256250
55	3.361250	3.361250	5.026250	4.047500

Rates for the previous valuation were:

Age	TPD		Term & TPD	
	Males	Females	Males	Females
25	0.237500	0.237500	0.460000	0.315000
35	0.292500	0.292500	0.543750	0.436250
45	0.900000	0.900000	1.571250	1.256250
55	3.361250	3.361250	5.026250	4.047500

All the above rates are increased by 2% p.a. after 5 years from the valuation date.

Annuitant mortality – Expectation of life at the valuation date

Age	Male PCMA00	Female PCFA00	Male Modified IMA92	Female Modified IFA92
65	24.43	26.28	24.76	26.73
75	14.92	16.46	15.42	16.72

Annuitant mortality – Expectation of life at the previous valuation date

Age	Male Modified PCMA00	Female Modified PCFA00	Male Modified IMA92	Female Modified IFA92
65	26.50	26.13	24.76	26.73
75	16.70	16.32	15.42	16.72

Policies previously written in Alba

Percentage of mortality table together with the age adjustments are shown in the table below:

Product Type	Current Valuation		Previous Valuation	
	A67/70 %	Female Age Adj	A67/70 %	Female Age Adj
LAS Homeplan Series 1	70%	-4	70%	-4
LAS Homeplan Series 2/3	61%	-4	61%	-4
LAS Investment Plan	83%	-4	83%	-4
LAS Savings Plan	83%	-4	83%	-4
LAS Five Plus Account	83%	-4	83%	-4
LAS SP Bonds	83%	-4	83%	-4
LAS Blueprint	70%	-4	70%	-4
LAS EPP/FPA	77%	-4	77%	-4
LAS Healthcheque	60%	-4	60%	-4
LAS Vitality	100%	n/a	100%	n/a
BL Genesis RP Pensions	88%	none	88%	none
CAPSIL Bonds	94%	-4	94%	-4
CAPSIL Whole of Life	94%	-4	94%	-4
CAPSIL Mortgage Minder	94%	-4	94%	-4
CAPSIL RP Pensions	88%	-4	88%	-4
CAPSIL SP Pensions	94%	-4	94%	-4
COMPASS Bulk Buyouts & GPS	99%	none	99%	none

Ex-BLAS Contracts

For Blueprint Security and Vitality contracts, only the terms to the first review dates were taken into account, with the current sums at risk remaining constant over such terms. For level term assurance rider benefits the current sums at risk were taken as constant to expiry. For other annual premium contracts an estimate was made of the terms over which the sums at risk would reduce to nil and it was assumed that the current sums at risk would reduce over such terms in line with the sums at risk for non-profit endowment assurances. For waiver of premium benefits and permanent health benefits the additional AIDS provision was taken as 1% of the annual benefit.

Policies previously written in Century

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Whole Life and Endowment Assurances	77% A67/70 ¹	77% A67/70 ¹
Term Assurance (excluding Ex-NAL)		
Aggregate	61% A67/70 ¹	61% A67/70 ¹
Non Smoker	51% A67/70 ¹	51% A67/70 ¹
Smoker	90% A67/70 ¹	90% A67/70 ¹
Term Assurance (Ex-NAL) – Life Assurance, Mortgage Protection & Pensions Life		
Gross Liabilities		
Non Smoker	46% AM80 ²	46% AM80 ²
	51% AF80 ³	51% AF80 ³
Smoker	81% AM80 ²	81% AM80 ²
	89% AF80 ³	89% AF80 ³
Net liabilities (pre 30/6/00 business)		
Non Smoker	55% AM80 ²	55% AM80 ²
	58% AF80 ³	58% AF80 ³
Smoker	93% AM80 ²	93% AM80 ²
	100% AF80 ³	100% AF80 ³
Net liabilities (post 1/7/00 business)		
Non Smoker	51% AM80 ²	51% AM80 ²
	56% AF80 ³	56% AF80 ³
Smoker	93% AM80 ²	93% AM80 ²
	102% AF80 ³	102% AF80 ³

¹ AIDS 36.3% R6A (peak) Female age deduction 3 years

² AIDS 27.5% R6A (peak)

³ AIDS 9.2% R6A (peak)

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Life Cover only		
Gross liabilities	Table 1 ^{2,3}	Table 1 ^{2,3}
Net liabilities (pre 19/3/01 business)	Table 2 ^{2,3}	Table 2 ^{2,3}
Net liabilities (post 20/3/01 business)	Table 3 ^{2,3}	Table 3 ^{2,3}
Non Linked Deferred Annuity – in deferment		
Ex With Profit Fund business	45% A67/70 ⁴	45% A67/70 ⁴
Ex Non Profit Fund business	50% A67/70 ⁴	50% A67/70 ⁴
Ex-NELPEN policies	61% A67/70 ¹ plus 100% funding of units	61% A67/70 ¹ plus 100% funding of units
Immediate annuities (& deferred annuities - in payment) - retained	97.9% PCMA00 99.8% PCFA00	92.6% PCMA00 97.3% PCFA00
Immediate annuities (& deferred annuities - in payment) - externally reassured	97.9% PCMA00 99.8% PCFA00	92.6% PCMA00 102.1% PCFA00

¹ AIDS 36.3% R6A (peak) Female age deduction 3 years

² AIDS 27.5% R6A (peak)

³ AIDS 9.2% R6A (peak)

⁴ Female age reduction 3 years

Product Group	Current Valuation	Previous Valuation
Non Linked PHI	61% A67/70 ¹	61% A67/70 ¹
Linked business		
Sterling Reserves with mortality deductions		
Ex-OMLA	94% A67/70 ⁵	94% A67/70 ⁵
Ex-Sentinel & Ex-UK Life –	61% A67/70 ⁴	61% A67/70 ⁴
Non Smokers		
Ex-Sentinel & Ex-UK Life –	91% A67/70 ⁴	91% A67/70 ⁴
Smokers		
Others	70% A67/70 ⁴	70% A67/70 ⁴
Sterling Reserves without mortality deductions	61% A67/70 ¹	61% A67/70 ¹

¹ AIDS 36.3% R6A (peak) Female age deduction 3 years

⁴ Female age reduction 3 years

⁵ Female age reduction 4 years

The AIDS projection basis R6A is as reported by the Institute of Actuaries AIDS Working Party. No credit was taken for the margins in the mortality bases used in the scheduled valuation against the levels currently being experienced. No additional AIDS reserve was deemed necessary for Group Death in Service benefits by recurrent single premium in view of the limited periods for which the premium rates are guaranteed. No specific provision was made for the minor risk associated with ex-NBA linked 'Bond' business. Ex-NBA pensions death in service benefits are all provided for by monthly current cost deduction from an associated linked fund; as the Company is freely able to review the premium rates charged, no provision for AIDS is considered necessary.

No other reserves for possible detrimental changes in mortality or morbidity rates have been made.

For annuity bases shown above, the expectations of life at age 65 and 75 are shown in the following tables:

For retained business:

	Current Age	Expectation of life from Age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	24.76	26.33
	75	75	14.92	16.46	15.19	16.50
Deferred annuities	45	65	27.47	29.26	27.78	29.32
	55	65	25.94	27.80	26.25	27.85

For externally reassured business:

Age	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
65	24.43	26.28	24.76	25.93
75	14.92	16.46	15.19	16.15

For assurances listed above where 'modified table' has been used, sample mortality rates per 1000 lives are shown in the tables below

Table 1 current valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.64	0.38	0.28	0.16
35	0.68	0.38	0.52	0.30
45	1.75	0.77	1.56	0.77
55	5.64	2.41	4.20	2.06

Table 1 previous valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.64	0.38	0.28	0.16
35	0.68	0.38	0.52	0.30
45	1.75	0.77	1.56	0.77
55	5.64	2.41	4.20	2.06

Table 2 current valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.68	0.41	0.29	0.17
35	0.73	0.42	0.54	0.32
45	1.86	0.85	1.63	0.83
55	5.98	2.67	4.37	2.23

Table 2 previous valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.68	0.41	0.29	0.17
35	0.73	0.42	0.54	0.32
45	1.86	0.85	1.63	0.83
55	5.98	2.67	4.37	2.23

Table 3 current valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.66	0.38	0.26	0.17
35	0.71	0.38	0.49	0.32
45	1.82	0.77	1.47	0.83
55	5.84	2.44	3.95	2.22

Table 3 previous valuation

Age	Male smoker	Male Non-smoker	Female smoker	Female Non-smoker
25	0.66	0.38	0.26	0.17
35	0.71	0.38	0.49	0.32
45	1.82	0.77	1.47	0.83
55	5.84	2.44	3.95	2.22

The morbidity bases (combined morbidity and mortality rates where both benefits are covered) used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation	Previous Valuation
	Modified Table	Modified Table
Term Assurance (Ex-NAL) – Tailored Mortgage Protection, Combined Life & Critical Illness Cover		
Gross liabilities	Table 4 ^{2,3}	Table 4 ^{2,3}
Net liabilities (pre 19/3/01 business)	Table 5 ^{2,3}	Table 5 ^{2,3}
Net liabilities (post 20/3/01 business)	Table 6 ^{2,3}	Table 6 ^{2,3}
Non Linked PHI (Ex-NAL) – Critical Illness		
Gross liabilities	Table 7	Table 7
Net liabilities	Table 8	Table 8
Non Linked PHI (Ex-NAL)–Tailored Mortgage Protection, Critical Illness Cover only		
Gross liabilities	Table 7	Table 7
Net liabilities (pre 19/3/01 business)	Table 9	Table 9
Net liabilities (post 20/3/01 business)	Table 10	Table 10

² AIDS 27.5% R6A (peak)

³ AIDS 9.2% R6A (peak)

For products listed above where ‘modified table’ has been used, sample rates (combined mortality and morbidity) per 1000 lives are shown in the tables below:

Table 4 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.24	1.30	0.74	0.79	1.12	1.13	0.70	0.71
35	2.48	2.53	1.33	1.37	3.11	3.14	1.73	1.75
45	7.80	8.05	3.53	3.73	8.19	8.32	3.68	3.79
55	20.12	21.13	8.79	9.66	17.09	17.64	7.17	7.64

Table 4 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.24	1.30	0.74	0.79	1.12	1.13	0.70	0.71
35	2.48	2.53	1.33	1.37	3.11	3.14	1.73	1.75
45	7.80	8.05	3.53	3.73	8.19	8.32	3.68	3.79
55	20.12	21.13	8.79	9.66	17.09	17.64	7.17	7.64

Table 5 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.22	1.28	0.74	0.78	1.04	1.05	0.66	0.66
35	2.35	2.40	1.28	1.31	2.87	2.89	1.61	1.62
45	7.31	7.53	3.34	3.52	7.60	7.72	3.45	3.55
55	19.02	19.92	8.41	9.20	15.97	16.47	6.83	7.25

Table 5 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.22	1.28	0.74	0.78	1.04	1.05	0.66	0.66
35	2.35	2.40	1.28	1.31	2.87	2.89	1.61	1.62
45	7.31	7.53	3.34	3.52	7.60	7.72	3.45	3.55
55	19.02	19.92	8.41	9.20	15.97	16.47	6.83	7.25

Table 6 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.00	1.04	0.59	0.61	0.74	0.74	0.48	0.48
35	1.73	1.76	0.92	0.94	1.96	1.97	1.13	1.14
45	5.26	5.39	2.34	2.45	5.23	5.31	2.48	2.54
55	14.06	14.63	6.06	6.56	11.27	11.58	5.12	5.39

Table 6 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	1.00	1.04	0.59	0.61	0.74	0.74	0.48	0.48
35	1.73	1.76	0.92	0.94	1.96	1.97	1.13	1.14
45	5.26	5.39	2.34	2.45	5.23	5.31	2.48	2.54
55	14.06	14.63	6.06	6.56	11.27	11.58	5.12	5.39

Table 7 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.56	0.64	0.33	0.39	0.83	0.85	0.52	0.53
35	1.70	1.81	0.89	0.96	2.54	2.66	1.39	1.46
45	5.84	6.25	2.64	2.90	6.34	6.68	2.79	2.98
55	15.01	16.36	6.53	7.49	13.09	13.99	5.21	5.79

Table 7 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.56	0.64	0.33	0.39	0.83	0.85	0.52	0.53
35	1.70	1.81	0.89	0.96	2.54	2.66	1.39	1.46
45	5.84	6.25	2.64	2.90	6.34	6.68	2.79	2.98
55	15.01	16.36	6.53	7.49	13.09	13.99	5.21	5.79

Table 8 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.51	0.58	0.30	0.35	0.74	0.76	0.47	0.47
35	1.55	1.65	0.81	0.87	2.27	2.37	1.24	1.30
45	5.31	5.69	2.40	2.64	5.66	5.96	2.49	2.66
55	13.67	14.90	5.95	6.82	11.68	12.48	4.65	5.17

Table 8 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.51	0.58	0.30	0.35	0.74	0.76	0.47	0.47
35	1.55	1.65	0.81	0.87	2.27	2.37	1.24	1.30
45	5.31	5.69	2.40	2.64	5.66	5.96	2.49	2.66
55	13.67	14.90	5.95	6.82	11.68	12.48	4.65	5.17

Table 9 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.50	0.57	0.30	0.35	0.74	0.77	0.47	0.48
35	1.53	1.63	0.80	0.86	2.29	2.40	1.25	1.31
45	5.25	5.63	2.37	2.61	5.71	6.02	2.51	2.68
55	13.51	14.73	5.88	6.74	11.78	12.60	4.69	5.21

Table 9 previous valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.50	0.57	0.30	0.35	0.74	0.77	0.47	0.48
35	1.53	1.63	0.80	0.86	2.29	2.40	1.25	1.31
45	5.25	5.63	2.37	2.61	5.71	6.02	2.51	2.68
55	13.51	14.73	5.88	6.74	11.78	12.60	4.69	5.21

Table 10 current valuation

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.38	0.44	0.23	0.27	0.57	0.58	0.36	0.36
35	1.17	1.24	0.61	0.65	1.74	1.82	0.95	1.00
45	3.99	4.28	1.80	1.99	4.34	4.57	1.91	2.04
55	10.27	11.20	4.47	5.13	8.96	9.58	3.57	3.96

Table 10 previous rates

Age	Male smoker		Male Non-smoker		Female smoker		Female Non-smoker	
	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD	Without TPD	With TPD
25	0.38	0.44	0.23	0.27	0.57	0.58	0.36	0.36
35	1.17	1.24	0.61	0.65	1.74	1.82	0.95	1.00
45	3.99	4.28	1.80	1.99	4.34	4.57	1.91	2.04
55	10.27	11.20	4.47	5.13	8.96	9.58	3.57	3.96

Policies previously written in BULA

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Business formerly in the Unit Linked Fund		
Unit-linked Business (excluding the below)	110% AMC00 110% AFC00	110% AMC00 110% AFC00
Unit-linked endowments with critical illness	125% Gerling SI morbidity and: 110% AMC00 110% AFC00	125% Gerling SI morbidity and: 110% AMC00 110% AFC00
Unit-linked deferred annuity (pre-vesting)	58% AMC00 58% AFC00	58% AMC00 58% AFC00
Unit-linked Personal pension, FSAVCs and Stakeholder pension	165% AMC00 154% AFC00	165% AMC00 154% AFC00
Business formerly in the Non-Profit Fund		
Pension Annuities in Payment	97.9% PCMA00 99.8% PCFA00	92.6% PCMA00 97.3% PCFA00
Life Fund Annuities in Payment	97.9% PCMA00 99.8% PCFA00	70.1% IM80 C=2010 improving 2.5% pa to 75, 71.8% IF80 C=2010 improving 2.5% pa to 75, linearly down to 0 at 120
Unit Linked Business with aggregate smoker status	88% AM92 88% AF92	88% AM92 88% AF92
Unit Linked Business with smoker split	88% AM92 88% AF92	88% AM92 88% AF92
Aggregate	88% AM92 88% AF92	88% AM92 88% AF92
Non Smoker	77% AM92 66% AF92	77% AM92 66% AF92
Smoker	176% AM92 132% AF92	176% AM92 132% AF92
Aggregate Term Assurance	120.6% TMC00 112.4% TFC00	120.6% TMC00 112.4% TFC00
Term Assurance (codes GITN & GITF)		
Non Smoker	328.6% TMN00 175.9% TFN00	328.6% TMN00 175.9% TFN00
Smoker	211.0% TMS00 178.8% TFS00	211.0% TMS00 178.8% TFS00
Other Term Assurances		
Non Smoker	139.6% TMN00 133.7% TFN00	139.6% TMN00 133.7% TFN00
Smoker	122.7% TMS00 114.5% TFS00	122.7% TMS00 114.5% TFS00
Whole of Life (with medical selection)	105% AM92 119% AF92	105% AM92 119% AF92
Senior Security Plan	Modified AM92/AF92	Modified AM92/AF92
Other Permanent Assurances	99% AM92 121% AF92	99% AM92 121% AF92
AIDS loading where relevant	Nil	Nil

For pension annuities in payment, the expectations of life at age 65 and 75 are shown in the following table:

Age	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
65	24.43	26.28	24.76	26.33
75	14.92	16.46	15.19	16.50

For life annuities in payment, the expectations of life at age 65 and 75 are shown in the following table:

Age	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
65	24.43	26.28	23.33	25.88
75	14.92	16.46	14.95	16.69

For the Senior Security Plan where a 'modified table' has been used, sample percentages of the mortality table are shown in the table below for the current valuation:

Age	Male non-TV sales	Male TV sales	Female non-TV sales	Female TV sales
50	333.438%	331.273%	252.767%	364.505%
60	204.227%	230.024%	187.765%	241.720%
70	127.104%	150.603%	148.258%	174.042%
80	103.006%	121.461%	132.725%	159.702%

For the Senior Security Plan where a 'modified table' has been used, sample percentages of the mortality table are shown in the table below for the previous valuation:

Age	Male non-TV sales	Male TV sales	Female non-TV sales	Female TV sales
50	333.438%	331.273%	252.767%	364.505%
60	204.227%	230.024%	187.765%	241.720%
70	127.104%	150.603%	148.258%	174.042%
80	103.006%	121.461%	132.725%	159.702%

Policies previously written in BRS

The mortality tables used are modified RMV00/RFV00 mortality factors plus longevity improvement factors. The improvements are in line with those shown at the start of section 4(4) above.

The table below shows the expectation of life for each class of impaired life for the current valuation:

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium impairment	High impairment	Seriously ill
Male aged 65	27.26	24.77	24.65	22.59	22.28	19.26	15.38
Male aged 75	17.54	15.40	15.40	13.59	14.88	11.91	8.72
Female aged 65	30.19	27.87	25.77	21.57	19.86	16.92	19.67
Female aged 75	19.92	17.81	16.05	12.41	11.32	9.66	11.43

Non Profit Fund

The table below shows the expectation of life for each class of impaired life for the previous valuation:

Representative description of underwriting category	Standard	Light smoker	Diabetic	Smoker	Medium impairment	High impairment	Seriously ill
Male aged 65	27.12	24.63	26.34	22.45	22.12	18.01	15.22
Male aged 75	17.41	15.27	17.22	13.46	14.74	10.51	8.59
Female aged 65	30.05	27.73	25.61	21.42	19.69	16.73	19.49
Female aged 75	19.79	17.68	15.91	12.29	11.17	9.50	11.28

Policies previously written in BA

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Decreasing term assurance with critical illness cover	125% Gerling Re morbidity and: 105% TMC00 110% TFC00	125% Gerling Re morbidity and: 105% TMC00 110% TFC00
Non linked immediate annuity	114% RMV00 128.3% RFV00	111.6% RMV00 111.6% RFV00
Aggregate Term Assurance	105% TMC00 110% TFC00	105% TMC00 110% TFC00
Term Assurance (codes T1 & T2) Aggregate	166% TMC00 163% TFC00	166% TMC00 163% TFC00
Non Smoker	106% TMC00 105% TFC00	106% TMC00 105% TFC00
Smoker	226% TMC00 222% TFC00	226% TMC00 222% TFC00
Term Assurance with serious illness (codes ST1 & ST2) Aggregate	125% Gerling SI morbidity and: 199% TMC00 139% TFC00	125% Gerling SI morbidity and: 199% TMC00 139% TFC00
Non Smoker	119% TMC00 88% TFC00	119% TMC00 88% TFC00
Smoker	278% TMC00 189% TFC00	278% TMC00 189% TFC00
Endowment and Whole of Life	110% AMC00 110% AFC00	110% AMC00 110% AFC00
Pension deferred annuities (pre-vesting)	90% AMC00 90% AFC00	90% AMC00 90% AFC00

Note that the mortality basis for the assurances is combined with the allowance for morbidity described in section 4(5).

For pension annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Age	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
65	22.88	25.21	22.92	26.13
75	13.83	15.46	13.85	16.26

Policies previously written in SMA

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Life Assurances (excluding term assurance)		
Smoker	69% AM92 ¹ 72% AF92	69% AM92 ¹ 72% AF92
Non-smoker	55% AM92 ¹ 77% AF92	55% AM92 ¹ 77% AF92
Pension Assurances (individual and group)	72% AM92 66% AF92	72% AM92 66% AF92
Term Assurances (Life)		
Smoker	117% TM92 ¹ 112% TF92	117% TM92 ¹ 112% TF92
Non-smoker	59% TM92 ¹ 78% TF92	59% TM92 ¹ 78% TF92
Term Assurances (Pension)	79% TM92 ¹ 105% TF92	79% TM92 ¹ 105% TF92
Unit-linked and unitised with-profits life	77% AM80 ¹ 77% AF80	77% AM80 ¹ 77% AF80
Unit-linked and unitised with-profits pensions	77% AM80 77% AF80	77% AM80 77% AF80
Deferred annuities (in deferment) (individual and group)	97.9% PCMA00 99.8% PCFA00	72% AM92 66% AF92
Deferred annuities (in payment) - life (individual and group)	97.9% PCMA00 99.8% PCFA00	94% IMA92 mc 102% IFA92 mc
Immediate annuities in payment - life	97.9% PCMA00 99.8% PCFA00	100% IMA92 mc 109% IFA92 mc
Immediate and deferred annuities in payment - pensions	97.9% PCMA00 99.8% PCFA00	102.1% PCMA00 95.0% PCFA00

¹ AIDS 33% R6A (peak) for males only

For life annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	22.93	24.86
	75	75	14.92	16.46	14.33	15.45
Deferred annuities	45	65	27.47	29.26	24.31	25.96
	55	65	25.94	27.80	23.91	25.67

For pensions annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Non Profit Fund

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	23.93	26.54
	75	75	14.92	16.46	14.48	16.68
Deferred annuities	45	65	27.47	29.26	26.95	29.52
	55	65	25.94	27.80	25.41	28.05

Policies previously written in SPL

The mortality bases used in the valuation of the significant groups of business were as follows:

Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Endowment Assurance and Linked Assurances other than Flexible Mortgage Plan and Self Assurance Lifetime		
Aggregate	88% AM92 ¹ 110% AF92	88% AM92 1 110% AF92
Non-smoker	70% AM92 ¹ 88% AF92	70% AM92 1 88% AF92
Smoker	141% AM92 ¹ 176% AF92	141% AM92 1 176% AF92
Flexible Mortgage Plan and Self Assurance Lifetime (mortality only), Whole Life Assurance and Term Assurance	Modified TM92 ¹ Modified TF92	Modified TM92 1 Modified TF92
Deferred annuities (in deferment)		
Overseas (group and individual)	97.9% PCMA00	Nil Mortality
UK (individual)	99.8% PCFA00	Nil Mortality
UK (group)		88% AM92 110% AF92
Linked Deferred Annuities (in deferment) and Group Pensions (overseas)	97.9% PCMA00 99.8% PCFA00	Nil mortality
Immediate and deferred annuities in payment	97.9% PCMA00 99.8% PCFA00	102.1% PCMA00 95.0% PCFA00

¹ AIDS 33% R6A (peak) for males only

Where the mortality assumptions are based on the TM92/TF92 tables, age-related percentages are used. Select rates are used for conventional term assurance and ultimate rates for conventional whole life assurance and the Flexible Mortgage Plan. Sample mortality rate per 1000 lives are as follows:

Conventional term assurance – current year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.408	0.729	0.185	0.280
35	0.438	0.719	0.287	0.486
45	0.912	1.643	0.715	1.343
55	2.494	6.426	1.873	3.864

Conventional term assurance – previous year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.408	0.729	0.185	0.280
35	0.438	0.719	0.287	0.486
45	0.912	1.643	0.715	1.343
55	2.494	6.426	1.873	3.864

Conventional whole life assurance – current year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.421	0.421	0.218	0.218
35	0.444	0.444	0.348	0.348
45	0.947	0.947	0.892	0.892
55	2.862	2.862	2.406	2.406

Conventional whole life assurance – previous year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.421	0.421	0.218	0.218
35	0.444	0.444	0.348	0.348
45	0.947	0.947	0.892	0.892
55	2.862	2.862	2.406	2.406

Unitised Flexible Mortgage Plan – current year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.503	0.500	0.244	0.391
35	0.539	0.495	0.378	0.680
45	1.113	1.143	0.942	1.877
55	3.060	4.429	2.468	5.401

Unitised Flexible Mortgage Plan – previous year

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.503	0.500	0.244	0.391
35	0.539	0.495	0.378	0.680
45	1.113	1.143	0.942	1.877
55	3.060	4.429	2.468	5.401

For pensions annuities in payment and deferred annuities the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Non Profit Fund

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	23.93	26.54
	75	75	14.92	16.46	14.48	16.68
Deferred annuities	45	65	27.47	29.26	26.95	29.52
	55	65	25.94	27.80	25.41	28.05

Policies previously written in NPIL

The mortality bases are:

Product Group	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
NPIL Pre-vesting All business	90% AM92	90% AF92	90% AM92	90% AF92
NPIL Post-vesting/In payment				
Pension annuities	97.4% RMV00	97.4% RFV00	90.2% RMV00 ⁽¹⁾	96.9% RFV00 ⁽¹⁾
Pensions deferred annuities	97.4% RMV00	97.4% RFV00	90.2% RMV00 ⁽¹⁾	96.9% RFV00 ⁽¹⁾
Group GAF annuities	97.4% RMV00	97.4% RFV00	90.2% RMV00 ⁽¹⁾	96.9% RFV00 ⁽¹⁾
Life/IRS/Individual GAF annuities	100% IML92 ⁽²⁾	100% IFL92 ⁽³⁾	100% IML92 ⁽²⁾	100% IFL92 ⁽³⁾
Life deferred annuities	100% IML92 ⁽²⁾	100% IFL92 ⁽³⁾	100% IML92 ⁽²⁾	100% IFL92 ⁽³⁾
PAUF Single Premium	95% AMC00	95% AFC00	95% AMC00	95% AFC00
PAUF Regular Premium	116% AMC00	116% AFC00	116% AMC00	116% AFC00
PAULP linked products	79% AMC00	79% AFC00	79% AMC00	79% AFC00
PAULP immediate annuities	97.4% RMV00	97.4% RFV00	109% RMV00 ⁽¹⁾	107% RFV00 ⁽¹⁾
LLLA all business	100% A67/70	100% A67/70 rated down 4 years	0 100% A67/70	0 100% A67/70 rated down 4 years

Notes:

1. CMI 2012 improvements: 2.5% for ages up to age 75, reducing linearly to 0% at age 120.
2. Annual improvements: average of Medium and Long cohort improvements, with 1.5% floor.
3. Annual improvements: 75% of average of Medium and Long cohort improvements, with minimum of the CMI17 floor and 1.25%.

For annuity contracts, life expectations in years for males are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners	24.19	14.91		
Group GAF annuities	24.19	14.91		
Life/IRS/Ind GAF annuities	24.19	14.91		
Life deferred annuities			27.10	25.70
Pensions deferred annuities			27.60	26.10
PAULP				
Immediate annuities	24.19	14.91		

For annuity contracts, life expectations in years for females are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners	27.33	17.33		
Group GAF annuities	27.33	17.33		
Life/IRS/Ind GAF annuities	27.33	17.33		
Life deferred annuities			27.90	26.80
Pensions deferred annuities			30.00	28.60
PAULP				
Immediate annuities	27.33	17.33		

Policies previously written in With Profits funds

These contracts represent former with profit policies which have vested in the Non Profit Fund. They originate from the Alba With-Profits Fund, SAL With-Profits Fund and Phoenix With-Profits Funds and the arrangement for such plans to vest in the Non Profit Fund began with effect from 1 January 2011.

The mortality bases used in the valuation of the significant groups of business were as follows:

PHASE IV ANNUITIES (ALBA, SAL and PWP (STG), PWP (ex-STG))		
Product Group	Current Valuation M/F bases	Previous Valuation M/F bases
Pension Annuities in payment	97.9% PCMA00	95.0% PCMA00
- ALBA Annuities	99.8% PCFA00	83.1% PCFA00
Pension Annuities in payment	97.9% PCMA00	95.0% PCMA00
- SAL Annuities	99.8% PCFA00	90.2% PCFA00
Pension Annuities in payment	97.9% PCMA00	95.0% PCMA00
- PWP (ex STG) Annuities	99.8% PCFA00	104.5% PCFA00
Pension Annuities in payment	97.9% PCMA00	135.3% PCMA00
- PWP STG Annuities	99.8% PCFA00	133.0% PCFA00

Note that within the Phoenix With-Profits Fund there is a group of business called the Scottish Transport Group (STG) where this book of business is known to demonstrate much heavier mortality than the rest of the Phoenix With-Profits Fund book of business.

Non Profit Fund

For pensions annuities in payment the expectations of life under the current (and previous year) valuation assumptions for sample ages are:

Ex-Alba With-Profits Fund:

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	24.54	27.67
	75	75	14.92	16.46	15.01	17.68

Ex-SAL With-Profits Fund:

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	24.54	26.97
	75	75	14.92	16.46	15.01	17.06

Ex-Phoenix With-Profits Fund (excl STG):

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	24.43	26.28	24.54	25.74
	75	75	14.92	16.46	15.01	15.99

Ex-Phoenix With-Profits Fund (STG):

	Current Age	Expectation of life from age	Current Valuation		Previous Valuation	
			Males	Females	Males	Females
Immediate annuities	65	65	21.94	24.15	21.59	23.78
	75	75	12.85	14.62	12.55	14.30

Longevity improvements, where used, were derived from 2012 CMI Projections Model with the long-term improvement rate set to 2.5% at ages 75 and below and zero at ages 120 and above, with linear interpolation in between.

Pension Scheme Longevity Swap

The mortality basis is:

	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
Pension immediate annuities in payment	81.7% s1pml	89.3% s1pfl	n/a	n/a

Expectations of life are:

	Current Valuation		Previous Valuation	
	Males	Females	Males	Females
Age 65	24.19	26.20	n/a	n/a
Age 75	15.04	16.53	n/a	n/a

(5) Morbidity Basis

Policies previously written in PLL but not in PAL or SLUK

For PHI policies previously written in PLL but not in PAL or SLUK, the reserve has been calculated as a proportion of the annual premium in force. No morbidity tables are used for this business.

Policies previously written in PAL

For PHI benefits previously written in PAL, the assumed inception & recovery rates are expressed as varying percentages of CMIR12. Sample inception & recovery rates for occupational class 1 lives, based on a 3 month deferred period, are as follows:

Inception rates expressed as a percentage of CMIR12

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
25	CMIR12	67.00%	116.00%	67.00%	116.00%
35	CMIR12	67.00%	116.00%	67.00%	116.00%
45	CMIR12	67.00%	116.00%	67.00%	116.00%
55	CMIR12	59.00%	104.00%	59.00%	104.00%

Recovery rates expressed as a percentage of CMIR12 for 2 years duration and 5 years duration

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
25	CMIR12	23.00%	23.00%	23.00%	23.00%
35	CMIR12	23.00%	23.00%	23.00%	23.00%
45	CMIR12	23.00%	23.00%	23.00%	23.00%
55	CMIR12	23.00%	23.00%	23.00%	23.00%

For policies previously written in SLUK

For PHI and critical illness policies previously written in SLUK, the following morbidity assumptions are used (for PHI the non-smoker, 3 month deferred period, occupational class 1 rates are shown):

Inception rates expressed as a percentage of the table:

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
Individual/Group PHI					
25	CMIR12	26.00%	45.50%	26.00%	45.50%
35	CMIR12	26.00%	45.50%	26.00%	45.50%
45	CMIR12	26.00%	45.50%	26.00%	45.50%
55	CMIR12	26.00%	45.50%	26.00%	45.50%
Critical Illness (non-smoker)					
25	CIBT93M	45.00%	63.00%	45.00%	63.00%
35	CIBT93M	45.00%	63.00%	45.00%	63.00%
45	CIBT93M	45.00%	63.00%	45.00%	63.00%
55	CIBT93M	45.00%	63.00%	45.00%	63.00%
Critical Illness (smoker and aggregate)					
25	CIBT93M	95.00%	100.00%	95.00%	100.00%
35	CIBT93M	95.00%	100.00%	95.00%	100.00%
45	CIBT93M	95.00%	100.00%	95.00%	100.00%
55	CIBT93M	95.00%	100.00%	95.00%	100.00%
Accelerated Critical Illness (non-smoker) : Term assurance mortality plus:					
25	CIBT93M	46.00%	64.00%	46.00%	64.00%
35	CIBT93M	46.00%	64.00%	46.00%	64.00%
45	CIBT93M	46.00%	64.00%	46.00%	64.00%
55	CIBT93M	46.00%	64.00%	46.00%	64.00%
Accelerated Critical Illness (smoker and aggregate) : Term assurance mortality plus:					
25	CIBT93M	98.00%	103.00%	98.00%	103.00%
35	CIBT93M	98.00%	103.00%	98.00%	103.00%
45	CIBT93M	98.00%	103.00%	98.00%	103.00%
55	CIBT93M	98.00%	103.00%	98.00%	103.00%

Recovery rates expressed as a percentage of CMIR12 for 2 years duration and 5 years duration

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
Individual and Group PHI claims					
25	CMIR12	83.00%	83.00%	83.00%	83.00%
35	CMIR12	83.00%	83.00%	83.00%	83.00%
45	CMIR12	83.00%	83.00%	83.00%	83.00%
55	CMIR12	83.00%	83.00%	83.00%	83.00%

Policies previously written in Alba

The reserves for products covering morbidity risk do not exceed the materiality limits.

Policies previously written in BRS

No products cover morbidity risk.

Policies previously written in BA

The morbidity rates are based on those charged by the reinsurer and reflect the fact that the business relates to the United Kingdom.

Non Profit Fund

Tables for aggregate (i.e. combined smoker/non smoker) rates are shown below:

Male Aggregate	Current Valuation	Previous Valuation
Age		
25	0.051%	0.051%
35	0.085%	0.085%
45	0.260%	0.260%
55	0.654%	0.654%
Female Aggregate	Current Valuation	Previous Valuation
Age		
25	0.070%	0.070%
35	0.156%	0.156%
45	0.325%	0.325%
55	0.640%	0.640%

Tables for non smoker rates:

Male Non Smoker	Current Valuation	Previous Valuation
Age		
25	0.045%	0.045%
35	0.062%	0.062%
45	0.166%	0.166%
55	0.436%	0.436%
Female Non Smoker	Current Valuation	Previous Valuation
Age		
25	0.050%	0.050%
35	0.109%	0.109%
45	0.227%	0.227%
55	0.456%	0.456%

Tables for smoker rates:

Male Smoker	Current Valuation	Previous Valuation
Age		
25	0.056%	0.056%
35	0.108%	0.108%
45	0.355%	0.355%
55	0.872%	0.872%
Female Smoker	Current Valuation	Previous Valuation
Age		
25	0.089%	0.089%
35	0.204%	0.204%
45	0.423%	0.423%
55	0.824%	0.824%

Policies previously written in SMA

For conventional PHI policies, the following morbidity bases are used:

Inception rates expressed as a percentage of the table:

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
25	CMIR12	160.00%	160.00%	160.00%	160.00%
35	CMIR12	160.00%	160.00%	160.00%	160.00%
45	CMIR12	160.00%	160.00%	160.00%	160.00%
55	CMIR12	160.00%	160.00%	160.00%	160.00%

Recovery rates expressed as a percentage of the table:

Age	Table	Current Valuation		Previous Valuation	
		Male	Female	Male	Female
25	CMIR12	70.00%	70.00%	70.00%	70.00%
35	CMIR12	70.00%	70.00%	70.00%	70.00%
45	CMIR12	70.00%	70.00%	70.00%	70.00%
55	CMIR12	70.00%	70.00%	70.00%	70.00%

For Homeowner, morbidity rates are based on those charged by the reinsurer and are as follows, per 1000 lives:

Critical illness

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.517	0.923	0.491	0.875
35	0.747	1.430	1.263	2.337
45	2.070	3.780	3.119	5.756
55	6.793	12.292	6.519	11.779

Residual mortality

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.313	0.313	0.054	0.085
35	0.182	0.182	0.006	0.008
45	0.245	0.245	0.006	0.008
55	0.037	0.037	0.006	0.008

Policies previously written in SPL

The morbidity rates used in the valuation all relate to critical illness benefits and are all based on the rates charged by the reinsurers.

Sample valuation rates for conventional term assurance and conventional endowment assurance, both for combined mortality and critical illness benefits, are as follows:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.001030	0.001209	0.000863	0.000774
35	0.001078	0.001737	0.001316	0.001623
45	0.002352	0.005238	0.002726	0.004697
55	0.007785	0.014841	0.007645	0.011184

Non Profit Fund

An allowance was made for a future deterioration of 0.375% p.a. for each of mortality, critical illness and TPD.

Sample valuation rates for conventional term assurance with critical illness benefits only are as follows. This option is not available for conventional endowment assurance.

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.000656	0.000700	0.000634	0.000460
35	0.000880	0.001292	0.001371	0.001369
45	0.001980	0.004057	0.002886	0.004025
55	0.007251	0.012616	0.007841	0.009283

An allowance was made for a future deterioration of 0.75% p.a. for each of critical illness and TPD.

Sample valuation rates for Flexible Mortgage Plan and Self Assurance Lifetime are as follows:

Combined mortality and critical illness:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.001062	0.001251	0.000766	0.000947
35	0.001122	0.001815	0.001211	0.002061
45	0.002363	0.005281	0.002489	0.005915
55	0.007708	0.014744	0.006766	0.013646

Critical illness benefits only:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.000633	0.000721	0.000493	0.000610
35	0.000889	0.001389	0.001188	0.002020
45	0.001944	0.004185	0.002476	0.005882
55	0.006999	0.012930	0.006505	0.013120

No allowance was made for future deterioration in mortality, critical illness or TPD.

Policies previously written in NPIL

There are no products representing a significant amount of business that require a morbidity basis.

(6) Expenses

The following table shows the gross attributable expenses per policy (excluding renewal commission).

Product Group	Per Policy Expense	
	Current Valuation	Previous Valuation
	£	£
Term assurance (325 / 330)	71.06	29.65
Critical illness (340 / 345 / 350 / 355)	116.91	114.38
Income protection (360 / 365)	116.91	68.35
Income protection claims in payment (385)	116.91	n/a
Annuity (400)	33.51	30.09
UWP bond (500)	n/a	n/a
UWP savings endowment (510)	n/a	n/a
UWP regular premium pension (525)	62.37	57.62
UWP single premium pension (525)	43.66	40.34
UWP group regular premium pension (535)	n/a	n/a
UWP group single premium pension (535)	n/a	n/a
UL bond (700)	17.81	17.17
UL savings endowment (715)	49.44	47.65
UL target cash endowment (720)	73.16	54.30
UL regular premium pension (725)	58.57	56.45
UL single premium pension (725)	40.34	39.52
UL group regular premium pension (735)	58.57	55.53
UL group single premium pension (735)	41.00	38.88

For product groups with different expense bases, the basis shown is that applicable to the largest category by number of policies.

The largest category has changed for Term Assurance (previous per policy expense was £68.51), Critical Illness, Income protection, Income protection claims in payment (all with previous per policy expense of £114.65) and UL target cash endowment (previous per policy expense £72.04).

The expenses on life business are netted down for tax at 20%.

There are no zillmer adjustments for the policies to which the above expenses apply.

(7) Unit Growth Rates

Previous Company	Product Group	Unit growth rate before management charge	Expense inflation rate assumed	Policy charge increase rate assumed
		(% p.a.)	(% p.a.)	(% p.a.)
PLL but not SLUK	Life business except for Home Ownership Plan	2.30%	4.11%	4.11%
	Home Ownership Plan	0.78%	4.11%	3.11%
	Pensions business	2.40%	4.11%	4.11%
SLUK	Life business	2.30%	4.11%	0.00%
	Pensions business	2.40%	4.11%	0.00%
Alba	Life business	2.30%	4.11%	0.00%
	Pensions business	2.40%	4.11%	0.00%
Century	Life Funds	2.30%	1.50%	4.11%
	Pension Funds	2.40%	1.50%	4.11%
BULA	Life business	2.30%	4.11%	3.11%
	Pensions business	2.40%	4.11%	3.11%
BRS	Pension Annuities	n/a	3.11%	n/a
BA	Pension Annuities	n/a	4.11%	n/a
NPIL	Life business	2.30%	4.11%	3.11%
	Pensions business	2.40%	4.11%	3.11%
	UWP	n/a	4.11%	3.11%
	Pension Annuities	n/a	4.11%	n/a
NPIL (PAULP, PAUF, and LLLA)	Life business	2.30%	3.11%	4.11%
	Pensions business	2.40%	3.11%	4.11%
SMA	Life business	2.30%	4.11%	4.11%
	Pensions business	2.40%	4.11%	4.11%
SPL				
UK	Life business	2.30%	4.11%	3.11%
	Pensions business	2.40%	4.11%	3.11%
Republic of Ireland	Life business	2.30%	0.00%	3.11%
	Pensions business	2.40%	0.00%	3.11%

In the case of linked contracts previously written in Alba, where there is discretion in the level at which charges are set, provision has been made for policy fees to increase according to the increases in either the Retail Price Index or the National Average Earnings Index according to the terms of the policy. No other increases to policy charges have been assumed.

(8) Future Bonus Rates

Policies previously written in NPIL

All with-profits business is reinsured out, so the future bonus assumptions are not relevant. In calculating the gross and reinsurance ceded reserves the assumption is that existing unit values are accumulated at any guaranteed minimum bonus rates. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not been reached, and the additional bonus payable at each fifth policy anniversary are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the loyalty bonus units due at retirement date.

Other

Not applicable.

(9) Persistency Assumptions

For products where the valuation method has not been changed following the changes to the INSPRU valuation rules at 31 December 2006, no credit has been taken for future lapses.

Policies previously written in PLL

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse (if margin positive)	3.60%	3.60%	3.60%	3.60%
Level term	Lapse (if margin negative)	2.40%	2.40%	2.40%	2.40%
Decreasing term	Lapse (if margin positive)	8.40%	8.40%	8.40%	8.40%
Decreasing term	Lapse (if margin negative)	5.60%	5.60%	5.60%	5.60%
Accelerated critical illness	Lapse (if margin positive)	10.80%	10.80%	10.80%	10.80%
Accelerated critical illness	Lapse (if margin negative)	7.20%	7.20%	7.20%	7.20%

The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the reserves are negative and a negative margin when the reserves are positive.

Policies previously written in Alba

The valuation makes no allowance for lapses.

Policies previously written in BULA

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse (if margin positive)	7.40%	3.60%	3.60%	3.60%
Level term	Lapse (if margin negative)	5.00%	2.40%	2.40%	2.40%
Decreasing term	Lapse (if margin positive)	21.60%	21.30%	21.30%	21.30%
Decreasing term	Lapse (if margin negative)	14.40%	14.20%	14.20%	14.20%

The reserve for an individual policy is equal to the most onerous calculation from assuming:

- A positive margin at all durations
- A negative margin at all durations
- A positive margin when the reserves are negative and a negative margin when the reserves are positive.

Policies previously written in BRS

The valuation makes no allowance for lapses as all of the policies are immediate annuities.

Policies previously written in BA

No allowance for lapses is made in the valuation.

Policies previously written in SMA

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
UWP bond	Surrender	10.0%	10.0%	10.0%	10.0%
UWP bond	Automatic withdrawals	5.0%	5.0%	5.0%	5.0%
UL bond	Automatic withdrawals	2.5%	2.5%	2.5%	2.5%

Policies previously written in SPL

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	9.5%	6.7%	6.0%	6.0%
Decreasing term	Lapse	11.9%	11.2%	11.0%	11.0%
Accelerated critical illness	Lapse	11.0%	9.5%	9.1%	9.1%
UL bond	Automatic withdrawals	2.0%	2.0%	2.0%	2.0%

Reserves for protection business are calculated using the lapse rates shown in the table and with lapse rates both increased and decreased by 40%. The highest reserve for each policy is taken, i.e. aggregate reserves may use a mixture of the three lapse scenarios.

Policies previously written in NPIL

Product		Average lapse/ surrender/ paid-up			
		1-5	6-10	11-15	16-20
NPIL					
Life					
• All business	Surrender	0.00%	0.00%	0.00%	0.00%
• All business	Automatic withdrawals	1.00%	1.00%	1.00%	1.00%
Pension					
• UWP indiv regular premium	Paid-Up	15.00%	15.00%	15.00%	15.00%
• UWP indiv regular premium	Surrender	0.00%	0.00%	0.00%	0.00%
• UWP indiv single premium	Surrender	0.00%	0.00%	0.00%	0.00%
• UL indiv regular premium	Paid-Up	15.00%	15.00%	15.00%	15.00%
• UL indiv regular premium	Surrender	2.10%	2.10%	2.10%	2.10%
• UL group regular premium	Paid-Up	33.00%	33.00%	33.00%	33.00%
• UL group regular premium	Surrender	2.80%	2.80%	2.80%	2.80%
• UL indiv single prem (ALIS)	Surrender	2.90%	2.90%	2.90%	2.90%
PAUF (all Life)					
UL savings endowment	Surrender	4.00%	4.00%	4.00%	4.00%
UL target cash endowment	Surrender	4.00%	4.00%	4.00%	4.00%
UL bond	Surrender	4.00%	4.00%	4.00%	4.00%
UL bond	Automatic withdrawals	2.20%	2.20%	2.20%	2.20%
PAULP (all Pension)					
UL indiv regular premium	Paid-Up	10.50%	10.50%	10.50%	10.50%
UL indiv regular premium	Surrender	1.50%	1.50%	1.50%	1.50%
UL indiv single premium	Surrender	1.00%	1.00%	1.00%	1.00%
LLLA (all Life)					
UL bond	Surrender	3.75%	3.75%	3.75%	3.75%
UL bond	Automatic withdrawals	0.00%	0.00%	0.00%	0.00%

(10) Other Material Assumptions

Reinvestment Risk

The regulations also require the valuation rate to be reduced for reinvestment risk, if necessary.

In particular, there may be some reinvestment risk in relation to annuities as the assets and liabilities are matched on a realistic rather than on a statutory basis. This is determined by identifying how much of each year's annuity payments come from asset cashflows and how much is projected to come from draw down of the accumulated reinvested assets. The proportion provided by the assets is accredited the current asset yield, that part coming from reinvested assets is accredited the reinvestment yield. The portfolio yield is reduced to allow for the reinvested assets producing a return no larger than the maximum within the PRA rules.

Policies previously written in BRS

A proportion of the mortality risk is reinsured to Hanover Re on a prescribed basis. The reinsurance reserves allow for 90% of the recoveries that would be due under the treaty on the valuation mortality assumptions.

The reinsurance treaty also allows for payments from the reinsurer in respect of administration expenses. Reinsurance reserves are established equal to the present value of the payments expected from the reinsurer.

Other

Not applicable.

(11) Allowance for Derivatives

The fund holds a number of swap contracts. The swap contracts (both assets and liabilities) are incorporated within the fixed interest portfolio for the purposes of determining a valuation rate of interest. Specifically for interest rate swaps we:

- (i) Calculate the cashflows that the swaps will produce if future interest rates are in accordance with the LIBOR forward yield curve at the valuation date.
- (ii) Calculate the cashflows arising from the fixed interest portfolio (excluding swaps) if held to redemption.
- (iii) Find the overall yield on the fixed interest portfolio (excluding swaps) by equating the cashflows in (ii) to the market value of the fixed interest assets (excluding swaps).
- (iv) Find the overall yield on the combined fixed interest and swap portfolio by equating the cashflows in (i) and (ii) to the market value of the swaps plus the fixed interest assets.
- (v) The difference between the yields in (iii) and (iv) shows the impact on yield of folding the swaps in with the fixed interest portfolio.

The business is backed by assets which include euro denominated bonds together with currency swaps to convert the coupon and redemption proceeds to sterling. To allow for these steps (i) and (ii) above are amended to project future cashflows in sterling using forward exchange rates.

In addition to the swaps, the assets described in form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities.

Derivative contracts may be held within some of the collective investment schemes in which the unit-linked funds invest. Their market value is reflected within the unit liabilities.

(12) Effect of Basis Changes

Not applicable. The changes in INSPRU valuation rules effective from 31 December 2006 were implemented at that time.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

Policies previously written in PLL

There are no guaranteed annuity rate options with basic reserves exceeding the lesser of £10m and 1% of the total gross mathematical reserves.

Policies previously written in SLUK

(a) Methods

An additional reserve is calculated for options on the FT30 index-linked life policies. The following basis is used:

Age	Surrender rate
	p.a.
Prior to age 50	0%
At exact age 50	10%
55	20%
60	40%
65	100%

The main assumptions used to value GAOs were:

Valuation interest rate p.a.	2.36%
GAO take-up rate	80%
Mortality	IMA92/IFA92
Payment expense allowance	2%
The uncertainty of future interest rates has been allowed for by valuing the annuity using the alternative assumptions that interest rates will be 30% lower or 30% higher than those underlying the central rate. The reserve is taken as the average of the three results.	

(b)

Product Name	Protection Plan	Escalator Plan
Basic reserve	£19.7m	£53.5m
Spread of outstanding	0-25 years	0-25 years
Guarantee reserve	£4.9m	£13.3m
Guarantee annuity rate (age 65 male)	£102.88 p.a. for £1000 cash sum for policies commencing before 1979 £79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980	£102.88 p.a. for £1000 cash sum for policies commencing before 1979 £79.88 p.a. for £1000 cash sum for policies commencing in 1979 or 1980
Increments	Increments are not allowed	Increments are not allowed
Frequency	Half-yearly in arrears, 5 years guarantee period	Half-yearly in arrears, 5 years guarantee period
Retirement ages	Available on surrender at 50, 55, 60 or 65	Available on surrender at 50, 55, 60 or 65

Policies previously written in Alba

Not applicable

Policies previously written in Century

There are no guaranteed annuity rate options with basic reserves exceeding the lesser of £10m and 1% of the total gross mathematical reserves.

Policies previously written in NPIL

(a) Methods

Annuity rate guarantees are valued deterministically using a single set of assumptions.

The calculation assumes a take-up rate (after allowing, for Pension policies, for the maximum tax-free cash benefit from the pre-vesting policy), retirement rates at different ages, and expenses and profit margins in the market annuity rates. A prudent allowance is made for policies to discontinue voluntarily before the earliest date at which the annuity guarantee applies.

If the market annuity rate exceeds the guaranteed annuity rate in the policy conditions (i.e. it requires more than the policy's projected value at that time to fund the guaranteed amount of annuity at the then simulated market annuity rates) the extra cost of providing the guaranteed annuity is calculated and discounted back to the valuation date using the valuation rate of interest. The minimum cost in each scenario is zero.

(b)

The reserve for the annuity rate guarantee reinsured into Pearl Assurance Limited has been determined in accordance with the basis set out below:

Assumption	2013	2012
Surrender Rate	2% single premium	2% single premium
	0.88% regular premium	0.88% regular premium
Take up Rate	100%	100%
Rate of interest	Min (Gilts, LIBOR)	Min (Gilts, LIBOR)

Notes:

1. CMI 2012 improvements: 2.5% up to age 75, declining to nil at age 120.

Retirement Rates

The following proportions of policyholders retiring at each possible retirement age have been assumed:

Age Attained	2013	2012
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

Note:

1. Or current age, if older

Details of the products concerned are summarised below:

Product Names	Retirement Bonds, Retirement Plans
Product Code	725
Basic Reserve	£52.7 million
Spread of outstanding durations	Gradual run-off, mean term of 15.9 years
Guarantee Reserve	£26.7 million
GAR (% of fund for 65 year old male)	10%
Increments Allowed?	No
Form of Annuity	Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period
Retirement Ages	60-75

Policies previously written by BULA, BRS, BA, SMA and SPL

There are no guaranteed annuity rate options

(1) Guaranteed Surrender and Maturity Values on Property Linked

Surrender Guarantees

Surrender guarantees are available on property linked business between a guarantee start date and a guarantee end date. Where available this guarantee is modelled as a return of premiums without interest multiplied by a time dependent factor. This factor is calculated by straight line interpolation between an input factor at the guarantee start date and an input factor at the guarantee end date.

The guarantees are allowed for when projecting the cash flows that determine the non-unit reserve and the cost of them isn't separately identifiable.

Policies previously written in PLL

Multiple Growth Bonds: Some policies have a special minimum value on surrender (only payable in certain extreme circumstances) of 100% of premiums paid to date. It was not considered necessary to incorporate an additional reserve.

Property Growth Plan and Executive Property Growth Plan: From the fifteenth policy anniversary onwards there is the guarantee that the surrender value is not less than the sum of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Flexible Savings Plan: From the tenth policy anniversary onwards there is the guarantee that the surrender value is not less than five-sixths of premiums paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Protection Plan: This contract provides a guaranteed surrender value and contains an in-built contingency margin as the value of the units in the reserve account at the previous policy anniversary will usually exceed this surrender value.

All-Weather Bond: From the fifteenth policy anniversary onwards there is the guarantee of a cash value of at least 150% of the single premium paid. The current value of units of each policy is such that it is not considered necessary to keep any reserve in respect of this guarantee.

Policies previously written in Alba, BRS, BA, BULA, SMA and SPL

There are no guaranteed surrender values.

Policies previously written in Century

The total basic reserve for guaranteed surrender values, where an additional reserve is considered necessary, is below the lesser of £10m and 0.1% of total mathematical reserves.

Policies previously written in NPIL

The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. It was not considered necessary to incorporate an additional reserve.

Maturity Guarantees

Two forms of guaranteed maturity benefit underpins are available:

- Return of premiums accumulated at a guaranteed rate of interest; and
- Return of premiums with no interest but a multiplying factor applying at maturity. This guarantee factor is given as an input for the guarantee start and end dates and is linearly interpolated in between.

The guarantees are allowed for when projecting the cash flows that determine the non-unit reserve and the cost of them isn't separately identifiable.

Policies previously written in PLL

Wealth Assured Endowments

For contracts issued before April 1979 there is a guarantee that at the end of ten years and throughout the eleventh year the sum payable will not be less than 100% of the total premiums paid (excluding the policy fee). This proportion will increase by 1% at each policy anniversary until final maturity.

For later contracts the minimum sum assured payable at the end of ten years for each £10 per month premium (excluding policy fee) is £1000 and this amount increases by £125 for males and £140 for females at the end of each complete year thereafter until final maturity.

Policies previously written in Alba, BRS, BA, BULA, SMA and SPL

There are no guaranteed surrender values.

Policies previously written in BULA

The Flexible Investment Plan (first series) contains a maturity guarantee. The contract is an endowment assurance maturing on the anniversary of the date of the contract preceding the sixty-fifth birthday of the life assured. The contract is closed to new business.

The amount payable on maturity of the contract or on earlier death of the life assured is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract. There is an option on maturity for the contract to be continued for an indefinite period without the continued payment of premium. The amount payable at the end of the continuation is the value of the relevant shares at the current bid price. The amount payable on death during the continuation is the greater of the value of the relevant shares at the current bid price and the premiums payable over the entire term of the contract.

Policies previously written in Century

The total basic reserve for guaranteed surrender values, where an additional reserve is considered necessary, is below the lesser of £10m and 0.1% of total mathematical reserves.

Policies previously written in NPIL

The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. It was not considered necessary to incorporate an additional reserve.

(3) Guaranteed Insurability Options

Mathematical reserves are not maintained for guaranteed insurability options as the required reserves are not material.

(4) Other Guarantees and Options

Policies previously written in PLL

Investment Performance Guarantees

The Deposit Administration Pension contracts previously written by PAL have investment guarantees. The reserve is calculated as part of the basic reserves, taking into account the outstanding term of the business and the expected difference between the rate guaranteed and the rate earned on the underlying assets.

Policies previously written in Alba

There are no other significant guarantees or options.

Policies previously written in Century

Investment guarantees operate on ex-NELPEN Guaranteed Growth plans, ex-Crown plans investing in the Deposit Administration fund, and certain ex-OMLA and ex-Hiscox ex-With Profit plans. The reserve is calculated as part of the basic reserves, taking into account the outstanding term of the business and the expected difference between the rate guaranteed and the rate earned on the underlying assets

Policies previously written in BULA

There are no other significant guarantees or options.

Policies previously written in BRS, BA and SPL

There are no other guarantees or options.

Policies previously written in SMA

There are no other significant guarantees or options.

Policies previously written in NPIL

- (a) Additional provision has been made of £1.9 million for guaranteed minimum pension (GMP) guarantees in respect of transfers from contracted out schemes.
- (b) A reserve has been made for guaranteeing minimum benefits for certain ex-PAULP Personal Pension policyholders (who were previously members of occupational pension schemes) where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the reserve:

- (1) Value the GMP cost as the excess, if any, of the GMP value over the benefit value (including any Guaranteed Annuity Rate options) excluding GMP benefits.

- (2) Calculate the value of each GMP element separately, so
- (3) The pre-1988 element
 - does not escalate
 - has a survivor's benefit of 50% of GMP for the first life
 - has no survivor benefit for the spouse
- (4) The post-1988 element
 - escalates at the minimum of RPI and 3%
 - has a survivor's benefit of 50% of GMP for all
- (5) For exits before the GMP date, calculate the value of the GMP at the GMP date and discount that benefit to the exit date using valuation rate of interest
- (6) For late retirement, uplift the GMP benefit amounts using a specified simple interest rate
- (7) Maturity and surrender benefit cash flows have an additional component equal to the value of the GMP in excess of non-GMP benefits
- (8) The value of these additional benefits will be reflected in the non-unit reserves.

This reserve has been determined in accordance with the basis set out below:

Assumption	2014	2013
Real rate of interest	-0.80% p.a.	-0.10% p.a.
Real rate of salary inflation (including an allowance for salary progression)	2.2% p.a.	1.85% p.a.
Expense loading for annuity in payment	11%	11%
Mortality in deferment	79% AMAFC00 ultimate	79% AMAFC00 ultimate
Mortality in payment	106.4% RMV00 92.5% RFV00	109.2% RMV00 ⁽¹⁾ 106.8% RFV00 ⁽¹⁾
Percentage assumed married	100%	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme	Up to 14 years for those unable to rejoin their pension scheme

Notes:

1. Longevity improvements: 2.5% to age 75, reducing linearly to 0% from age 120

Half the reserve is reassured to the Pearl With-Profits Fund of Phoenix Life Assurance Limited. The retained reserve is £18.9 million, including an allowance for future expenses and policies where the compensation process is yet to be completed. The basic reserve to which this additional amount applies is £216 million.

6. EXPENSES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is shown in the following table:

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£m	£m	£m	£m	£m
All Products	0.0	25.1	39.9	23.6	88.6

(2) Implicit Allowances

Implicit allowances for expenses include the margin between the office premium and the net premium for prospectively valued contracts where the net premium method has been employed.

(3) Form 43 Comparison

The total amount of maintenance expenses shown in 6(1) is different from the total shown in line 14 of Form 43:

	F43.14	table 6(1)	Difference
Homogeneous risk group	(a) £m	(b) £m	(b) - (a)
All Products	110.7	88.6	(22.1)
Total	110.7	88.6	(22.1)

Differences arise as line 14 of Form 43 includes the following items, which are not included in the maintenance fees shown in 6(1):

1. An allowance of £(6.3)m for Annual Management Charges received from the Scottish Mutual With-Profits fund and SPI With-Profits fund.
2. An allowance of £16.3m in respect of ex-NPIL business which has to remit Annual Management Charges to NPL Limited in respect of reinsurance accepted.
3. Includes the buyout of a longevity indemnity to the PGL Pension scheme of £5.7m. This was a one off payment.

The expense loadings in 6(1) above will also include an additional year's inflation compared to form 43, but are based on a smaller book of business due to the run off of the closed fund. Additional areas of prudence will also exist in these loadings.

(4) New Business Expense Overrun

The company is closed to new business except for contractual increments which includes immediate annuities arising from vesting deferred pension policies. The agreement with the management services company specifies the expenses to be incurred and premium rates allow for the expenses to be charged. The company does not therefore expect to incur any material strain in writing new business so no additional reserve is required.

(5) Maintenance Expense Overrun

Expense reserves in accordance with 6(1) together with expense provisions described below are considered to be sufficient to meet the expenses likely to be incurred in the future. The agreement also includes a prudent allowance for costs that are not covered by standard fees payable under the agreement.

Costs falling outside the MSAs Provision - £5.4m

This provision is established as it is expected that the management service agreements will be reviewed in future to reflect changes in business practice. The provision is calculated as the capitalised value of 1% of current outsourcer fees.

No allowance has been made for redundancy costs (as these will be met by the service provider), or for any costs of terminating the management services agreement (as the service provider does not have the option to terminate the contract).

(6) Non-attributable expenses

The Non Profit fund pays a fixed expense fee to PGMS in respect of all unit linked business other than (1) that originally written in Century, (2) Alba corporate business, (3) that originally written in SMA, (4) that originally written in SPL and (5) that originally written in NPIL. The run-off of fees was projected as at 1 January 2009 and was based on the per policy fees agreed to be paid to PGMS allowing for future inflation. The present value of all future fees remains the same on a best estimate basis. The total fee is assumed to inflate at RPIX+1% per annum and will be adjusted for the movement in RPIX at each November. If for any year the percentage change in RPIX+1% is negative, the fee will not be inflated.

The sterling reserve for the business covered by this agreement is calculated in the following manner:

- Calculate the individual policy sterling reserves using the standard models with per policy expenses set to zero. These expenses are the fees payable to PGMS with a loading for direct costs and any Peak 1 margin.
- The total (unit plus sterling) reserve held in respect of each individual unit linked policy is increased if necessary to ensure it is at least equal to the current surrender value. This step is no different from the method used in previous valuations.
- Calculate the value of the expenses that have been removed from the standard model. The value is calculated using Peak 1 assumptions for discount rates, RPI inflation and tax applicable to this unit linked business.
- Calculate the value of the spare charges that arise within the models because of the criteria that individual policy reserves are at least equal to the current surrender value. This is the difference between sterling reserves on this basis and on the basis that there is no floor to the negative sterling reserves.
- Offset the value of the spare charges against the value of the expenses.
- The total reserve held in respect of unit linked business is the unit liability, plus the individual policy sterling reserves, plus any excess of the value of expenses over value of spare charges.

The total sterling reserve for this business is £32.3m. This also covers mortality and morbidity risk. The present value of the future expense payments to PGMS is £250.7m.

For business originally written in NPIL the reserve for non-attributable expenses was determined by expressing a prudent estimate of future non-attributable expenses as a percentage of funds under management for each homogeneous risk group and testing, for each homogenous risk group, that:

- if negative reserves were permitted, and

Non Profit Fund

- the non-unit reserve with allowance for non-attributable expenses for each homogeneous risk group was negative;

and therefore the non-attributable expenses need not be explicitly allowed for in setting the reserves for that homogeneous risk group.

Accordingly, except for LLLA business (for which investment management expenses were increased by 10% in the calculation of non unit reserves), the reserve for non-attributable expenses for each homogeneous risk group in the table in 6(1) above is nil.

The Non Profit fund pays investment expenses and an additional services fee in return for the management of assets. An expense reserve of £18.1m has been set up for the additional services fee which is non-attributable. This reserve has been calculated as the current level of additional services fee multiplied by a capitalisation factor.

Other non-attributable expense reserves are for TCF (£2.0m), other costs falling outside MSAs (£5.4m) and allowance for extra unmodelled per policy expense payable to Percana from 2011-15 (£1.2m).

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

Currency	Mathematical Reserves m	Backed by assets in same currency m	Backed by assets in other currency m	Mismatching Percentage %
Sterling (£)	5,291.6	5,291.6	0.0	0.0
Euro (€)	398.8	398.8	0.0	0.0
Other currencies	0.6	0.6	0.0	0.0
Total	5,691.0	5,691.0	0.0	0.0

In addition, there is a reinsurer deposit back allowance of £404.8m in line 23 of Form 14. Liabilities for this arrangement are equal to assets and all liabilities and assets are Sterling denominated.

(2) Other Currency Exposures

The proportion of the liabilities in "other currencies" which is matched by assets in the same currency is 100%.

(3) Currency Mismatching Reserve

For all currency denominations of liability there are matching assets denominated in the same currency.

Currency swaps are held to negate the effect of exchange rate movements. The size, currency and term of assets in respect of the Non Profit Fund are reviewed regularly. There is therefore minimal currency risk and so no additional currency mismatching reserve is required.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable.

(6) Resilience Capital Requirement

Not applicable.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No further reserve is required in respect of INSPRU 1.1.34(2)(R).

The size, currency and term of assets in respect of the Non Profit fund are reviewed regularly. The liabilities are backed mainly by fixed interest assets and cash and projections are carried out on appropriate, realistic assumptions. The Investment Managers are given rules to control the duration of such assets.

In view of this, no additional reserves for cashflow mismatching are regarded as appropriate.

8. OTHER SPECIAL RESERVES

The special reserves exceeding the lesser of £10m or 0.1% of the total mathematical reserves are as follows:

Description	Gross Reserve	Reassurance	Net Reserve
	£m	£m	£m
Data Contingency Provision	35.8	0.0	35.8
VAT Provision	32.2	0.0	32.2
Future Projects Provision	23.9	0.0	23.9
Non-modelled Investment Fees	22.7	0.0	22.7
PGMS Risk Transfer Payment Provision	22.5	0.0	22.5
Unit Pricing Provision	21.8	0.0	21.8
Litigation Provision	21.5	0.0	21.5
Provision for reasonably foreseeable adverse	20.4	0.0	20.4
Cost of guidance Provision	11.4	0.0	11.4

Data Contingency Provision

Data contingency reserves for additional expenses which may arise in connection with data errors affecting the long-term business.

VAT Provision

This provision covers the risk that VAT is applied to future charges made by external outsourcers. The provision is calculated as the present value of these potential future amounts.

Future Projects Provision

This provision is held to cover additional expenses which may arise in connection with unanticipated projects with no or little financial benefit and is calculated having regard to past experience.

Non-modelled Investment Fees

This provision is held to cover additional investment fees which are presently not modelled within the standard valuation systems.

PGMS Risk Transfer Payment Provision

As a result of the transfer of outsourcer work from UISL to Diligenta there is a change in expenses payable from the Life companies to PGMS for the administration of business. This includes a change to administration expenses and a sum paid across to PGMS for the

transfer of various risks and for various project implementation costs. A reserve has been set up to cover the costs of the payment for transfer of risks.

Unit Pricing Provision

This provision was set up to mitigate against liabilities arising due to errors made while pricing units in unit-linked funds.

Litigation Provision

Reserves are held for future litigation settlements and similar costs.

Cost of Guidance Provision

This provision has been introduced to allow for the cost of providing face to face guidance to policyholders approaching retirement following the announcement in the March budget to make guidance free and impartial.

Provision for reasonably foreseeable adverse variations

This provision is for “shared reversion” assets refinanced to a subsidiary of Santander UK plc (formerly Abbey National Group plc) (“Santander”). PLL Limited has undertaken to indemnify Santander against losses arising from mortality or surrender experience which differs from the basis used to determine the terms of the refinancing. PLL is also liable for the first 7% of any underperformance relative to the regional Halifax house price indices on property sales. The best estimate mortality basis has changed since the refinancing began, and so an accounting provision is first calculated using surrender and mortality assumptions which are intended to be slightly more prudent than the best estimate assumptions. The amount of this accounting provision is £16.0 million.

The provision is then recalculated using the regulatory valuation assumptions together with a more prudent (higher) projection rate and greater assumed underperformance compared with the Halifax regional price index. The difference between the recalculated provision and the accounting provision described above is shown in Form 14 as a provision for reasonably foreseeable adverse deviation. The amount of this additional provision is £4.4 million.

Credit Default peak 1 margin Provision

This provision has been set up to allow for an additional 5% margin on the default risk rates for Peak 1 purposes.

9. REINSURANCE

(1) Facultative Reinsurance

- (a) No premiums were payable on a facultative basis to a reinsurer that was unauthorised to carry on insurance business in the UK.
- (b) No such premiums were payable to a connected company reinsurer that was unauthorised to carry on insurance business in the UK.

(2) Reinsurance Treaties

The required details of the reinsurance treaties in force at the valuation date are set out below.

For Policies previously written in PLL

(d) Swiss Life Insurance and Pension Company

- (e) A block of single premium compulsory purchase annuity contracts are reinsured on original terms.
- (f) No premiums were payable by the company under the treaty during the year.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £15.8m.
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) UNUM Provident

- (e) Claims resulting from Group PHI contracts are 100% reinsured
- (f) No premiums were payable by the company under the treaty during the year.
- (g) There are no deposit back arrangements.
- (h) The treaty is open to new business.
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £83.2m.
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.

(d) Swiss Re

- (e) Group PHI, excluding schemes written under multinational pooling, is reinsured on a 50% quota share basis with a maximum retention on any one life of £75,000 p.a. All individual claim benefits greater than the maximum retention are 100% reinsured with Swiss Re.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £23.2m.
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Swiss Re

- (e) PHI policies are reinsured on a 50% quota share basis with a maximum retention of £25,000p.a.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 1
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Swiss Re

- (e) Term, Term & TPD and waiver of premium policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 / £300 p.a. (or \$75,000 / \$450 p.a.). Advance commission is also provided.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 2
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Swiss Re

- (e) Certain Critical illness, TPD and Term & CI policies are reinsured on an 85% quota share basis with a maximum retention of £50,000. The business covered is the same as the treaty with Gen Re and Kolnische Ruck described below. Certain other policies of the same types are reinsured on a 90% quota share basis with a maximum retention of £50,000, and for these policies. Advance commission is also provided.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 2
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Swiss Re

- (e) The treaty covers PHI reinsurance business accepted by the company. Where the PHI reinsurance exceeds £25,000p.a. the excess is reinsured.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 1
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Munich Re

- (e) Term and Term & TPD policies are reinsured on a 90% quota share basis with a maximum retention of £50,000 (or \$75,000). Advance commission is also provided.
- (f) The premiums payable by the company under the treaty during the year were £11.8m.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 2
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Gen Re. And Kolnische Ruck

- (e) Critical Illness, TPD and Term CI policies are reinsured on a 75% quota share basis (90% prior to 7 July 2003) with a maximum retention of £100,000 (£50,000) prior to 7 July 2003). Advance commission was also provided until 26th January 2003. The treaty is a co-reinsurance arrangement, 5% of the reinsured business being underwritten by Gen Re and 95% by Kolnische Ruck.
- (f) The premiums payable by the company under the treaty during the year were £5.6m.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 2
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Swiss Re

- (e) PHI policies are reinsured on an 85% quota share basis with a maximum retention of £25,000pa. With effect from 1 January 2003, reinsurance is on a risk premium basis.
- (f) See Note 3
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) See Note 1
- (k) As (e)
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.

(d) Legal and General

- (e) A 50% quota share of Fair Share Whole Life business written between 1.9.74 and 30.9.80.
- (f) The premiums payable by the company under the treaty during the year were £0.1m.
- (g) £ nil
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £11.2m.
- (k) The treaty is a 50% quota share arrangement.
- (l) The reinsurer is authorised to carry on insurance business in the UK.
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk to which the treaties are subject.
- (o) Under each treaty consideration has been given to the overall position in the event of contracts lapsing. Where the commission refund due to the reinsurer is proportionate to the commission refund due to the company on the original contract, then taking into account the reserves released on the retained benefits, and the refunds of commission expected to be received by the company in respect of the original contracts, it has not been considered necessary to hold any additional reserve. Where the commission refund due to the reinsurer is more than an amount proportionate to the commission refund due to the company on the original contract, then a reserve has been set up to cover the expected shortfall.
- (p) There are no financing reinsurance treaties.

Note 1 The total reserves ceded in respect of treaties covering individual PHI business previously written by SLUK are £23.2m.

Note 2 The total reserves ceded in respect of treaties covering TA, CI and TPD business previously written by SLUK are £35.4m.

Note 3 The total premiums payable by the company during the year in respect of treaties with Swiss Re were £11.0m in respect of business previously written by PLL.

For Policies previously written in Alba, BULA and BA

Not applicable

For Policies previously written in Century

- (d) XL Re**
- (e) 100% of the benefits under the company's ex-OMLA non linked immediate annuity business that was in force at the end of 16 December 1999.
- (f) No premiums were payable by the company under the treaty during the year.
- (g) There is no deposit back arrangement
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £315.1m.
- (k) As (e)
- (l) XL Re is not authorised to carry on insurance business in the United Kingdom
- (m) The reinsurer is not a connected company of the insurer.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- (o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
- (p) This is not a financing reinsurance treaty

For policies previously written in SMA

- (d) Munich Re**
- (e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement.
- (f) Premiums of £11.8m were payable by the company under this treaty during the year.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £389.3m.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) Loss mitigation exists because this is a longevity swap arrangement under which the insurer has offsetting liabilities to pay reinsurance premiums valued at £404.8m.
- (o) No commission is payable on the reinsurance premium.
- (p) This is not a financing reinsurance treaty.

For policies previously written in SPL

(d) XL Re Ltd

- (e) The treaty reassures 100% of the liability under the closed book of immediate annuity business covered by the agreement.
- (f) No premiums were paid by the company under this treaty during the year.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £407.3m.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) The assets backing the reinsured liabilities are held in a custodian account with appropriate security arrangements in place.
- (o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
- (p) This is not a financing reinsurance treaty.

(d) Swiss Re

- (e) The treaty covers mortality, accelerated critical illness and stand-alone critical illness under Self Assurance contract on a quota share basis.
- (f) Premiums of £9.2m were paid by the company under this treaty during the year.
- (g) There are no deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no undischarged obligations.
- (j) The amount of mathematical reserves ceded under the treaty at the valuation date was £38.0m.
- (k) There is no retention under the treaty.
- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is not connected to the company.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- (o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
- (p) This is not a financing reinsurance treaty.

For policies previously written in BRS

(d) Hanover Rückversicherung AG

- (e) The treaties provide stop loss mortality cover for a proportion of the business reinsured.
- (f) No premiums are payable in respect of the treaties. A repayment of the financing advance of £0.2m was made during the year.
- (g) There is no deposit back arrangement
- (h) The treaty is closed to new business.
- (i) The amount of undischarged obligations of the insurer is £3.2m :

Treaty	Undischarged obligation £m
2000	0.5
2001	1.8
2002	1.0
2003	0.0

- (j) The amount of mathematical reserves ceded under the treaties at the valuation date was £65.9m.
- (k) The insurer retains 25% of the mortality risk for the 2000 and 2001 treaties and 50% of the mortality risk for the 2002 and 2003 treaties.
- (l) Hanover Rueckversicherung AG is not authorised to carry on insurance business in the United Kingdom
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaties are subject
- (o) No provision has been made for any liability of the insurer to refund any commission in the event of lapse or surrender of the contract.
- (p) (i) Repayment of the undischarged obligation is contingent on the emergence as surplus of margins in the valuation basis.
 (ii) No provision has been made in the valuation for the amount of the undischarged obligation at the valuation date. The impact of the arrangements on the valuation result is to increase the fund and surplus carried forward by the amount of the undischarged obligation. No allowance has been made for contingencies, such as credit or legal risk, associated with the financing arrangements.

For policies previously written in NPIL

For the material treaty reinsurances in force at the valuation date as summarised in the table below:

- (g) There is no deposit back arrangement
- (i) There are no undischarged obligations.
- (k) There is no retention under the treaty.

(d) Reinsurer	(e) Nature and Extent of the Cover	(f) Premium	(h) Closed to New Business?	(j) Mathematical Reserves Ceded
		£m		£m
Phoenix Life Assurance Ltd	NPIL Life unitised with profit fully reinsured on original terms except for MVRs on Portfolio Bond 1 switches from unitised with profit to unit-linked	Nil	Yes	71.1
Phoenix Life Assurance Ltd	NPIL Pensions unitised with-profit and capital account fully reinsured on original terms	0.0	Yes	57.3
Phoenix Life Assurance	PAULP Personal Pensions Guarantees	Nil	No	18.9
Phoenix Life Assurance	PAULP Guaranteed Annuity Rates	Nil	No	26.7

- (l) The reinsurer is authorised to transact business in the UK.
- (m) The reinsurer is part of the Phoenix Group of companies.
- (n) There are no material contingencies, such as credit risk or legal
- (o) No provision has been made for any liability of the insurer to refund any amounts of reinsurance commission in the event of lapses or surrender of the contract.
- (p) This is not a financing reinsurance treaty.

Pension Scheme Longevity Swap

Reinsurer	Nature and Extent of the Cover	Premium (£m)	Premium Withheld (£m)	Closed to New Business?	Amount of Undischarged Obligation	Mathematical Reserves Ceded (£m)	Retention by the Insurer
RGA International Reinsurance Company Limited	Liability to make annuity payments	24	Nil	Yes	Nil	(9)	50%

RGA International Reinsurance Company Limited

- (l) RGA International Reinsurance Company Limited is not authorised to carry on insurance business in the United Kingdom.
- (m) RGA International Reinsurance Company Limited is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- (o) N/A, as there is no reinsurance commission.
- (p) N/A, as the treaty is not a financing arrangement.

10. REVERSIONARY (OR ANNUAL) BONUS

For policies previously written in NPIL

The following table sets out the annual bonus rates for each class of business:

Bonus Series	31-Dec-14	31-Dec-14	31-Dec-13	31-Dec-12	Product Code
	Basic mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus	
	£m	%	%	%	
WP09L, WP10L (Portfolio Bond 1b & 2)	5.3	1.00%	1.00%	-	500
WP11L EWP1L Series 1 (Investment Bond)	65.7	1.00%	1.00%	-	500
WP05P, CA05P, EWP1P Series 2 (PPP (Series 2), Flexible PPP FSAVC, FIP, FIP (nil bid-offer spread version), PRA and PTP)	16.5	1.5% ⁽¹⁾ 7.25% ⁽²⁾	1.50% ⁽¹⁾ 9.25% ⁽²⁾	-	525, 570
WP07P, CA07P, EWP1P Series 4 (FIP and Flexible PPP (AMC only versions))	0.2	1.76% ⁽¹⁾ 7.52% ⁽²⁾	1.76% ⁽¹⁾ 9.53% ⁽²⁾	-	525, 570
WP06P, CA06P, EWP1P Series 3 (New Approach PPP, FSAVC and EPP)	0.8	2.37% ⁽¹⁾ 8.17% ⁽²⁾	2.37% ⁽¹⁾ 10.19% ⁽²⁾	-	525
Funds 19, 20 and 35 (with underlying AMC of 1%) (GMP, VGPP, GAVC and TTP)	39.8	1.5% ⁽¹⁾ 7.25% ⁽²⁾	1.50% ⁽¹⁾ 9.25% ⁽²⁾	-	535

Notes:

1. Bonus rates suffixed with (1) applied to units invested in the unitised with-profit account (e.g. WP05P) and the socially responsible with-profit account (e.g. EWP1P) where applicable.
2. Bonus rates suffixed by (2) applied to units invested in the unitised capital account (e.g. CA05P).
3. All bonus rates are the compound increases in unit price during the year.

4. For GMP, VGPPP, GAVC, TTP, and PTP unitised with-profit accounts and capital accounts with other rates of underlying annual management charge (AMC), the bonus rate was determined by the following formulae:

$$\begin{aligned} & (1.015 / 0.99) \times (1 - a) - 1 \text{ for unitised with-profit accounts} \\ & (1.0925 / 0.99) \times (1 - a) - 1 \text{ for capital accounts (for 2014)} \\ & (1.0725 / 0.99) \times (1 - a) - 1 \text{ for capital accounts (for 2015)} \end{aligned}$$

where "a" was the level of AMC and the result was rounded to a percentage with two decimal places.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

Other

Not applicable

APPENDIX 9.4A

PHOENIX LIFE LIMITED

Abstract of Valuation Report for Realistic Valuation

Change in Methods and Assumptions underlying the Realistic Valuation

1. INTRODUCTION

(1) Valuation Date

The valuation date is 31 December 2014.

(2) Previous Valuation

The previous valuation date was 31 December 2013.

(3) Interim Valuations

An interim valuation was carried out on 30 June 2014.

90% With-Profits Fund

On 1 January 2009 the ex-SLUK Life Unitised With-Profits pensions business that was in the 100% With-Profits Fund was transferred into this Fund. Any changes in respect of this block of business since the previous valuation are included in the sections below.

2. ASSETS

(1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions used to calculate the value of future profits on non-profit business are as follows:

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

The expenses inflation is set to 1% above RPI.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable

(3) Valuation Of Contracts Written Outside The Fund

Not applicable

(4) Different Sets Of Assumptions

Not applicable

(5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation Of With-Profits Benefits Reserve

There have been changes in methods since the previous valuation. Assumptions remain unchanged since the previous valuation.

90% With-Profits Fund

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	0.0	0.0
CWP Life	Retrospective	34.7	7.1
Life Total		34.7	7.1
UWP Pensions	Retrospective	36.4	7.4
CWP Pensions	Retrospective	2.5	0.5
Total Pensions		38.9	7.9
Total		73.5	15.0
Form 19 Line 31		73.5	
Form 19 Line 49			15.0

(2) Correspondence With Form 19

The above totals reconcile to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable as all products have been disclosed.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

The expenses charged to the with-profits fund are fixed amounts per policy inforce, inflating each year and / or an amount per premium received plus investment expenses. Additional expenses may be charged for any additional project or enhanced services provided to the with-profits fund.

- (a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2013.
- (b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.
- (c) The expenses charged to the with-profits benefits reserve are the amounts per policy and / or per premium and for some business the investment expenses.

90% With-Profits Fund

The expenses charged to with-profits fund in addition to those allocated to the with-profits benefits reserve comprise:

- additional project and one-off costs not charged to asset shares;
- expenses in respect of with-profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;
- expenses in respect of non-profit policies;
- investment expenses not charged to asset shares;
- prior year adjustments; and
- Balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balances charged to the with-profits fund during the financial year were:

Item	£m
Initial Expenses	0.0
Maintenance Expenses	0.55
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	0.00

(4) Significant Charges

Charges for cost of guarantees, cost of capital are not charged to with-profits benefit reserves.

(5) Charges For Non-Insurance Risk

No charges were deducted from the with-profits funds for non-insurance risk.

(6) Ratio Of Claims To Reserves

Year	SLUK CWP	SLUK UWP	BULA
Previous year -1	104%	104%	104%
Previous year	107%	107%	107%
Current year	99%	99%	101%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details). The average rates of investment return (after tax for life business) added for the year ending 31 December 2014 were:

Type of business	Investment Returns
SLUK IB	3.27%
SLUK OB CWP	3.27%
SLUK OB UWP	7.63%
BULA	8.11%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Not applicable as Asset Shares now calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Method For Guarantees etc.

- (a) Guarantees and options are valued on a stochastic basis; the previous approach did not stochastically cost guarantees for all lines of business.
- (b) (i) No projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
- (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 70,476 individual policies and members of group schemes, which have been grouped together into 1,267 model points.

(3) Significant Changes

Cost of Smoothing

At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund. At the previous valuation date, the model effectively assumed current final bonus rates continued for a year and determined future (post one year) final bonus rates on a global basis and applied limits to changes.

(4) Further Information On Stochastic Approach Used To Calculate The Cost Of Guarantees and Options

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

(a) Stochastic approach

- (i) Previously guarantee costs on Unitised With Profits business were calculated using Black-Scholes. The new approach is to calculate all guarantee costs stochastically. Otherwise, there are no changes in methods or assumptions since the previous valuation.
- (ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Deloitte. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
7	1.61%	1.59%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK equity model was calibrated by reference to the implied volatility of FTSE 100 options for a range of strikes.

Implied volatility data (%) at the valuation date is shown below:

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	22.52	19.65	16.11	12.34	8.73
3	20.56	19.00	17.43	15.77	13.85
5	20.88	19.61	18.31	16.95	15.64
9	21.09	20.30	19.60	18.92	18.25

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

90% With-Profits Fund

	Strike				
Term	0.8	0.9	1	1.1	1.2
15	21.66	21.14	20.72	20.41	20.13
20	22.74	22.44	22.14	21.88	21.64
25	24.12	23.98	23.82	23.67	23.52
30	25.27	25.13	25.02	24.95	24.90

The model calibration is close to market implied equity volatility.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund	
Gilts 10y spot rate	100%									
Real 5Y spot rate	-42%	100%								
UK Equities	-4%	-10%	100%							
Direct Property	6%	10%	14%	100%						
7y A-Rated Corp	-88%	27%	7%	-16%	100%					
Overseas Equities	10%	-12%	36%	7%	8%	100%				
Indirect Property	5%	9%	11%	34%	-13%	10%	100%			
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%		
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%	

(iii) The table below is based on 1,000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

- (iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

- (v) Not applicable – there are no significant territories other than the UK.
- (vi) The table shows the proportion of the total present value of cost of the modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	4.0%	0.0%	0.0%	1.3%
5 - 10	0.4%	0.0%	0.0%	2.7%
10 - 15	0.1%	0.0%	0.0%	4.6%
15 - 20	0.2%	0.0%	0.0%	9.7%
20 - 25	0.0%	0.0%	0.0%	2.1%
25 - 30	74.3%	0.7%	0.0%	0.0%

Policies without a fixed maturity date have been shown in the 25 to 30 outstanding term band.

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

- (vii) Comprehensive tests are carried out on the output produced by the Deloitte asset model as follows:

For UK and Overseas equities and for UK property the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) have been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

Zero coupon bond yields calculated from the model cash output have been verified to match yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options verification has been made, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

Verification has also been made, within acceptable limits, which implied volatilities calculated from the simulation model output reproduce the market volatility term structure for 20 year at the money swaptions.

- (viii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset. This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 1.4% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 2.1% of these prices.

At the previous valuation date 3000 scenarios were used in the determination of the cost of guarantees, smoothing and options. At the current valuation date 1000 scenarios were used; however there has been no deterioration of the quality of the convergence of the scenarios.

(b) Not applicable

(c) Not applicable

(5) Management Actions

(a) Regular bonus levels are now stochastically modelled. Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

Apart from this there are no changes in methods or assumptions since the previous valuation.

(b) The following tables show the equity backing ratios for the fund, and annual bonus rates on unitised with-profits business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
SLUK	i - iii	37.80%	Unchanged	Unchanged
BULA	i - iii	25.20%	Unchanged	Unchanged
Combined	i - iii	30.84%	Unchanged	Unchanged

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Projected years
Type of business		p.a	p.a
PLL90_UWP	i - iii	4.00%	Varies Dynamically

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up rates are:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender/PUP	16.8%	16.8%	16.8%	16.8%
Conventional whole life withprofits IB	Surrender/PUP	0.5%	0.5%	0.5%	0.5%
Conventional endowment withprofits OB savings	Surrender/PUP	25.0%	25.0%	25.0%	25.0%
Conventional endowment withprofits OB target cash	Surrender/PUP	3.0%	3.0%	3.0%	3.0%
Conventional endowment withprofits IB	Surrender/PUP	0.5%	0.5%	0.5%	0.5%
Conventional deferred annuity withprofits	Surrender/PUP	0.0%	0.0%	0.0%	0.0%
Regular premium nonprofit WL/EA OB	Surrender/PUP	1.0%	1.0%	1.0%	1.0%
Nonprofit IB	Surrender/PUP	0.5%	0.5%	0.5%	0.5%
Individual pensions UWP	Surrender/PUP	5.0%	5.0%	5.0%	5.0%
DWP National Insurance rebates UWP	Surrender/PUP	5.0%	5.0%	5.0%	5.0%

(7) Policyholders' Actions

No such assumptions were made.

7. FINANCING COSTS

There are no financing arrangements.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Future shareholder transfers not deducted from asset share	2.0
Provision for future tax provision	0.0
Future shareholder transfers from planned enhancements to with-profits benefit reserve	1.3
Additional provision for tax on shareholder transfers	0.0
Future investment expenses and provisions not deducted from asset share	0.4
Future tax adjustment	0.0
Total	3.7

9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are taken to be the same as the regulatory current liabilities.

10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

- (i) The market risk scenario assumes that equities falls by 20% and real estate falls by 12.5% excluding the impact of gearing. The equity fall and the property fall were the more onerous scenarios.

- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the more onerous scenario.
 - (iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average increase in spread for bonds subject to the test, weighted by market value, was 0.9% for the fund. This change in yields resulted in a movement in the value of these bonds of (7.5)% for the fund.
 - (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 0.9%.
 - (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).
- (b)
- (i) In the stress scenarios the following additional assumption is made:
Reversionary bonus rates will still be reduced to nil in stages over the next year.
 - (ii) Since there is no risk capital margin, the effect of assuming reduced reversionary bonuses is zero. Working capital is reduced by £0.0m.
 - (iii) No changes would apply to the table in paragraph 6 (5) (b) if the management actions were taken.
 - (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities. If the most onerous scenario in respect capital requirements increases shareholder transfers, then a scenario with lower shareholder transfers is used to determine the shareholder transfer deductions component in the WPICC calculation.
- (c)
- (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.
 - (ii) The scheme for the funds merger as at 31 December 2008 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An approximate adjustment is made to allow for any differences between the tax calculated as described and the tax expected on a corporate basis. The adjustment is calculated within the stochastic model.

12. DERIVATIVES

There are no major positions of derivative contracts held in the Fund.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	16.1
Revised opening working capital	16.1
Opening adjustments	0.0
Restated opening working capital	16.1
Expected return on opening surplus	0.1
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	0.0
- Economic	0.0
- Policyholder actions	0.0
Model and methodology changes	0.4
Other Variances	
- Economic	(5.0)
- Non-economic	(0.0)
- Management actions	(3.5)
- Other projects / provisions	(0.0)
- Unexplained	4.8
Closing working capital before zeroisation	13.0
Planned benefit enhancements to distribute estate	(13.8)
Impact of planned enhancement on future policy related liabilities	0.8
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

100% With-Profits Fund

2. ASSETS**(1) Economic Assumptions for Valuing Non-Profit Business**

Not applicable as there is no non-profit business valued in the 100% With-Profits Fund.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES**(1) Calculation of With-Profits Benefits Reserve**

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	0.0	0.0
CWP Life	Retrospective	63.7	18.9
Life Total	Retrospective	63.7	18.9
UWP Pensions	Retrospective	0.0	0.0
CWP Pensions	Retrospective	0.0	0.0
Total Pensions		0.0	0.0
Total		63.7	18.9
Form 19 Line 31		63.7	
Form 19 Line 49			18.9

(2) Correspondence with Form 19

The above reconciles to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Division of Portfolio

The following classes have similar bonus declaration characteristics to Premium Paying Endowments:

- Paid Up Endowment
- Whole Life Premium Paying
- Whole Life - Paid Up

Other business is distinct from these classes.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes to Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date

(3) Expense Allocation

- (a) The previous expense investigation was carried out in respect of the current financial year.
- (b) Expense investigations are carried out annually.
- (c)

Item	£m
Initial Expenses	0.0
Maintenance Expenses	0.2
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	0.0

Since the company is closed to new business (apart from contractual increments etc.), there are no material initial expenses.

Investment expenses are allowed for by deducting the fees payable to the company's investment manager for managing the assets from the investment return credited to asset shares. A rate of 0.13% p.a (net of tax) is applied to life business.

(4) Significant Charges

Not applicable.

(5) Charges for Non-Insurance Risk

Not applicable.

(6) Ratio of Claims To Reserves

There are no changes in methods or assumptions since the previous valuation

Year	Ratio of claims to asset shares (ex-Phoenix Assurance)	Ratio of claims to asset shares (ex_Swiss Life UK)
Previous year -1	121%	100%
Previous year	125%	100%
Current year	99%	100%

No further estate distribution declared in 2014.

(7) Allocated Return

The average rates of investment return (after tax) added for the year ending 31 December 2014 were:

Type of business	Investment Returns
Premium Paying Endowments (PAL)	4.23%
Paid Up Endowment (PAL)	4.23%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD**(1) Key Assumptions**

Not applicable as Asset Shares now calculated on a retrospective basis.

(2) Different Sets of Assumptions

Not applicable.

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING**(1) De Minimis Limit**

The De Minimis limit is met since the cost of guarantees, options and smoothing are less than 0.5% of the realistic liability. The disclosure of the valuation methods is therefore not required.

(2) Valuation Method Used To Calculate The Costs Of Guarantees**(a) Cost of Guarantees & Options**

Not Applicable

Cost of Smoothing

There is no significant cost of smoothing and this has been taken to be zero. All business has been modelled assuming future payouts of 100% of asset share.

(3) Significant Changes

There are no changes in methods or assumptions since the previous valuation.

(4) Further Information On The Approach Used To Calculate The Cost Of Guarantees

Not applicable.

(5) Management Actions

We do not assume any specific management actions take place during the projection of assets and liabilities.

(6) Demographic Assumptions

Not applicable.

(7) Policyholders' Actions

No such assumptions were made.

7. FINANCING COSTS

There are no financing arrangements.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

£m	Current Valuation	Previous Valuation
Potential project costs	1.6	1.9
Total	1.6	1.9

9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are set equal to the regulatory current liabilities.

10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall by 20% and real estate falls by 12.5%. The equity fall and the property rise were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A reduction in yields is the more onerous scenario.

(iii) The average change in spread is 1.0%. Changes in market values are:

- (7.5)% for bonds
- not applicable
- not applicable
- not applicable
- not applicable

(iv) Not applicable.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) (i) In the stress scenarios the following actions are assumed:

Terminal bonus rates are changed such that the revised estate is extinguished.

Furthermore, it is assumed that the previous conditional estate distributions will be clawed back, resulting in £nil risk capital under the stresses conditions.

These actions are consistent with the PPFM and investment strategy

- (ii) The risk capital margin is nil so there is no impact on the risk capital margin of reducing the planned benefit enhancements.
 - (iii) Not applicable.
 - (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.
- (c) (i) The risk capital margin is covered by the assets of the long-term fund.
- (ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

12. DERIVATIVES

The derivative positions of derivative contracts held in the Fund are summarised in the table below.

Future Contract	Position	Nominal Value	Net Market Value
		£m	£m
Currencies	Short	6.2	0.0
	Long	0.1	
Equity index	Short	0.0	0.0
	Long	0.0	
Fixed-interest securities	Short	0.2	0.0
	Long	0.0	

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	17.1
Revised opening working capital	17.1
Opening adjustments	0.0
Restated opening working capital	17.1
Expected return on opening surplus	0.1
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	0.0
- Economic	0.0
- Policyholder actions	0.0
Model and methodology changes	(0.4)
Other Variances	
- Economic	1.5
- Non-economic	0.0
- Management actions	(1.1)
- Other projects / provisions	0.4
- Unexplained	(0.8)
Closing working capital before zeroisation	17.0
Planned benefit enhancements to distribute estate	(16.9)
Impact of planned enhancement on future policy related liabilities	(0.0)
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

Alba With-Profits Fund

2. ASSETS**(1) Economic Assumptions For Valuing Non-Profit Business**

The economic assumptions used to calculate the value of future profits on non-profit business are as follows:

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

The expenses inflation is set to 1% above RPI.

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES**(1) Calculation Of With-Profits Benefits Reserve**

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	6.5	3.4
CWP Life	Retrospective	103.6	53.8
Life Total	Retrospective	110.1	57.2
UWP Pensions	Retrospective	178.5	92.8
CWP Pensions	Retrospective	245.5	127.5
Total Pensions		424.0	220.3
Total		534.1	277.5
Form 19 Line 31		534.1	
Form 19 Line 49			277.5

In the table above, the split of the future policy related liabilities into the same detail as the with-profits benefits reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

(2) Correspondence With Form 19

The above totals reconcile to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable as all products have been disclosed.

(4) Types Of Products

Alba With-profit Fund has both policies with minimum Annuity Rate Option and Non- minimum Annuity Rate Option. Their costs in respect of premium paying policies are currently of a similar order and together make-up about 35% of the overall future policy related liabilities.

There have been no changes to methods or assumptions since the previous valuation except where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.

Change in target payout ratio

Reflecting the improved financial position of the fund, the PLL Alba With-Profits Fund target payouts have been restated to remove the cutbacks to asset shares that were previously applied. The realistic balance sheet now allows for payouts on maturity and surrender of 100% of asset share, rather than maturity payouts at 90% of asset share and surrender payouts at 85.5% of asset share.

- (a) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date

(3) Expense Allocation

- (a) The previous expense investigation was carried out in respect of previous financial year.
- (b) Expense investigations are carried out annually.
- (c) A specific investigation was carried out for this valuation.
 - (i) Being closed to new business, all expenses were identified as maintenance expenses.
 - (ii) Maintenance expenses for the with-profits business for the year to the valuation date were:

Item	£m
Life - individual	0.2
Pensions - individual	0.3
Pensions - corporate	0.2
SLA	2.7
Project Costs	0.8
Other	0.0
Total	4.1

- (iii) Expenses incurred in the year are allocated to specific classes of business, e.g. life / pensions and individual / corporate. The individual / corporate pensions split represent the business administered by Pearl Group Management Services and Capita respectively. These are then apportioned using the number of policies per category.
- (iv) The following expenses were charged to non-profit business for the year to the valuation date:

Item	£m
Life - individual	0.4
Pensions - individual	0.5
Pensions - corporate	0.3
SLA	5.6
Project Costs	1.6
Other	0.0
Total	8.5

(4) Significant Charges

Not Applicable

(5) Charges For Non-Insurance Risk

Not applicable.

(6) Ratio Of Claims To Reserves

Year	Ratio of claims to asset shares
Previous year -1	105.5%
Previous year	113.1%
Current year	97.0%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details). The average rates of investment return (after tax for life business) added for the year ending 31 December 2014 were:

Type of business	Investment Returns
Life policies	6.39%
Pensions policies	13.56%
Pensions policies (High guarantee)	11.95%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD**(1) Key Assumptions**

Not applicable as Asset Shares are now calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable.

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING**(1) De Minimis Limit**

Not applicable.

(2) Valuation Method For Guarantees etc.

(a) All guarantees are valued on a stochastic basis; the previous approach did not stochastically cost guarantees for all lines of business

(b)

(i) No projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.

(iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on

a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 56,042 individual policies and members of group schemes, which have been grouped together into 1,019 model points.

(3) Significant Changes

Cost of Smoothing

At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund. At the previous valuation date, the model did not apply any smoothing.

Capitalisation of Annuity Values

At the previous valuation the capitalised annuity value on maturity for the deferred annuity business was calculated using a fixed valuation discount rate that varied at product level. At the current valuation the model uses the stochastic yield curve to capitalise the annuity instead.

(4) Further Information on Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The stochastic model is used to value the following guarantees and options:
- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts;
 - Market value reduction-free spot maturity guarantees within unitised with-profits and deposit administration contracts;
 - Guaranteed annuity options on conventional with-profits contracts;
 - Surrender guarantees on flexible endowments.

Of these, the guarantees and options which are strongly “in the money” at the valuation date are the guaranteed annuity options and maturity guarantees on conventional with-profits pensions policies.

An indication of the extent of these guarantees is given in (vi) below.

- (ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Deloitte. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The yield curve calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
7	1.61%	1.59%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1
30	2.73%	2.75%	1
35	2.67%	2.67%	0

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The yield curve calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equity and Property

Excess returns over risk free rates on UK, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below.

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	22.52%	19.65%	16.11%	12.34%	8.73%
3	20.56%	19.00%	17.43%	15.77%	13.85%
5	20.88%	19.61%	18.31%	16.95%	15.64%
7	21.20%	20.25%	19.27%	18.39%	17.64%
9	21.09%	20.30%	19.60%	18.92%	18.25%

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

Term	Strike				
	0.8	0.9	1	1.1	1.2
	%	%	%	%	%
15	21.66%	21.14%	20.72%	20.41%	20.13%
20	22.74%	22.44%	22.14%	21.88%	21.64%
25	24.12%	23.98%	23.82%	23.67%	23.52%
30	25.27%	25.13%	25.02%	24.95%	24.90%
35	26.08%	25.98%	25.90%	25.79%	25.71%
40	26.98%	26.97%	26.92%	26.86%	26.82%

The model calibration is close to market implied equity volatility.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Alba With-Profit Fund has 100% of the total property invested in direct property. Indirect property investments are assumed to behave as equities.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

(iii) The table below is based on 1,000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

- (iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

- (v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.
- (vi) The table shows the proportion of the total present value of cost of the modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	1.0%	38.0%	0.1%	5.5%
5 - 10	0.3%	22.0%	0.0%	6.9%
10 - 15	0.2%	12.0%	0.0%	3.2%
15 - 20	0.0%	6.9%	0.0%	1.8%
20 - 25	0.0%	1.1%	0.0%	0.2%
25 - 30	0.8%	0.0%	0.0%	0.0%

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

- (vii) Comprehensive tests are carried out on the output produced by Deloitte asset model as follows:

For UK property, the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value has been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for gilts and bonds with terms of 1, 3, 5, 10, 15, 20, 30 and 40 years. Departures from unity in the average discounted present values have not been significant.

Zero coupon bond yields calculated from the model cash output have been verified to match yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin. Verification has also been made, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

- (viii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) There is no equity backing within this fund. Regular bonus levels are now stochastically modelled, otherwise there are no changes in methods or assumptions since the previous valuation.

Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

- (b) The following tables show annual bonus rates on unitised with-profits business.

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Projected years
Type of business		p.a	p.a
UWP	iii	4.00%	Varies Dynamically

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years - %			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits IB	Surrender	1.0%	1.0%	1.0%	1.0%
Conventional endowment withprofits IB	Surrender	2.0%	2.0%	2.0%	2.0%
Nonprofit IB	Surrender	1.3%	1.3%	1.3%	1.3%
Conventional whole life withprofits IB	PUP	1.0%	1.0%	1.0%	1.0%
Conventional endowment withprofits IB	PUP	2.0%	2.0%	2.0%	2.0%
Nonprofit IB	PUP	1.3%	1.3%	1.3%	1.3%

There was no change in demographic assumptions from the previous year. The change in the table compared to last year is due to a different presentation of the product splits.

A take up rate of 75% for guaranteed annuity options is assumed. This is consistent with the terms of the agreement with the Britannic With-Profits Fund where any deviation from this assumption is met by that fund.

The annuitant mortality assumptions are shown in the following table:

Annuitant Mortality Assumptions		
	Projection Basis	
Annuity Rate Guarantee – post vesting ⁽¹⁾	Male	Female
All	100% PCMA00	95% PCFA00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

(7) Policyholders' Actions

No such assumptions were made.

7. FINANCING COSTS

A contingent loan has been provided by the Non Profit Fund investment reserve to the Alba With-Profits Fund (the borrower). The purpose is to maintain a regulatory surplus pursuant to both INSPRU 1.1.27(R) and INSPRU 1.1.28(R). The loan is subordinate to policyholders' interests insofar as repayment will not take place if treating policyholders fairly cannot be maintained.

Following the conditions of the agreement, a provision for repayment of £13.4m of the contingent loan has been included in the realistic balance sheet as this is not required to maintain realistic solvency and would therefore ultimately be repaid.

8. OTHER LONG-TERM INSURANCE LIABILITIES

Line 47 of Form 19 remains as £8.6m over the year, this is for the present value of future shareholder transfers on BL pre 1990 business.

9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities of £591.5m consist of regulatory current liabilities consistent with Form 14 Line 49.

10. RISK CAPITAL MARGIN

- (a) The risk capital margin amounted to nil.
- (i) The market risk scenario assumes that equities falls by 20% and real estate falls by 12.5%. The equity fall and the property fall were the more onerous scenarios.
 - (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.
 - (iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in spread for bonds subject to the test, weighted by market value, was 1.0% for the fund. This change in yields resulted in a movement in the value of these bonds by an average of (8.0)% for the fund.
 - (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The impact of the persistency risk scenario is that the realistic value of liabilities increases by 1.0% prior to any management action being taken.
 - (v) These were assumed to be materially independent.
- (b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reduction in the excess assets.

If the most onerous scenario in respect capital requirements increases shareholder transfers, then a scenario with lower shareholder transfers is used to determine the shareholder transfer deductions component in the WPICC calculation.

- (c) (i) The risk capital margin is zero.
- (ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

- (a) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets.

Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

- (b) In calculating the value of future policy related liabilities, tax is allowed for as follows.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees, and this allows for policyholder tax as described in (i).

- (c) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. DERIVATIVES

The fund has a portfolio of European-style receiver swaptions, to mitigate the effect that falls in interest rates have on the value of contracts written with a guaranteed annuity option. As at the valuation date, the fund held swaptions valued at £45.0m with an aggregate nominal value of £112.3m.

The option dates for swaptions range from the current year until 2038, with swap tenors of between 15 and 25 years. The majority of contracts are for a strike rate of interest of 5%. In recognition of an agreement with the Britannic With-Profits Fund (referred to in paragraph 6 (6)), the relevant policies were modelled assuming a 75% take-up rate for the option. Impact of the excess take-up rate above the 75% (if any) is met by Britannic With-Profits Fund as per paragraph 6 (6).

The fund also has a relatively small holding in Fixed Interest Futures. These had a market value of £(0.5)m and an aggregate nominal value of £17.5m at the valuation date.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back provision to repay contingent loan	0.0
Write back planned benefit enhancements to zeroise working capital	126.9
Revised opening working capital	126.9
Opening adjustments and modelling changes	0.0
Restated opening working capital	126.9
Expected return on opening surplus	0.6
Assumption changes	
- Non-economic	(15.3)
- Economic	0.0
- Management actions	0.0
Model and methodology changes	13.4
Other variances	
- Non-economic	(12.3)
- Economic	(1.4)
- Management actions	(33.6)
- Other projects / provisions	(38.7)
- Unexplained	6.5
Closing working capital before zeroisation	46.2
Provision to repay contingent loan	13.4
Planned benefit enhancements to distribute estate	(66.6)
Impact of planned enhancement on future policy related liabilities	7.0
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

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2. ASSETS

(1) Economic Assumptions For Valuing Non-Profit Business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit life business written in the fund.

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

Expense inflation is assumed to be RPI inflation plus 1%.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Insurance Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the fund.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation Of With-Profits Benefits Reserve

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	0.0	0.0
CWP Life	Retrospective	142.9	102.0
Life Total		142.9	102.0
UWP Pensions	Retrospective	0.0	0.0
CWP Pensions	Retrospective	0.0	0.0
Total Pensions		0.0	0.0
Total		142.9	102.0
Form 19 Line 31		142.9	
Form 19 Line 49			102.0

(2) Correspondence With Form 19

The amounts in (1) above reconcile directly to Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes to Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

- (a) The previous expense investigation was carried out in respect of the financial year ended 31 December 2013.
- (b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.

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(c) The method by which expenses are charged to the with-profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares:

- Traditional with-profits business asset shares are charged expenses based on the expenses charged by the outsourcers in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one-off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.

The expenses charged to asset shares are all charged as maintenance expenses as the fund is no longer actively seeking new business and, for the purposes of this expense investigation all expenses have been treated as maintenance and consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to the with-profits fund in addition to those allocated to the with-profits benefits reserve comprise:

- one-off costs not charged to asset shares;
- expenses in respect of with-profits policies that were in force at the previous financial year end and no longer in force at the current financial year end;
- the expenses incurred in respect of non-profit business in the fund;
- the investment expenses reduction not charged to asset shares;
- investment expenses associated with the investments backing other with-profits reserves and the estate;
- prior year adjustments;
- costs to the fund for buying out pension scheme risk; and
- balance between aggregation of the amounts charged to assets shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balance charged to the fund during the financial year were:

Item		Expenses £m
expenses charged to with-profits benefit reserve	traditional with-profits business	2.5
other expenses charged to fund	other project costs	0.2
	exiting with-profits policies	0.2
	non-profit policies	0.9
	investment expenses	0.4
	prior year adjustments	0.0
	pension scheme costs	2.9
	balance	0.6
Total expenses		7.7

(4) Significant Charges

Not applicable.

(5) Charges For Non-Insurance Risk

No charges were deducted from this fund for non-insurance risk.

(6) Ratio Of Claims To Reserve

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with-profits benefits reserves in respect of those claims, for the three preceding financial years is:

Year	Average total with-profits claim ratio for financial year
Previous year -1	98%
Previous year	97%
Current year	99%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details). The investment return for 2014 was 6.1% (after tax and expenses).

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Not applicable as Asset Shares now calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable.

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) All guarantees are stochastically calculated; the previous approach did not stochastically cost guarantees for all lines of business

- (b) (i) In the model, no projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
- (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 137,160 individual policies and members of group schemes, which have been grouped together into 1,937 model points.

(3) Significant Changes

There have been no significant changes since the previous valuation.

(4) Further Information On Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The stochastic model is used to place a value on:
- Maturity guarantees on conventional endowments;
 - The impact of bonus smoothing.

Allowing for the distribution of the estate to asset shares, there is no residual cost of guarantees or smoothing in the fund.

- (ii) There are no changes in methods or assumptions since the previous valuation other than those detailed below.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The interest rate calibration at the valuation date was as follows:

Term	Govt. + 10bp (%)	Model (%)	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
6	1.61%	1.59%	(2)
7	1.95%	1.93%	(2)
8	1.74%	1.71%	(2)
9	1.85%	1.83%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1
30	2.73%	2.75%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equity and Property

Excess returns over risk free rates on UK, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below.

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	22.52%	19.65%	16.11%	12.34%	8.73%
3	20.56%	19.00%	17.43%	15.77%	13.85%
5	20.88%	19.61%	18.31%	16.95%	15.64%
7	21.20%	20.25%	19.27%	18.39%	17.64%
9	21.09%	20.30%	19.60%	18.92%	18.25%

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

Term	Strike				
	0.8	0.9	1	1.1	1.2
	%	%	%	%	%
15	21.66%	21.14%	20.72%	20.41%	20.13%
20	22.74%	22.44%	22.14%	21.88%	21.64%
25	24.12%	23.98%	23.82%	23.67%	23.52%
30	25.27%	25.13%	25.02%	24.95%	24.90%
35	26.08%	25.98%	25.90%	25.79%	25.71%
40	26.98%	26.97%	26.92%	26.86%	26.82%

The model calibration is close to market implied equity volatility.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

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Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

<i>Output Correlations @ Year 10</i>									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A- Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

(iii) The table below is based on 1,000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

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- (iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

- (v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories.
- (vi) Allowing for the distribution of the estate to asset shares, there is no residual cost of guarantees or smoothing in the fund.

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) for the Britannic With-Profits Fund.

- (vii) Comprehensive tests are carried out on the output produced by Deloitte asset model as described for the Britannic With-Profits Fund.
- (viii) The stochastic model is run on 1,000 investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

- (a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent described below.

Bonus Policy

Future reversionary bonus rates are assumed to be zero.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of terminal bonus rates such that the maximum change in payout from year to year is 15%.

Investment Mix

The proportion of real assets (UK equities, overseas equities and property) is assumed to be 28% at the valuation date and to remain constant for all future periods.

- (b) The following tables show the equity backing ratios for the fund, annual bonus rates for unitised with-profit business are not shown as BIB contains no UWP business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
All Business	i	28%	28%	28%
All Business	ii	Unchanged	Unchanged	Unchanged
All Business	iii	Unchanged	Unchanged	Unchanged

(6) Demographic Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years - %			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits IB	Surrender	1.0%	1.0%	1.0%	1.0%
Conventional endowment withprofits IB	Surrender	2.0%	2.0%	2.0%	2.0%
Nonprofit IB	Surrender	1.3%	1.3%	1.3%	1.3%
Conventional whole life withprofits IB	PUP	1.0%	1.0%	1.0%	1.0%
Conventional endowment withprofits IB	PUP	2.0%	2.0%	2.0%	2.0%
Nonprofit IB	PUP	1.3%	1.3%	1.3%	1.3%

The fund has no exposure to guaranteed annuity options.

(7) Policyholders' Actions

Not applicable.

7. FINANCING COSTS

There are no financing arrangements currently in place for the fund.

8. OTHER LONG TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Data	0.0
Litigation	0.2
Future Projects	0.0
VAT	0.6
Pension Scheme	0.0
Costs Falling Outside MSA	0.3
Strachan Policy Review	0.3
	0.0
TCF Reserve	
Solvency II	0.2
Actuarial Systems Transformation	0.0
Capita Regulatory Buyout	0.3
Asset Management Services	0.0
Compensation for BAM Investment Expense	0.9
Asset Management Services	0.3
Sale of IGNIS	0.1
Total	3.2
Line 47	3.2

9. REALISTIC CURRENT LIABILITIES

The realistic value of current liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £5.6m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

10. RISK CAPITAL MARGIN

(a) The risk capital margin for the fund was calculated to be zero at the valuation date.

(i) The risk capital margin allows for a fall in equity values of 20%. This was compared to a rise in equity values of the same amount and found to be more onerous for the fund.

A fall of 12.5% was allowed for in the value of property assets, and this was found to be more onerous than a rise in property values of the same amount.

(ii) The scenario of a rise in fixed interest yields of 17.5% of the long-term gilt yield was compared against a fall in yields of the same amount. The more onerous result was assumed and represented a rise in yields. The nominal rise and fall in the (annualised) yields was 0.38%.

There are no significant overseas territories. Overseas stocks were subjected to the same basis point adjustment as for UK stocks.

(iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in spread for bonds subject to the test, weighted by market value, was 1.0% for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 7.5% for the fund.

(iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%.

(v) Not applicable

(b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reduction in the excess assets.

Some policies have been granted discretionary enhancements to investment returns attributed to asset shares. These enhancements will be removed if the estate of the fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the risk capital margin conditions.

If the most onerous scenario in respect capital requirements increases shareholder transfers, then a scenario with lower shareholder transfers is used to determine the shareholder transfer deductions component in the WPICC calculation.

(c) (i) The risk capital margin is zero.

(ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

(a) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.

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Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.

Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.

Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.

- (b) In calculating the value of future policy related liabilities, tax is allowed for in a number of ways.

Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (i).

Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.

The accrued amount of any tax on unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by a tax rate that does not allow for deferral of the gain being realised.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk-free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

- (c) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. DERIVATIVES

On the valuation date, the fund held futures contracts as described in the table below. A negative number of units held indicates that a short position is held.

Matched Fund

Index	Units	Price on the valuation date (£)	Settlement Price (£)	Unit Multiple for Settlement	Settlement Date
MSCI Emerging Market	(6)	3,071	2,987	10	20/03/2015
Dow Jones Euro	(38)	2,431	2,282	10	20/03/2015
FTSE 100	(44)	6,523	6,140	10	20/03/2015
S&P 500	(23)	6,582	6,382	10	20/03/2015
TOPIX	4	7,481	7,554	10	12/03/2015
SPI 200	(3)	7,063	6,713	10	19/03/2015
LIFFE Long Gilt	(60)	11,953	11,670	10	27/03/2015
LIFFE Short Gilt	2	10,356	10,337	10	27/03/2015
HANG SENG	(2)	9,779	9,682	10	29/01/2015

Currency Forwards

Forward Currencies (Notional Amounts £000)	Long	Short
Growth Fund	105	51,795
Matched Fund	31,481	3,765
Total	31,586	55,560

Growth Fund

Index	Units	Price on the valuation date (£)	Settlement Price (£)	Unit Multiple for Settlement	Settlement Date
LIFFE Long Gilt	(365)	11,953	11,670	10	27/03/2015
LIFFE Short Gilt	15	10,356	10,337	10	27/03/2015

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table:

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	118.1
Revised opening working capital	118.1
Opening adjustments	0.0
Restated opening working capital	118.1
Expected return on opening surplus	0.6
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	0.0
- Economic	0.0
- Policyholder actions	0.0
Model and methodology changes	(5.9)
Other Variances	
- Economic	4.0
- Non-economic	0.0
- Management actions	(16.3)
- Other projects / provisions	(2.5)
- Unexplained	(7.0)
Closing working capital before zeroisation	91.0
Planned benefit enhancements to distribute estate	(96.8)
Impact of planned enhancement on future policy related liabilities	5.8
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

Britannic With-Profits Fund

2. ASSETS

(1) Economic Assumptions For Valuing Non-Profit Business

The following table shows the principal economic assumptions that have been used to determine the value of future profits arising from non-profit business written in the fund.

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

Expense Inflation is assumed to be RPI Inflation plus 1%.

* The experience interest rates and risk discount rates are shown gross of tax and before deduction of investment expenses of 0.08% gross per annum.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Insurance Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

(1) Calculation Of With-Profits Benefits Reserve

In determining the with-profits benefits reserve shown in Line 31 of Form 19, the fund uses several methods. The methods can be summarised as:

(i) Asset Share Calculations

Asset shares are a roll up, at historic achieved investment returns, of premiums, less expenses, charges and tax, adjusted for the profit or loss on providing death benefits and the profit or loss from contracts that terminated early.

For the former Century business, the with-profits benefits reserve is based on the amount transferred from the former Century Life With Profit Fund as at 31 December

2006 in respect of this business (excluding the value of future profits and loss transfers). The amount transferred was determined using a bonus reserve valuation approach with future bonuses set so as to equal the amount available for transfer. This amount transferred became the opening asset share as at 31 December 2006 in the Britannic With-Profits Fund in respect of this business. This opening asset share has been rolled up with the actual historic experience as described above.

(ii) Prospective Method

Not Applicable

(iii) Shadow Funds

For most unitised with-profits contracts the with-profits benefits reserve is taken as the shadow fund available from the company's mainframe systems. The shadow fund is the result of accumulating premiums less policy charges at the earned investment rate.

(iv) Regulatory Reserves

For some small classes of business it is not practical to apply any of the methods in (i) to (iii). In these cases the realistic reserve is taken as the regulatory reserve, excluding the long term insurance capital requirement (and, in the case of the Insurance ISA, the sterling reserves).

The table below shows the breakdown of the with-profits benefits reserve into these methods.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	121.3	14.0
CWP Life	Retrospective	207.4	23.9
Life Total		328.7	37.9
UWP Pensions	Retrospective	3,410.4	392.9
CWP Pensions	Retrospective	39.7	4.6
Total Pensions		3,450.1	397.5
Total		3,778.8	435.3
Form 19 Line 31		3,778.8	
Form 19 Line 49			435.3

In the table above, the split of the future policy related liabilities into the same detail as the with-profits benefits reserve is approximated. This is partly because the assessment of prospective items such as the costs of guarantees and smoothing rely on grouped data, and partly because certain realistic future liabilities are not calculated at product level.

(2) Correspondence With Form 19

The amounts in (1) above reconcile directly to Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes to Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

For each with-profits fund, the basis of allocating expenses to that fund during the financial year in question is described in note 4006 to Form 40.

- (a) The previous expense investigation was carried out in respect of financial year ended 31 December 2013.
- (b) Expense investigations are carried out in respect of each financial year. Interim investigations are carried out during financial years for use in interim valuations.
- (c) The method by which expenses are charged to the with-profits benefits reserve in respect of individual contracts depends on the type of business and the method of determining asset shares:
 - Traditional with-profits business asset shares are charged expenses based on the expenses charged by the outsourcers in respect of this business. The expenses are an amount per policy which varies by product type and by premium paying status. The amount charged to asset shares is subject to an uplift to cover direct costs and an element of project costs. Additional one-off project costs are not charged to asset shares. Investment expenses are charged to asset shares by reducing the investment return allocated.
 - Unitised with-profits business asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.
 - Smoothed return business, that is with-profits annuity business, overseas with-profits bond business and with-profits bond business, asset shares are charged expenses using product charges, rather than actual expenses. The product charges cover acquisition, maintenance and investment expenses.

The expenses charged to asset shares are all charged as maintenance expenses as the fund is no longer actively seeking new business and, for the purposes of this expense investigation, all expenses have been treated as maintenance. Consequently the subsequent analysis does not identify any initial expenses.

The expenses charged to the With-Profits Fund in addition to those allocated to the with-profits benefits reserve comprise:

- One-off costs not charged to asset shares;
- The difference between the expenses charged to the fund in respect of unitised with-profits business and smoothed business and the product charges charged to the associated asset shares;
- Expenses in respect of with-profits contracts that were in force at the previous financial year-end and are no longer in force at the current financial year-end;
- The expenses incurred in respect of non-profit business in the fund;
- The investment expenses reduction not charged to asset shares;
- Investment expenses associated with the investments backing other with-profits reserves and the estate;
- Prior year adjustments;
- costs to the fund for buying out pension scheme risk; and
- Balance between aggregation of the amounts charged to asset shares and the items identified above and the aggregate amount allocated to the fund.

The expenses allocated to the with-profits benefits reserve and the residual balance charged to the fund during the financial year were:

Item		£m
Expenses charged to with profits benefits reserve	Traditional WP business	1.4
	Unitised WP business	21.7
	Smoothed return business	0.3
other expenses charged to fund	Other project costs	1.8
	Excess product charges	(9.4)
	Exiting with-profits contracts	0.4
	Non profit contracts	1.0
	Investment expenses	6.6
	pension scheme costs	54.4
	Prior year adjustments	0.0
	Balance	(0.1)
Total expenses		78.1

(4) Significant Charges

Charges for cost of guarantees and cost of capital are not charged to conventional business or unitised with-profits business with-profits benefits reserves. Charges for cost of guarantees and cost of capital are included in the product charges for smoothed return business and hence are charged to the with-profits benefits reserves. The cost of capital funds the shareholder profit and loss transfer and associated tax in respect of this business. The amounts charged to the with-profits benefits reserves are:

Policies previously written in	During financial year		Preceding financial year	
	cost of guarantees	cost of capital	cost of guarantees	cost of capital
	£m	£m	£m	£m
BA	0.0	0.1	0.0	0.1

(5) Charges For Non-Insurance Risk

No charges were deducted from the fund for non-insurance risk.

(6) Ratio Of Claims To Reserves

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with-profits benefits reserves in respect of those claims, for the three preceding financial years is:

Year	Average total with-profits claim ratio for financial year
Previous year -1	101%
Previous year	100%
Current year	100%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix depends on the outstanding term and the level of guarantees under the policy (see PPFM for more details). The investment returns (after tax for life business) allocated to the with-profits benefits reserve in respect of the 12 months to end December 2014 were as follows:

Type of business	Investment
Conventional Life	8.22%
Conventional Pensions	10.22%
UWP Life	8.00%
UWP Pensions (with g'teed min bonus)	9.81%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Not applicable as Asset Shares now calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable.

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Method For Guarantees etc.

(a) All guarantees are stochastically calculated; the previous approach did not stochastically cost guarantees for all lines of business

(b) (i) No projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.

(iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 356,183 individual policies and members of group schemes, which have been grouped together into 3,974 model points.

(3) Significant Changes

Cost of Smoothing

At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund. At the previous valuation date, the model effectively assumed current final bonus rates continued for a year and determined future (post one year) final bonus rates on a global basis and applied limits to changes.

(4) Further Information On Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

(a) (i) The stochastic model is used to place a value on:

- Maturity guarantees on conventional endowments;
- Guarantees on vesting of deferred annuity contracts;
- Guarantees on maturity or retirement for unitised with-profits contracts;
- Nil-penalty guarantees on the surrender of with-profits bonds at certain durations;
- The impact of bonus smoothing.

As at 31 December, for a significant proportion of the with-profits business maturity payouts (including retirements) exceed asset shares. It is intended to reduce this overpayment in line with the company's smoothing policy subject to the level of guarantees. The impact of bonus smoothing is shown in Line 44 of Form 19.

An indication of the combined impact of guarantees and smoothing is provided in (vi), below.

(ii) The asset returns in the stochastic model were generated by a proprietary model purchased from Deloitte. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The calibration at the valuation date was as follows:

Term	Govt. + 10bp (%)	Model (%)	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
6	1.61%	1.59%	(2)
7	1.95%	1.93%	(2)
8	1.74%	1.71%	(2)
9	1.85%	1.83%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1
30	2.73%	2.75%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equities and Property

Excess returns over risk free rates on UK, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below.

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	22.52	19.65	16.11	12.34	8.73
3	20.56	19.00	17.43	15.77	13.85
5	20.88	19.61	18.31	16.95	15.64
7	21.20	20.25	19.27	18.39	17.64
9	21.09	20.30	19.60	18.92	18.25

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

Term	Strike				
	0.8	0.9	1	1.1	1.2
	%	%	%	%	%
15	21.66	21.14	20.72	20.41	20.13
20	22.74	22.44	22.14	21.88	21.64
25	24.12	23.98	23.82	23.67	23.52
30	25.27	25.13	25.02	24.95	24.90
35	26.08	25.98	25.90	25.79	25.71
40	26.98	26.97	26.92	26.86	26.82

Model calibration is close to market implied equity volatility as confirmed by our validations.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

(iii) The table below is based on 1,000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

- (iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

- (v) The asset model is not calibrated to any risk-free rates other than those derived from UK assets. There is no calibration to risk-free rates from overseas territories, even where Britannic has significant investments in those territories.
- (vi) The table shows the proportion of the total present value of the cost of modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	0.5%	20.1%	0.0%	0.1%
5 - 10	0.2%	18.0%	0.0%	3.4%
10 - 15	0.0%	22.5%	0.0%	5.9%
15 - 20	0.0%	11.8%	0.0%	6.8%
20 - 25	0.0%	0.0%	0.0%	3.9%
25 - 30	0.0%	1.6%	0.0%	1.2%
30 - 35	0.0%	0.0%	0.0%	0.0%
35 - 40	0.7%	0.0%	3.3%	0.0%

Policies without a fixed maturity date have been shown in the 35 to 40 outstanding term band.

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

- (vii) Comprehensive tests are carried out on the output produced by Deloitte asset model as follows:

For UK and Overseas equities and for UK property the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value has been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for gilts and bonds with terms of 1, 3, 5, 10, 15, 20, 30 and 40 years. Departures from unity in the average discounted present values have not been significant.

Zero coupon bond yields calculated from the model cash output have been verified to match yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options verification has been made, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using Black-Scholes formula reproduce the expected volatility surface.

Verification has also been made, within acceptable limits, that implied volatility calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

- (viii) The stochastic model is run on 1,000 investment scenarios generated by the asset model.

The scenario generation process incorporates variance reduction techniques (antithetic variables) to ensure that the scenarios selected pass the tests described in (vii) to a close tolerance.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

- (a) The stochastic model does not take into account the possibility of actions taken by management in the projected investment scenarios, other than to the extent described below.

Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

Bonus Policy – Conventional With-Profits Business

Future reversionary bonus rates are assumed to be zero except for business formerly written in Century. For business formerly written in Century, the reversionary bonuses are those declared at the valuation date and are kept constant over the projection period. The cost of guarantees on business formerly written in Century is immaterial.

Maturity payouts are targeted to be 100% of asset share, subject to the company's smoothing policy. To achieve this, the model compares policies maturing in one year against similar policies maturing in the previous year and derives a scale of terminal bonus rates such that the maximum change in payout from year to year is 15%.

Bonus Policy – Unitised With-Profits Business

The reversionary bonus rate is zero for unitised with-profits life business. For pensions business, no reversionary bonus is paid unless the ratio (in aggregate) of the shadow fund to the unit fund (including bonus units) exceeds 115%. In this case a 3% bonus is paid.

Terminal bonus rates are calculated based on a vintage unit method, by month of purchase. The bonus smoothing logic as described for conventional business is then applied to each monthly payout. Terminal bonus rates for each calendar year are taken as an average of the calculated monthly values.

Investment Mix

Appropriate allowance is made for the expectation that the exposure of the fund to real assets (UK equities, overseas equities and property) will reduce as the portfolios reach maturity. The proportion of real assets is assumed to reduce by 0.08% per month from 37% at the valuation date to 28% after 10 years.

- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates for unitised with-profit business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
All	i	37%	32%	28%
All	ii	Unchanged	Unchanged	Unchanged
All	iii	Unchanged	Unchanged	Unchanged

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Projected years
Type of business		p.a	p.a
UWP Life Regular Premium	i	0.0%	Varies Dynamically
UWP Life Single Premium	i	2.0%	Varies Dynamically
UWP Pensions	i	3.0%	Varies Dynamically
UWP Life Regular Premium	ii	0.0%	Varies Dynamically
UWP Life Single Premium	ii	2.0%	Varies Dynamically
UWP Pensions	ii	3.0%	Varies Dynamically
UWP Life Regular Premium	iii	0.0%	Varies Dynamically
UWP Life Single Premium	iii	2.0%	Varies Dynamically
UWP Pensions	iii	3.0%	Varies Dynamically

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender / paid-up rate for the policy years -			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	1.0%	1.0%	1.0%	1.0%
Conventional endowment withprofits OB savings	Surrender	2.6%	2.6%	2.6%	2.6%
Conventional endowment withprofits OB target cash	Surrender	3.7%	3.7%	3.7%	3.7%
Conventional deferred annuity withprofits	Surrender	0.0%	0.0%	0.0%	0.0%
Group conventional deferred annuity withprofits	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity withprofits (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Regular premium nonprofit WL/EA OB	Surrender	2.1%	2.1%	2.1%	2.1%
Single premium nonprofit WL/EA OB	Surrender	1.0%	1.0%	1.0%	1.0%
Deferred annuity nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Life UWP single premium	Surrender	10.0%	10.0%	10.0%	10.0%
Life UWP whole life regular premium (ISA)	Surrender	8.0%	8.0%	8.0%	8.0%
Life UWP endowment regular premium savings	Surrender	5.0%	5.0%	5.0%	5.0%
Life UWP endowment regular premium – target cash	Surrender	5.0%	5.0%	5.0%	5.0%
Individual pensions UWP	Surrender	1.5%	1.5%	1.5%	1.5%
Life property linked single premium	PUP	0.0%	0.0%	0.0%	0.0%
Life property linked endowment regular premium savings	PUP	0.0%	0.0%	0.0%	0.0%
Individual pensions property linked	PUP	5.0%	5.0%	5.0%	5.0%

There was no change in demographic assumptions from the previous year. The change in the table compared to last year is due to a different presentation of the product splits.

There is an exposure to guaranteed annuity options in respect of an agreement with the Alba With-Profits Fund. In summary the agreement is such that the Alba With-Profits Fund pays the Britannic With-Profits Fund 75% of the potential guaranteed annuity cost which could arise when a customer retires and the Britannic With-Profits Fund pays the actual cost.

Thus the Britannic With-Profits Fund bears the cost (or takes the profits) if the take up rate is more (less) than 75%. When calculating the realistic estate, we assume that the take up rate is 75%, as indicated by recent experience. There is a further stress for RCM of the take up rate increasing to 95%.

The annuitant mortality is shown in the following table:

Annuitant Mortality Assumptions		
	Projection Basis	
Annuity Rate Guarantee – post vesting ⁽¹⁾	Male	Female
Ex-BA	120% RMV00	135% RFV00
Ex-Century	92.5% PCMA00	100% PCFA00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

(7) Policyholders' Actions

Take-up rates of Guaranteed Annuity Options are now dynamic, dependent on the moneyness of the option which is measured as the ratio of the market annuity factors to the guaranteed annuity factors. When out of the money there is a fixed assumption for the take-up rate which varies by product. When in the money the take-up rate is subject to a lower and upper bound with a separate assumption controlling the speed at which the rate varies linearly between these bounds.

7. FINANCING COSTS

There are no financing arrangements currently in place for the fund.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

£m	£m
Mortgage Endowment Review	0.5
Pensions Mis-Selling	13.7
Costs Falling Outside MSAs	0.9
Pension Scheme	0.0
TCF Reserves	0.4
Stakeholder Pension Expenses	0.0
Data	0.0
Litigation	2.1
VAT	9.8
Solvency II	1.5
Strachan Policy Review	0.1
Capita Regulatory Buyout	0.6
Asset Management Services	3.7
Sale of IGNIS	1.8
UWP Expenses less Charges Plus Shareholder Transfers	(51.3)
Corporation tax step changes	0.0
Tax on Shareholder Transfers Plus Tax on Shareholders's Shares	37.9
Century Shareholder Transfers	0.5
Compensation for BAM Investment Expense	2.4
Total	24.7

9. REALISTIC CURRENT LIABILITIES

The realistic value of current liabilities, shown at line 51 of Form 19, is taken to be equal to the value assessed on a regulatory basis, this being £32.1m. The figure includes creditors (including outstanding claims), provisions (including taxation), accruals and deferred income.

10. RISK CAPITAL MARGIN

- (a) The risk capital margin for the fund was calculated to be zero at the valuation date.
 - (i) The market risk scenario assumes that equities fall by 20% and property fall by 12.50%. The more onerous result was a rise in equities and property.
 - (ii) The scenario of a rise in fixed interest yields of 17.5% of the long-term gilt yield was compared against a fall in yields of the same amount. The more onerous result was assumed and represented a rise in yields. The nominal rise and fall in the (annualised) yields was 0.38%.

Overseas stocks were subjected to the same basis point adjustment as for UK stocks.
 - (iii) The risk capital margin allows for a widening of the yields available on bonds, where the change in yields depends on the credit rating. The average change in the spread for bonds subject to the test, weighted by market value, was 1.0% for the fund. This change in yields resulted in a fall in the value of these bonds by an average of 7.5% for the fund
 - (iv) Persistency rates were assumed to improve by 32.5%. This was allowed for in the projections by multiplying the assumed lapse, paid-up and surrender rates at each duration by 67.5%, with the exception of surrender rates on unissued with-profits contracts at dates when market value reductions cannot be applied.

The GAO take-up rate was assumed to be 95%.

- (v) Not applicable.
- (b) The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the With-Profits Fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reductions in the excess assets.
- Some policies have been granted discretionary enhancements to investment returns attributed to asset shares or shadow units. These enhancements will be removed if the estate of the With-Profits Fund is insufficient to finance them. No removal of enhancements has been assumed for the fund in the risk capital margin conditions.
- For the fund, the effect of the above management actions would be to leave a working capital of zero in the risk capital margin conditions.
- If the most onerous scenario in respect capital requirements increases shareholder transfers, then a scenario with lower shareholder transfers is used to determine the shareholder transfer deductions component in the WPICC calculation.
- (c) (i) The risk capital margin is zero.
- (ii) The scheme for the funds merger as at 31 December 2006 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum, support will be provided to that fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.
- (d) The cost of the profit margin used in the annuity pricing basis for the base position is stressed to reflect the stressed market conditions. This is then applied to the estate as in the base case.

11. TAX

- (a) The investment returns used in the calculation of the with-profits benefits reserve are net of policyholder tax, where appropriate. The calculation of the net rate allows for tax on income and gains, split by asset class and using assumed rates appropriate to those assets. For unrealised gains, a reduced rate is used in order to reflect deferral of the gain.
- Expenses attributed to the with-profits benefits reserve are reduced to reflect tax relief where appropriate, based on assumed rates.
- Where asset share calculations are used, the value of outstanding tax relief arising on acquisition expenses is not capitalised. This asset is reflected in Line 47 of Form 19.
- Additional tax arising on shareholder transfers is met from the estate and is not chargeable to asset shares.
- (b) In calculating the value of future policy related liabilities, tax is allowed for as follows.
- Asset shares (or proxies to asset shares) are projected by the stochastic model used to determine the value of guarantees and smoothing, and this allows for policyholder tax as described in (i).
- Additional tax on shareholder transfers, which is payable from the estate, is reflected in Line 47 of Form 19 and is derived from the stochastic model results.
- The accrued amount of any unrealised capital gains is included in Line 47 of Form 19. This is based on the actual unrealised gains on the valuation date multiplied by a tax rate that does not allow for deferral of the gain being realised.

Outstanding tax relief on acquisition expenses is allowed for in Line 47 of Form 19 and is based on outstanding amounts from the company's tax computation, discounted at a risk-free rate.

The tax relief from any deferred expenses from the company's tax computation is assumed to be recovered after one year, and the discounted value (at a risk free rate) is included in Line 47 of Form 19.

In Line 47 of Form 19, adjustments are made in respect of any amounts already included as current liabilities.

- (c) The realistic value of the current liabilities is taken to be equal to the regulatory value. The value of any tax provisions resulting from the company's tax computation is included here.

12. DERIVATIVES

On the valuation date, the fund held futures contracts as described in the table below. A negative number of units indicates that a short position is held.

Matched Fund

Index	Units	Price on the valuation date	Settlement Price	Unit Multiple for Settlement	Settlement Date
LIFFE Long Gilt	(111)	11,953	11,670	10	27/03/2015
LIFFE Short Gilt	8	10,356	10,337	10	27/03/2015

Currency forwards

Forward Currencies (Notional Amounts £000)	Long	Short
Growth Fund	4,670	1,515,839
Matched Fund	1,520	314,130
Euro Fund	0	22,206
Total	6,190	1,852,176

Growth Fund

Index	Units	Price on the valuation date (£)	Settlement Price	Unit Multiple for Settlement	Settlement Date
LIFFE Long Gilt	(365)	11,953	11,670	10	27/03/2015
LIFFE Short Gilt	15	10,356	10,337	10	27/03/2015

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	299.3
Revised opening working capital	299.3
Opening adjustments	0.0
Restated opening working capital	299.3
Expected return on opening surplus	1.5
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	3.6
- Economic	0.0
- Policyholder actions	13.1
Model and methodology changes	37.6
Other Variances	
- Economic	30.2
- Non-economic	0.0
- Management actions	(15.9)
- Other projects / provisions	(59.7)
- Unexplained	0.3
Closing working capital before zeroisation	310.0
Planned benefit enhancements to distribute estate	(314.5)
Impact of planned enhancement on future policy related liabilities	4.5
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

PWP With-Profits Fund

2. ASSETS**(1) Economic Assumptions For Valuing Non-Profit Business**

The economic assumptions used to calculate the value of future profits on non-profit products are as follows:

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

The expenses inflation is set to 1% above RPI.

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund.

A liquidity premium has been calculated by taking the difference between the present value of the cash flows arising from these bonds on two yields. The first is a yield equal to the equivalent risk free rate for the bond, increased by an allowance for the risk of default; the second is the gross redemption yield of the bond. The adjustment for the risk of default varies on a bond by bond basis.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable – the assumptions in (1) relate to all non-profit business within the With-Profits Fund.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES**(1) Calculation Of With-Profits Benefits Reserve**

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Phoenix With-Profits Fund

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	228.8	69.7
CWP Life	Retrospective	752.3	229.2
Life Total	Retrospective	981.1	298.9
UWP Pensions	Retrospective	676.5	206.1
CWP Pensions	Retrospective	444.3	135.4
Total Pensions		1,120.8	341.5
Total		2,101.9	640.4
Form 19 Line 31		2,101.9	
Form 19 Line 49			640.4

In the table above, the future policy related liabilities have been split in proportion to the with-profits benefits reserves.

(2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

- (a) The previous expense investigation was carried out in the fourth quarter of the current financial year.

(b) Expense investigations are carried out annually.

(c)

Item	£m
Initial Expenses	0.0
Maintenance Expenses	7.8
Investment Expenses	4.4
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	11.9

Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

The investment expenses for life fund business have been netted down for policyholder tax at 20%.

(4) Significant Charges

The charges deducted from the with-profits benefits reserve in the year to the valuation date and the preceding year were:

	Current Valuation	Previous Valuation
	£m	£m
Charges for guarantees and smoothing	0.0	0.0
Net losses on non-profit business	3.1	(4.3)
Proportion of up-front outsourcing costs attributable to the period	0.0	0.0
Write-off of initial spreads on derivative contracts	0.0	0.0

(5) Charges For Non-Insurance Risk

Not applicable.

(6) Ratio Of Claims To Reserves

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve, for the following specimen products and terms:

Phoenix With-Profits Fund

	Endowment Policies	Regular Premium Personal Retirement Plan	Single Premium Personal	Regular Premium Retirement Plan	Single Premium Retirement Plan
1/1/2011 to 30/06/2011					
10 year term	100	100	121	100	131
15 year term	100	100	114	100	129
20 year term	100	100	100	104	100
25 year term	100	100	114	104	113
1/7/2011 to 31/12/2011					
10 year term	100	100	107	100	117
15 year term	100	100	113	100	132
20 year term	100	99	100	100	88
25 year term	100	100	103	106	106
1/1/2012 to 30/06/2012					
10 year term	100	100	103	100	113
15 year term	100	100	123	100	145
20 year term	100	100	100	100	101
25 year term	100	101	101	103	103
1/7/2012 to 31/12/2012					
15 year term	100	100	119	99	143
20 year term	100	100	100	100	100
25 year term	100	100	98	98	100
30 year term	98	100	100	98	105
1/1/2013 to 30/06/2013					
15 year term	100	100	123	100	148
20 year term	100	100	101	100	103
25 year term	100	100	100	100	100
30 year term	100	100	100	100	100
1/7/2013 to 31/12/2013					
15 year term	99	100	121	100	159
20 year term	100	100	100	100	102
25 year term	100	100	100	100	100
30 year term	100	100	100	100	100
1/7/2013 to 31/12/2013					
15 year term	99	100	121	100	159
20 year term	100	100	100	100	102
25 year term	100	100	100	100	100
30 year term	100	100	100	100	100
1/7/2014 to 31/12/2014					
15 year term	100	100	100	100	106
20 year term	100	100	100	100	174
25 year term	100	100	100	100	103
30 year term	100	100	100	100	116

Payouts on surrenders are based on the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve.

Payouts on surrenders of unitised with-profits bonds have been set to the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge:

Year	Ratio of claims to asset shares
Previous year -1	100.00%
Previous year	100.00%
Current year	100.00%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix and the outstanding term of the hypothecated fixed interest securities depend on the outstanding term and the level of guarantees under the policy (see PPFM for more details).

The average rates of investment return (after tax for life business) are:

Type of business	Investment return
Conventional Life	3.06%
Conventional Pensions	3.39%
UWP Bonds	7.88%
UWP Pensions	14.09%
Profit Plus Fund	16.69%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD**(1) Key Assumptions**

Not applicable as Asset Shares now calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable.

6. COSTS OF GUARANTEES, OPTIONS AND SMOOTHING**(1) De Minimis Limit**

Not applicable.

(2) Valuation Methods For Guarantees etc.

- (a) All guarantees are valued on a stochastic basis; the previous approach did not follow a stochastic approach for all lines of business.
- (b) (i) No projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
- (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 118,201 individual policies and members of group schemes, which have been grouped together into 1,884 model points.

(3) Significant ChangesCost of Smoothing

At the previous valuation date, projected smoothing costs were determined stochastically by considering the difference between annual returns and the maximum permitted annual change in bonus rates. At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund.

(4) Further Information on Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The guarantees and options being valued using a full stochastic approach are described in paragraph 6 (2) (a) above.
- (ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Deloitte. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts.

Interest Rate

UK gilt returns are modelled using a gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The yield curve calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
7	1.61%	1.59%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equities and Property

Excess returns over risk free rates on UK, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston’s stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below:

Model

	Strike				
Term	0.8	0.9	1	1.1	1.2
1	22.52	19.65	16.11	12.34	8.73
3	20.56	19.00	17.43	15.77	13.85
5	20.88	19.61	18.31	16.95	15.64
9	21.09	20.30	19.60	18.92	18.25

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

	Strike				
Term	0.8	0.9	1	1.1	1.2
15	21.66	21.14	20.72	20.41	20.13
20	22.74	22.44	22.14	21.88	21.64
25	24.12	23.98	23.82	23.67	23.52
30	25.27	25.13	25.02	24.95	24.90

Model calibration is close to market implied equity volatility as confirmed by our validations.

There are no tests against market traded instruments for properties since there are no such instruments. A best estimate has therefore been used of 15% constant volatility.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

Phoenix With-Profits Fund

Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates.

(iii) The table below is based on 1,000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

(iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

(v) Not applicable – there are no significant territories other than the UK.

(vi) The following table proportion of the total present value of the cost of modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	0.0%	19.5%	0.0%	0.4%
5 - 10	0.1%	26.5%	0.0%	1.1%
10 - 15	0.1%	24.8%	0.0%	1.6%
15 - 20	0.0%	15.2%	0.0%	1.2%
20 - 25	0.0%	5.5%	0.0%	0.4%
25 - 30	0.0%	3.1%	0.0%	0.1%
30 - 35	0.0%	0.1%	0.0%	0.0%
35 - 40	0.0%	0.0%	0.3%	0.0%

Policies without a fixed maturity date have been shown in the 35 to 40 outstanding term band.

Specimen cash option rates per £100 p.a. pension for annuities guaranteed five years and payable monthly in advance:

	Retirement Age	Cash Option £	
		Male	Female
Retirement Plan	60	1,000	1,100
	65	900	1,000
	70	800	900

Specimen minimum rates per £1,000 cash for annuities with no guarantee period and payable yearly in arrears:

	Retirement Age	Annuity £ p.a.	
		Male	Female
Personal Retirement Plan	60	77.24	67.77
	65	89.98	76.79
	70	108.28	89.64
	75	128.88	104.03

Calibration of the asset model to market data is shown, where available, in paragraph 6 (4) (a) (ii) above.

- (vii) Comprehensive tests are carried out on the output produced by the Deloitte asset model as follows:

For UK and Overseas equities and for UK property the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) have been verified to be acceptably close to unity – the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

Zero coupon bond yields calculated from the model cash output have been verified to match yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options verification has been made, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

Verification has also been made, within acceptable limits, that implied volatilities calculated from the simulation model output reproduce the market volatility term structure for 20 year at the money swaptions.

- (viii) The assets and liabilities have been computed using 1,000 (,500 antithetic pairs of) simulated scenarios. This results in standard errors in the calculated yield curve of less than 1 basis point for terms 1- 30 years.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 1.39% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 2.06% of these prices.

At the previous valuation date 3000 scenarios were used in the determination of the cost of guarantees, smoothing and options. At the current valuation date 1000 scenarios were used; however there has been no deterioration of the quality of the convergence of the scenarios.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

(a) The management actions applied at YE14 are as follows:

- i) Re-balancing of property and equities during 2013 to bring the actual asset mix into balance with the strategic target.
- ii) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.
- iii) An internal delta-hedge for equities and property which has an effect in the stress scenario.

- iv) Reduction in equity/property backing as policies near guarantee date.
- v) At the previous valuation date the asset mix of individual policies was variable depending on the moneyiness of the policy guarantees, however the asset mix was constant across both projection period and stochastic scenario. At the current valuation date the asset mix of individual policies is still variable depending on the moneyiness of the policy guarantees, but this is now dynamically calculated in each stochastic scenario and in each projection period. The dynamic calculation has a minimum threshold for investment in fixed interest dependent on the level of the asset shares compared with a Gross Premium Valuation calculation of future payouts discounted at low, medium and high interest rates.

We assume that the guarantee charge will remain fixed at its current level, although in practice it may reduce from its current capped level in some scenarios or, in extreme scenarios, rise above it.

Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

Future miscellaneous surplus will be nil.

(b)

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
UWP Bond 4 & Lifestyle Bond	i	24%	37%	48%
All other Business	ii	24%	37%	48%
	iii			
Reversionary bonus rates on accumulating with-profits				
Unitised With-Profits Bond	i	1.50%	Varies Dynamically	Varies Dynamically
	ii			
	iii			
Unitised With-Profits Pensions	i	1.50%	Varies Dynamically	Varies Dynamically
	ii			
	iii			
PPF	i	0.10%	Varies Dynamically	Varies Dynamically
	ii			
	iii			

Derivative contracts do not have any significant impact on the figures shown.

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	10.4%	11.8%	5.0%	5.0%
Conventional endowment withprofits OB savings	Surrender	10.4%	11.8%	5.0%	5.0%
Conventional endowment withprofits OB target cash	Surrender	10.8%	11.8%	4.9%	4.9%
Conventional pensions endowment withprofits	Surrender	4.0%	4.1%	3.0%	3.0%
Conventional deferred annuity withprofits	Surrender	4.6%	4.6%	2.8%	2.8%
Group conventional deferred annuity withprofits	Surrender	3.4%	3.5%	3.1%	3.1%
Group conventional pensions endowment withprofits	Surrender	3.0%	3.0%	3.0%	3.0%
Miscellaneous conventional withprofits	Surrender	7.7%	10.4%	3.5%	3.5%
Regular premium nonprofit WL/EA OB	Surrender	10.3%	11.7%	5.0%	5.0%
Single premium nonprofit WL/EA OB	Surrender	8.5%	9.5%	4.3%	4.3%
Level term assurance	Surrender	7.7%	10.4%	5.0%	5.0%
Decreasing term assurance	Surrender	7.4%	10.2%	3.5%	3.5%
Standalone critical illness (guaranteed)	Surrender	7.4%	10.2%	3.5%	3.5%
Deferred annuity nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (PLA)	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Life UWP single premium	Surrender	11.0%	24.6%	8.3%	8.3%
Individual pensions UWP	Surrender	5.3%	5.3%	5.3%	5.3%
Group money purchase pensions UWP	Surrender	6.0%	6.0%	4.5%	4.5%
DWP National Insurance rebates UWP	Surrender	2.4%	2.4%	2.2%	2.2%
Life property linked whole life regular premium	Surrender	0.0%	0.0%	0.0%	0.0%

There was no change in demographic assumptions from the previous year. The change in the table compared to last year is due to a different presentation of the product splits.

For Personal Retirement Plans the assumption is that there will be no surrenders after age 50 on the grounds that they would then be able to take their retirement benefits.

Policies that are taking automatic withdrawals are assumed to continue to do so at the current rates.

Current and future paid-up policies are assumed to lapse at the same rate as premium paying policies.

For Personal Retirement Plans lives under age 65 at the valuation date are assumed to retire at age 65; otherwise they are assumed to retire at 75 (or the maximum retirement age under the contract, if earlier).

There is no other allowance for early retirements.

The annuity mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
Annuity Rate Guarantee – post vesting ⁽¹⁾	Male	Female
All - excluding STG contracts	95% PCMA00	110% PCFA00
Scottish Transport Group (STG) contracts	142.5% PCMA00	140% PCFA00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All
GAO Upper bound	52%
GAO Lower bound	36%

We assume a take up rate of nil for guarantees that are out of the money at retirement. We assume take up rates of 100% on policies with guaranteed cash options.

(7) Policyholders' Actions

The approach for setting the take-up rates of Guaranteed Annuity Options has changed from the previous valuation and is now following a different dynamic approach using different parameters, which has been adopted by all with-profit funds in the PLL entity. The rates are now dependent on the moneyness of the option which is measured as the ratio of the market annuity factors to the guaranteed annuity factors. When out of the money there is a fixed assumption for the take-up rate which varies by product. When in the money the take-up rate is subject to a lower and upper bound with a separate assumption controlling the speed at which the rate varies linearly between these bounds.

7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Future projects and issues	3.2
MER	2.5
PLP Claims	1.7
IBNR, Overdue Claims and underpaid calims	4.1
Solvency II	1.9
Actuarial Systems Transformation Reconciliations *	0.0
Outsourcer Expenses Risk Transfer	9.8
Asset Management Services	0.1
Solvency II, ICA and QR Reporting	1.9
Other **	4.6
Total	29.8

9. REALISTIC CURRENT LIABILITIES

The reconciliation of the realistic current liabilities is equal to the regulatory current liabilities is:

	£m
Regulatory current liabilities	430.9
Realistic current liabilities	430.9

10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

- (i) The market risk scenario assumes that equities fall by 20% and property fall by 12.50%. A fall in equities and property is the more onerous scenario.
- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the more onerous scenario.
- (iii) The average change in spread is 2.3%. Changes in market values are:
- (7.4)% for bonds
 - Not applicable
 - Not applicable
 - Not applicable
 - (4.4)% for swaps.
- (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 0.26%.
- (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) (i) In the stress scenarios the following additional assumptions are made:

Reversionary bonus rates will be reduced to nil.

The impact of the combined stress will be partially offset by increasing guarantee charges.

An introduction of an exit charge of 1% of asset share on terminations is assumed.

Furthermore, it is assumed that the planned benefit enhancements will be decreased resulting in £nil risk capital under the stressed conditions.

These actions are consistent with the PPFM and investment strategy.

- (ii) The risk capital margin is nil so there is no impact from assuming reduced reversionary bonuses and of introducing a 1% exit charge.
- (iii) No changes would apply to the table in paragraph 6 (5) (b) if the management actions were taken.
- (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.

- (c) (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.
- (ii) The scheme for the funds merger as at 31 December 2008 includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

12. DERIVATIVES

At the valuation date the fund had a number of significant positions in interest rate swaps, swaptions and spreadlocks.

The interest rate swaps are held in connection with the fixed interest portfolio and are used to improve the matching between the assets and the liabilities against changes in the yield curve for the long-term fund as a whole.

The company has also entered into a number of swap spread lock contracts. These are used to hedge against the risk of swap spreads widening on the long (30 to 50 year) interest rate swaps that are currently held. They are structured as swaps or contracts for differences with the payout dependent on the swap spread at maturity relative to the initial swap spread, and can be a net asset or liability.

The interest rate swaptions are held in respect of the guaranteed annuity rate liabilities. Receiver swaptions are held to cover part of the guaranteed annuity rate liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the with-profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future guaranteed annuity rate liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the guaranteed annuity rate allowing for future improvements in mortality.

The fund holds a small amount of exchange traded equity futures to assist efficient portfolio management. The fund holds currency futures to hedge currency risk on overseas bonds.

The swaps, swaptions and spreadlocks are wholly sterling denominated. As at the valuation date, the type and value of derivatives held are as follows:

Derivative	£m
Swaps	(41.9)
Swaptions	56.4
Spreadlocks	65.6
Currency Futures	(1.0)
Fixed Interest Futures	(0.3)
Equity Futures	0.2

The counterparties to the swaps, swaptions and spreadlocks are approved credit institutions. Variation margin (collateral) arrangements are in place under both the swaps and swaptions. In addition the swaps provide for initial margins by both parties.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	329.5
Revised opening working capital	329.5
Opening adjustments	0.0
Restated opening working capital	329.5
Expected return on opening surplus	1.7
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	(3.9)
- Economic	0.0
- Policyholder actions	18.5
Model and methodology changes	23.5
Other Variances	
- Economic	112.1
- Non-economic	0.0
- Management actions	(30.8)
- Other projects / provisions	(25.0)
- Unexplained	(2.3)
Closing working capital before zeroisation	423.3
Planned benefit enhancements to distribute estate	(428.1)
Impact of planned enhancement on future policy related liabilities	4.8
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable

SAL WITH-PROFITS FUND

2. ASSETS

(1) Economic Assumptions for Valuing Non-Profit Business

There have been no changes in methods since the previous valuation. The economic assumptions used to calculate the value of future profits on non-profit products are as follows:

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

The expenses inflation is set to 1% above RPI.

Allowance has been made under INSPRU 1.3.39G for the illiquid nature of a proportion of the assets (namely the corporate bonds) backing the immediate non-profit annuities within the Fund.

A liquidity premium has been calculated by taking the difference between the present value of the cash flows arising from these bonds on two yields. The first is a yield equal to the equivalent risk free rate for the bond, increased by an allowance for the risk of default; the second is the gross redemption yield of the bond. The adjustment for the risk of default varies on a bond by bond basis.

(2) Amount Determined Under INSPRU 1.3.33R(2)

Not applicable.

(3) With-Profits Benefits Reserves Below de Minimis Limit

Not applicable.

(4) Different Sets of Assumptions

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation of With-Profits Benefits Reserve

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	32.7	10.6
CWP Life	Retrospective	340.7	110.8
Life Total	Retrospective	373.4	121.4
UWP Pensions	Retrospective	23.4	7.6
CWP Pensions	Retrospective	2,203.2	716.4
Total Pensions		2,226.5	724.0
Total		2,599.9	845.4
Form 19 Line 31		2,599.9	
Form 19 Line 49			845.4

(2) Correspondence with Form 19

The above reconciles to lines 31 and 49 of Form 19.

(3) With-Profits Benefit Reserves Below de minimis Limit

Not applicable.

(4) Types Of Products

A scheme of arrangement under Part 26 of the Companies Act 2006 has been implemented with effect from 31 December 2009 to remove guaranteed annuity rates from certain UK individual with-profits pensions (pure endowment) policies in exchange for potential increases to non-guaranteed benefits. The policies affected are described as Libra policies.

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD**(1) Retrospective Methods**

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Methods

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.

- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

- (a) The previous expense investigation was carried out in the fourth quarter of 2014.
- (b) Expense investigations are normally carried out on an annual basis.

(c)

Item	£m
Initial Expenses	0.0
Maintenance Expenses	7.8
Investment Expenses	3.4
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	14.5

The expenses included in the above table include further investment expenses, other policy expenses that are not charged to asset shares (including the expenses associated with the non profit business), project costs and commission payments.

Since the company is closed to new business (apart from contractual increments etc.), there are no material acquisition expenses.

(4) Significant Charges

There have been no changes in the guarantee charge from 0.0%.

	Current Valuation	Previous Valuation
	£m	£m
Net losses on non-profit business	0.4	4.4
Proportion of up-front outsourcing costs attributable to the period	0.0	0.0

(5) Charges For Non-Insurance Risk

Not applicable.

(6) Ratio Of Claims To Reserves

Terminal bonus rates are set in advance for conventional with-profits policies. The terminal bonus rate is set based on assumptions about future investment returns. Terminal bonus rates on maturing endowment life policies and pension policies vesting at the intended retirement date were set to give the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge, for the following specimen products and terms:

SAL With-Profits Fund

	Endowment Policies	Regular Premium Personal Pension Plan	Single Premium Personal Pension Plan	Regular Premium Executive Benefits Plan	Single Premium Executive Benefits Plan
1/1/2011 to 30/06/2011					
10 year term	100*	115*	100*	100*	159*
15 year term	106*	121*	154*	103*	146*
20 year term	102*	122*	131*	121*	132*
25 year term	100*				
1/7/2011 to 31/12/2011					
10 year term	N/A	117*	93*	105*	162*
15 year term	102*	121*	138*	109*	167*
20 year term	100*	124*	139*	110*	145*
25 year term	100*	127*	159*	113*	158*
1/1/2012 to 30/06/2012					
10 year term	N/A	119*	100	106*	165*
15 year term	101*	122*	151*	112*	184*
20 year term	100	128*	150*	115*	156*
25 year term	100	131*	168*	119*	167*
1/7/2012 to 31/12/2012					
10 year term	N/A	N/A	N/A	N/A	N/A
15 year term	100	111*	145*	100	173*
20 year term	100	113*	145*	119*	148*
25 year term	100	123*	159*	114*	137*
1/1/2013 to 30/06/2013					
10 year term	N/A	N/A	N/A	N/A	N/A
15 year term	100	105*	146*	100	175*
20 year term	100	110*	149*	117*	160*
25 year term	100	120*	158*	115*	145*
1/7/2013 to 31/12/2013					
10 year term	N/A	N/A	N/A	N/A	N/A
15 year term	100	105	100	100	176
20 year term	100	109	143	103	155
25 year term	100	111	141	120	169
30 year term	100	110	102	109	105
35 year term	100			100	100
1/1/2014 to 30/06/2014					
10 year term	N/A	N/A	N/A	N/A	N/A
15 year term	100	105	100	100	176
20 year term	100	109	143	103	155
25 year term	100	111	141	120	169
30 year term	100	110	102	109	105
35 year term	100			100	100
30/06/2014 to 31/12/2014					
10 year term	N/A	N/A	N/A	N/A	N/A
15 year term	100	103	100	100	182
20 year term	100	110	129	105	149
25 year term	100	110	154	121	189
30 year term	100	104	116	113	125
35 year term	100			100	100

* Denotes that a zero terminal bonus rate applied

Payouts on surrenders for conventional with-profits policies will generally have been based on a lower percentage of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve before deducting any exit charge.

Payouts on surrenders of unitised with-profits bonds have been set to the following percentages of the with-profits benefits reserve plus any past miscellaneous surplus less any miscellaneous deficit attributed to the with-profits benefits reserve but not less any exit charge.

Year	Ratio of claims to asset shares
Previous year -1	95.5% to 100%
Previous year	100.00%
Current year	108.00%

(7) Allocated Return

The rate of investment return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. The asset mix and the outstanding term of the hypothecated fixed interest securities depend on the outstanding term and the level of guarantees under the policy (see PPFM for more details).

The average rates of investment return (after tax for life business) are:

Type of business	Investment return
Conventional Life	3.49%
Conventional Pensions	12.13%
UWP Bond and Group Pension	6.38%
Other UWP Life	6.38%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Not applicable as all Asset Share calculated on a retrospective basis.

(2) Different Sets of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc

- (a) All guarantees are valued on a stochastic basis; the previous approach did not follow a stochastic approach for all lines of business.
- (b)
 - (i) In the model, no projections are carried out on individual policy data.
 - (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
 - (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 92,896 individual policies and members of group schemes, which have been grouped together into 1,671 model points.

(3) Significant Changes

Cost of Smoothing

At the previous valuation date, projected smoothing costs were determined stochastically by considering the difference between annual returns and the maximum permitted annual change in bonus rates. At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund.

(4) Further Information on Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The guarantees and options being valued using a full stochastic approach are described in paragraph 6 (2) (a) above.
- (ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Deloitte. The asset classes modelled are UK equities, overseas equities, UK property, UK corporate bonds and UK gilts. Changes in the assumptions are detailed below.

Interest Rate

UK gilt returns are modelled using a gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model.

The yield curve calibration at the valuation date was as follows:

Term	Govt. + 10bp	Model	Difference (Model - Market) bp
1	0.43%	0.42%	(0)
2	0.68%	0.67%	(1)
3	0.91%	0.90%	(1)
4	1.12%	1.11%	(1)
5	1.31%	1.29%	(1)
7	1.61%	1.59%	(2)
10	1.95%	1.93%	(2)
15	2.35%	2.34%	(1)
20	2.59%	2.60%	1
25	2.72%	2.72%	1

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

UK Equities and Property

Excess returns over risk free rates on UK, overseas equities and Property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below:

Model

Term	Strike				
	0.8	0.9	1	1.1	1.2
1	22.52	19.65	16.11	12.34	8.73
3	20.56	19.00	17.43	15.77	13.85
5	20.88	19.61	18.31	16.95	15.64
9	21.09	20.30	19.60	18.92	18.25

Beyond 10 years the estimated volatility implied by the model calibration rises as follows:

Term	Strike				
	0.8	0.9	1	1.1	1.2
15	21.66	21.14	20.72	20.41	20.13
20	22.74	22.44	22.14	21.88	21.64
25	24.12	23.98	23.82	23.67	23.52
30	25.27	25.13	25.02	24.95	24.90

Model calibration is close to market implied equity volatility as confirmed by our validations.

Corporate Bonds

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

	Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund	
Gilts 10y spot rate	100%									
Real 5Y spot rate	-42%	100%								
UK Equities	-4%	-10%	100%							
Direct Property	6%	10%	14%	100%						
7y A-Rated Corp	-88%	27%	7%	-16%	100%					
Overseas Equities	10%	-12%	36%	7%	8%	100%				
Indirect Property	5%	9%	11%	34%	-13%	10%	100%			
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%		
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%	

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates.

(iii) The table below is based on 1000 scenarios

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

- (iv) Income yields for each asset class are shown in the following table.

Asset Class	Dividend Yield
UK Equity	2.9%
Property	2.3%
OS Equity	1.9%

- (v) Not applicable – there are no significant territories other than the UK.
- (vi) The table shows the proportion of the total present value of the cost of modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	0.0%	56.1%	0.0%	0.0%
5 - 10	0.0%	22.6%	0.0%	0.0%
10 - 15	0.0%	11.6%	0.0%	0.0%
15 - 20	0.0%	6.7%	0.0%	0.0%
20 - 25	0.0%	1.9%	0.0%	0.0%
25 - 30	0.0%	0.1%	0.0%	0.0%
30 - 35	0.1%	0.0%	0.7%	0.0%

Policies without a fixed maturity date have been shown in the 30 to 35 outstanding term band.

Specimen guaranteed annuity (£) per £1,000 cash:

	Retirement Age	Annuity £ p.a.	
		Male	Female
Executive Benefits Plan ¹	60	86.58	78.43
	65	100.00	88.50
	70	117.65	102.04
Personal Pension Plan ²	60	92.60	82.50
	65	109.30	94.20
	70	133.80	111.30
	75	170.30	136.70

¹ guaranteed five years and payable monthly in advance

² payable annually in arrears

- (vii) We carry out comprehensive tests on the output produced by the Deloitte asset model as follows:

For UK and Overseas equities and for UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 15-year zero-coupon gilts and for 4 classes of zero-coupon corporate bonds with terms of 1, 5, 10, 15, 20, 25 and 30 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 20 year at the money swaptions.

(viii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset. This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

At the previous valuation date 3000 scenarios were used in the determination of the cost of guarantees, smoothing and options. At the current valuation date 1000 scenarios were used; however there has been no deterioration of the quality of the convergence of the scenarios.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

(a) We do not assume that any scenario specific management actions take place in the stochastic model. However the model allows for our investment strategy as follows:

- i) Re-balancing of property and equities during 2013 to bring the actual asset mix into balance with the strategic target.
- ii) Close matching by outstanding term of fixed interest assets to liabilities by means of a swap overlay.
- iii) An internal delta-hedge for equities and property which has an effect in the stress scenario.
- iv) Reduction in equity/property backing as policies near guarantee date.
- v) At the previous valuation date the asset mix of individual policies was variable depending on the moneyness of the policy guarantees, however the asset mix was constant across both projection period and stochastic scenario. At the current valuation date the asset mix of individual policies is still variable depending on the moneyness of the policy guarantees, but this is now dynamically calculated in each stochastic scenario and in each projection period. The dynamic calculation has a minimum threshold for investment in fixed interest dependent on the level of the asset shares compared with a Gross Premium Valuation calculation of future payouts discounted at low, medium and high interest rates.

We assume that the guarantee charge will remain fixed at its current level, although in practice it may reduce from its current capped level in some scenarios or, in extreme scenarios, rise above it.

SAL With-Profits Fund

Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.

Future miscellaneous surplus will be nil.

- vi) Except when less than the discounted value of maturity guarantees, exit charges on surrender for non-Libra policies will be 5% higher than on maturity. This differential reduces to nil over the last 10 years of the policy term.

For Libra policies, this exit charge on surrender will be 3% higher than on maturity. This differential also reduces to nil over the last 10 years of the policy term.

(b)

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Libra Policies	i	30%	46%	60%
All other policies	ii	15%	30%	43%

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
		p.a	p.a	p.a
UWP Life	i	1.50%	Varies Dynamically	Varies Dynamically
UWP Pensions	ii	3.00%	Varies Dynamically	Varies Dynamically
UWP Bond	iii	1.50%	Varies Dynamically	Varies Dynamically

Derivative contracts do not have any significant impact on the figures shown.

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up assumptions are:

Product		Average surrender rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	2.0%	3.0%	1.5%	1.5%
Conventional endowment withprofits OB savings	Surrender	2.0%	3.0%	1.5%	1.5%
Conventional endowment withprofits OB target cash	Surrender	4.0%	4.0%	3.5%	3.5%
Conventional pensions endowment withprofits	Surrender	2.6%	1.6%	2.5%	2.5%
Conventional deferred annuity withprofits	Surrender	2.2%	1.7%	2.5%	2.5%
Group conventional pensions endowment withprofits	Surrender	5.0%	5.0%	3.0%	3.0%
Regular premium nonprofit WL/EA OB	Surrender	2.4%	2.9%	2.4%	2.4%
Single premium nonprofit WL/EA OB	Surrender	3.6%	1.3%	1.3%	1.3%
Level term assurance	Surrender	3.0%	3.0%	2.0%	2.0%
Decreasing term assurance	Surrender	7.0%	7.0%	7.0%	7.0%
Accelerated critical illness (reviewable premiums)	Surrender	3.0%	3.0%	7.0%	7.0%
Standalone critical illness (reviewable premiums)	Surrender	3.0%	3.0%	3.0%	3.0%
Income protection nonprofit (guaranteed premiums)	Surrender	3.0%	3.0%	9.0%	9.0%
Income protection nonprofit (reviewable premiums)	Surrender	3.0%	3.0%	2.0%	2.0%
Miscellaneous protection rider	Surrender	3.0%	3.0%	2.0%	2.0%
Income protection claims in payment	Surrender	3.0%	3.0%	2.0%	2.0%
Deferred annuity nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (PLA)	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (PLA)	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Group Life	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Additional reserves nonprofit OB	Surrender	0.0%	0.0%	0.0%	0.0%
Life UWP single premium	Surrender	3.6%	30.2%	7.0%	7.0%
Life UWP whole life regular premium	Surrender	1.4%	8.6%	7.0%	7.0%
Life UWP endowment regular premium savings	Surrender	1.4%	8.6%	7.0%	7.0%
Life UWP endowment regular premium	Surrender	1.4%	8.6%	7.0%	7.0%
Individual pensions UWP	Surrender	5.0%	6.6%	9.0%	9.0%
Group money purchase pensions UWP	Surrender	5.0%	6.6%	9.0%	9.0%
Additional reserves UWP	Surrender	0.0%	0.0%	0.0%	0.0%
Life property linked single premium	Surrender	0.0%	0.0%	0.0%	0.0%
Life property linked whole life regular premium	Surrender	0.0%	0.0%	0.0%	0.0%
Individual pensions property linked	Surrender	4.7%	4.7%	4.8%	4.8%
Group money purchase pensions property linked	Surrender	7.4%	7.4%	9.0%	9.0%
Index linked annuity (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous index linked	Surrender	0.0%	0.0%	0.0%	0.0%

(*) The surrender rate for UWP bonds in the above table excludes an additional assumption for surrenders at the 10 year “no MVA” guarantee point. We assume 90% of policies surrender at this date. The figure in the table above has been derived assuming a 10% lapse rate in the tenth policy year which is consistent with the lapse rate for policies that have been in force for longer than 10 years.

(**) We assume that policies that are taking automatic withdrawals will continue to do so at the current rates.

We assume that future paid-up policies will lapse at the same rate as policies already paid up at the valuation date.

For pension policies surrendering within 15 years of normal retirement date a proportion of surrenders are deemed to be early retirements with associated guaranteed annuity option entitlements. The proportion of surrenders assumed to be early retirements is 100% at normal retirement decreasing linearly to 0% 15 years prior to normal retirement.

The annuity mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
Annuity Rate Guarantee – post vesting ⁽¹⁾	Male	Female
All	97.5% PCMA00	97.5% PCFA00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All excluding LIBRA
GAO Upper bound	68%
GAO Lower bound	60%

We assume a take up rate of nil for Libra contracts and guarantees that are out of the money at retirement.

(7) Policyholder Actions

The approach for setting the take-up rates of Guaranteed Annuity Options has changed from the previous valuation and is now following a different dynamic approach using different parameters, which has been adopted by all with-profit funds in the PLL entity. The rates are now dependent on the moneyness of the option which is measured as the ratio of the market annuity factors to the guaranteed annuity factors. When out of the money there is a fixed assumption for the take-up rate which varies by product. When in the money the take-up rate is subject to a lower and upper bound with a separate assumption controlling the speed at which the rate varies linearly between these bounds.

7. FINANCING COSTS

There is a financing arrangement in place to provide support to the long-term fund. The details of the arrangement are described fully in note 1508.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Mortgage Endowment Reserve	1.8
Additional Guaranteed Annuity Option Reserve	0.0
Data errors, Litigation and Future projects	3.9
IBNR	1.9
Solvency II	2.0
Asset Management Services	3.6
Outsourcer Expenses Risk Transfer	8.8
Actuarial Systems Transformation Reconciliation	0.0
Other	2.8
Total	24.9
Total L47	24.9

The main provisions within the "Other" item include Temporary Annuity Reserves (£1.2m), Suspended Annuities reserves (£2.2m), costs falling outside MSA (£0.8m), Corporation Tax step up reserve (£0.6m) and Inland Revenue restricted annuities (£0.5m).

9. REALISTIC CURRENT LIABILITIES

The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	£m
Regulatory current liabilities	562.0
Reinsurances	(41.3)
Realistic current liabilities	520.8

(a) Future Reinsurance Profits

The Company reinsures part of its endowment and whole life liabilities to the PLL 100% Fund and part of its UWP liabilities to the PLL Phoenix WP Fund.

We recognise the value of the excess of future expected reinsurance claims over payments to the Company's policyholders.

At the valuation date the value of these excesses amounted to £31.4m in respect of endowment and whole life reinsurances to the PLL 100% Fund and £9.8m in respect of the UWP reinsurances to the PLL Phoenix WP Fund.

10. RISK CAPITAL MARGIN

(a) The risk capital margin (RCM) is nil.

- (i) The market risk scenario assumes that equities fall by 20% and property fall by 12.5%. A rise in equities and property is the more onerous scenario.
- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.38%. This is consistent with a rise, or fall of 17.5% in the long term gilt yield. A rise in yields is the most onerous scenario.
- (iii) The average change in spread for bonds backing with-profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is 2.2%:
 - The change in the market value of bonds backing with profits liabilities, other than those issued or guaranteed by a credit risk scenario exempt organisation, is (7.9)%.

- not applicable
 - not applicable
 - not applicable
 - The change in the market value of swaps is (5.1)%. The change in value of the spreadlocks is (1.3)%.
- (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency risk is 1.9%.
- (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).
- (b) In the stress scenarios we further assume that:
- (i) Annual bonus rates will be reduced to nil on traditional business and UWP business.
- An introduction of an exit charge of 1.5% of asset share on terminations is assumed.
- Furthermore, it is assumed that the planned benefit enhancements will be decreased resulting in £nil risk capital under the stressed conditions.
- These actions are consistent with the PPFM and investment strategy.
- (ii) The risk capital margin is nil so there is no impact from assuming reduced reversionary bonuses and of introducing a 1% exit charge.
- (iii) No changes would apply to the table in paragraph 6 (5) (b) if the management actions were taken.
- (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.
- (c) (i) The risk capital margin is covered by the assets of the long-term fund and the value of future profits on non-profit business.
- (ii) The 2011 scheme includes a provision that in the event that the value of the assets of any with-profits fund falls below the regulatory minimum support will be provided to that fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

12. DERIVATIVES

At the valuation date the fund had a number of significant positions in interest rate swaps, swaptions and spreadlocks.

The interest rate swaps are held in connection with the fixed interest portfolio and are used to improve the matching between the assets and the liabilities against changes in the yield curve for the long-term fund as a whole.

The company has also entered into a number of swap spread lock contracts. These are used to hedge against the risk of swap spreads widening on the long (30 to 50 year) interest rate swaps that are currently held. They are structured as swaps or contracts for differences with the payout dependent on the swap spread at maturity relative to the initial swap spread, and can be a net asset or liability.

The interest rate swaptions are held in respect of the guaranteed annuity rate liabilities. Receiver swaptions are held to cover part of the guaranteed annuity rate liability where the with-profits benefits reserve is invested in equities or property. Payer swaptions are held where the with-profits benefits reserve is invested in fixed interest assets and the expected annuity benefit arising is matched by fixed interest investments. The quantum of swaptions held is based on a prudent assessment of future guaranteed annuity rate liabilities taking account of expected future lapse rates and take up rates. The duration and tenor of the swaptions corresponds broadly with the liabilities. The strike rates for the payer swaptions vary according to the rate at which it is expected the cash option will become more valuable than the guaranteed annuity rate allowing for future improvements in mortality.

The fund holds a small amount of exchange traded equity futures to assist efficient portfolio management. The fund holds currency futures to hedge currency risk on overseas bonds.

The swaps, swaptions and spreadlocks are wholly sterling denominated. As at the valuation date, the type and value of derivatives held are as follows:

Derivative	£m
Swaps	(240.4)
Swaptions	4.0
Spreadlocks	75.4
Currency Futures	(0.1)
Equity Futures	0.2
Gilt Futures	(3.2)

The counterparties to the swaps, swaptions and spreadlocks are approved credit institutions. Variation margin (collateral) arrangements are in place under both the swaps and swaptions. In addition the swaps provide for initial margins by both parties.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	164.8
Revised opening working capital	164.8
Opening adjustments	0.0
Restated opening working capital	164.8
Expected return on opening surplus	0.8
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	(4.3)
- Economic	0.0
- Policyholder actions	51.2
Model and methodology changes	(17.7)
Other Variances	
- Economic	88.3
- Non-economic	0.0
- Management actions	0.0
- Other projects / provisions	(73.7)
- Unexplained	12.1
Closing working capital before zeroisation	221.6
Planned benefit enhancements to distribute estate	(229.1)
Impact of planned enhancement on future policy related liabilities	7.5
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

Scottish Mutual With-Profits Fund

2. ASSETS

(1) Economic Assumptions For Valuing Non-Profit Business

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

The risk free yield curve (gilt yield curve plus 10 basis points) and RPI curve were:

Risk free yields Term (years)	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
1	0.43%	0.51%	1.93%	2.36%
2	0.68%	0.90%	2.18%	2.22%
3	0.92%	1.31%	2.41%	2.21%
4	1.13%	1.72%	2.56%	2.27%
5	1.31%	2.08%	2.66%	2.35%
6	1.48%	2.41%	2.73%	2.45%
7	1.62%	2.69%	2.78%	2.55%
8	1.75%	2.94%	2.82%	2.64%
9	1.87%	3.14%	2.86%	2.71%
10	1.97%	3.32%	2.91%	2.78%
12	2.16%	3.57%	3.02%	2.88%
15	2.38%	3.79%	3.17%	2.96%
20	2.62%	3.92%	3.36%	2.99%
25	2.75%	3.93%	3.45%	3.00%

Expense inflation is assumed to be RPI plus 1%.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES

(1) Calculation Of With-Profits Benefits Reserve

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

The with-profits benefits reserve and the future policy related liabilities for the different classes of business are shown in the following table:

Scottish Mutual With-Profits Fund

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	235.7	105.9
CWP Life	Retrospective	86.9	39.1
Life Total	Retrospective	322.7	145.0
UWP Pensions	Retrospective	626.9	281.7
CWP Pensions	Retrospective	742.4	333.6
Total Pensions		1,369.2	615.3
Total		1,691.9	760.3
Form 19 Line 31		1,691.9	
Form 19 Line 49			760.3

(2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable: the table in (1) covers all products in the Fund.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separate from conventional with-profits business.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) Allowance for charging for guaranteed annuity options by way of the Grabiner Option has been approximated outside the model whereas previously this was based on the stochastic projections.

(3) Expense Allocation

- (a) Expenses are equal to the fixed policy fee charged by Pearl Group Management Services for the provision of administration services, as set out in the management services agreement.
- (b) Expense investigations (reviews of the management services agreement) are carried out annually.

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(c) The expenses for the business for the year to the valuation date were:

Item	£m
Initial Expenses ¹	0.00
Maintenance Expenses	4.16
Investment Expenses	3.60
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	0.00

¹ Since the company is closed to new business (apart from contractual increments etc.) the initial expenses are negligible.

Investment expenses were deducted from the with-profits benefits reserve at a rate of 0.141% p.a for life business and 0.152% p.a. for pensions business.

(4) Significant Charges

There is a hedge asset in place to cover a substantial part of the guarantees within the fund. The costs of rebalancing this hedge are charged to the with-profits benefits reserve. Asset share enhancements together with these charges are combined, to give the percentage change in the with-profits benefits reserve shown in the following tables:

Asset Share Group	Current Valuation	Previous Valuation
CWP Life	(0.10)%	(0.09)%
CWP Pensions	(0.10)%	(0.08)%
UWP Life	(0.01)%	(0.01)%
UWP Pensions	(0.01)%	(0.01)%
UWP GBP SMI Bond	0.00%	(0.01)%
UWP USD SMI Bond	0.00%	0.00%
UWP EUR SMI Bond	0.00%	0.00%

(5) Charges For Non-Insurance Risk

Annual management charges deducted from the fund in respect of unitised with-profits business amounted to £6.9m over the period.

(6) Ratio Of Claims To Reserve

The average percentage of the ratio of total claims paid on with-profits insurance contracts compared to the sum of the with-profits benefits reserve for those claims plus any past miscellaneous surplus attributed to the with-profits benefits reserve less any miscellaneous deficit attributed to the with profits benefits reserves in respect of those claims, for the three preceding financial years is:

Year	Ratio of claims to asset shares
Previous year -1	103.3%
Previous year	104.4%
Current year	105.5%

(7) Allocated Return

The average rates of return attributed to the with-profits benefits reserve of a policy depends on the asset mix for it. Investment returns for Pensions products are gross of tax and those for Life products are net of tax.

Investment returns since the previous valuation are shown below.

Type of business	Investment return
WP Conventional Life	7.38%
WP Conventional Pensions	8.88%
UWP Life (with minimum bonus)	7.11%
UWP Life (no minimum bonus)	7.43%
UWP Life (no minimum bonus) US	5.98%
UWP pensions (with minimum bonus)	8.88%
UWP pensions (no minimum bonus)	8.59%
WP Fund Euro	11.19%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Vested Annuity business is modelled on a prospective basis. Section 2 (1) above shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method.

(2) Different Sets Of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) There are no changes in methods or assumptions since the previous valuation.

- (b) (i) In the model, no projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
- (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 119,916 individual policies and members of group schemes, which have been grouped together into 2,406 model points.

(3) Significant Changes

Cost of Smoothing

At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund. At the previous valuation date, the model effectively assumed current final bonus rates continued for a year and determined future (post one year) final bonus rates on a global basis and applied limits to changes.

Stochastic Modelling of Bonus Rates for Shareholder Transfer Calculations

Previously shareholder transfers were modelled deterministically based on initial terminal and reversionary bonus rates. The new methodology is based on the stochastic scenarios determining the terminal bonuses dynamically.

Calculation of Market Annuity Factors

Previously market annuity factors were calculated based on a lump sum as the final benefit rather than a pension amount. The new methodology models the annuities using a pension amount.

(4) Further Information on Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The stochastic model is used to value the following guarantees and options:
- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts.
 - Market value reduction-free spot maturity guarantees within unitised with-profits contracts.
 - Guaranteed annuity options on conventional with-profits contracts.
 - Guaranteed cash options on conventional with-profits contracts.

Of these, the guaranteed annuity options and market value reduction-free guarantees are “in the money” at the valuation date. For the other guarantees, the extent to which they are “in the money” depends on duration and policy size.

- (ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Deloitte. The asset classes modelled are UK equities, UK property, UK corporate bonds, UK gilts, EU equities, EU corporate bonds and EU gilts.

Interest Rate

UK gilt returns are modelled using a gilts + 10bps calibration in a monthly LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model. Euro gilt returns are modelled in a similar fashion based on the closest equivalent to the Government Nominal bond yield curve.

The calibration at the valuation date was as follows:

Term	GBP			EUR		
	Govt. + 10bp	Model	Difference (Model - Market) bps	Govt. + 10bp (equivalent)	Model	Difference (Model - Market) bps
1	0.43%	0.42%	(0)	-0.01%	-0.01%	(0)
2	0.68%	0.67%	(1)	0.00%	0.00%	(0)
3	0.91%	0.90%	(1)	0.02%	0.02%	(0)
4	1.12%	1.11%	(1)	0.06%	0.06%	(0)
5	1.31%	1.29%	(1)	0.11%	0.11%	0
7	1.61%	1.59%	(2)	0.30%	0.30%	(0)
10	1.95%	1.93%	(2)	0.69%	0.68%	(1)
15	2.35%	2.34%	(1)	1.15%	1.13%	(1)
20	2.59%	2.60%	1	1.42%	1.41%	(2)
25	2.72%	2.72%	1	1.48%	1.45%	(2)

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	GBP		
		Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Option Term	Swap Term	EUR		
		Model (%)	Market (%)	Difference (Model - Market) bp
5	5	49.44%	50.66%	(122)
10	10	36.31%	38.36%	(205)
10	20	31.24%	32.48%	(124)
20	10	32.72%	35.57%	(285)
20	20	27.42%	28.37%	(95)

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equities and Property

Excess returns over risk free rates on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below:

Model (%)

GBP

Term	Strike		
	0.8	1	1.2
1	22.52	16.11	8.73
3	20.56	17.43	13.85
5	20.88	18.31	15.64
7	21.20	19.27	17.64
9	21.09	19.60	18.25

Model calibration is close to market implied equity volatility as confirmed by our validations.

The Euro asset model was calibrated by reference to the implied volatility of Eurostoxx 50 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Model (%)

EURO

Term	Strike		
	0.8	1	1.2
1	24.28	20.71	18.72
3	22.00	20.35	19.34
5	20.39	19.16	18.53
7	20.00	19.24	18.74
9	19.89	19.23	18.78

Model calibration is close to market implied equity volatility as confirmed by our validations.

Property volatility has been adjusted to be a weighted average of equity and direct property due to the investment in the UKCPT.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates.

(iii) The table below gives further information on the stochastic approach used based on 1000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

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- (iv) In all investment scenarios the initial equity dividend yield is set to 2.9% and the initial property rental yield to 2.3% p.a. The EU initial equity yield is 1.9% p.a.
- (v) The following table shows (for K=1 only) for the risk free rate and lines 1 and 2 for the Eurozone, the only economy outside the UK to which the fund has significant asset exposure. They are denominated in euros and based on 1000 scenarios.

Asset Type (EU Assets)		K=1			
n	Duration	5	15	25	35
	Strike price per €1m	1,005,755	1,187,654	1,446,056	1,850,671
r	Annualised compound equivalent of the risk free rate	0.11%	1.15%	1.49%	1.77%
1	Risk-Free Coupon Bond	994,278	841,996	691,536	540,345
2	ESTOXX ($\rho=1$)	29,006	110,735	186,707	294,364

- (vi) The table shows the proportion of the total present value of the cost of modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	0.0%	19.5%	0.0%	0.4%
5 - 10	0.1%	26.5%	0.0%	1.1%
10 - 15	0.1%	24.8%	0.0%	1.6%
15 - 20	0.0%	15.2%	0.0%	1.2%
20 - 25	0.0%	5.5%	0.0%	0.4%
25 - 30	0.0%	3.1%	0.0%	0.1%
30 - 35	0.0%	0.1%	0.0%	0.0%
35 - 40	0.0%	0.0%	0.3%	0.0%

Policies without a fixed maturity date have been shown in the 35 to 40 outstanding term band.

- (vii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

- (viii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

At the previous valuation date 3000 scenarios were used in the determination of the cost of guarantees, smoothing and options. At the current valuation date 1000 scenarios were used; however there has been no deterioration of the quality of the convergence of the scenarios.

(b) Not applicable.

(c) Not applicable.

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(5) Management Actions

- (a) Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on unithised with-profits business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
CWP Life	i	37%	38%	38%
CWP Pensions, UWP Life and Pensions Series 1 & 2	i	22%	23%	23%
UWP Life and Pensions Series 3+	i	46%	47%	47%
SMI Bond	i	45%	40%	40%
All	ii	Unchanged	Unchanged	Unchanged
All	iii	Unchanged	Unchanged	Unchanged

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Projected years
Type of business		p.a	p.a
UWP Life - Series 1 and 2	i	3.0%	Varies Dynamically
UWP Pensions - Series 1 and 2	i	4.0%	Varies Dynamically
UWP Life - Series 1 and 2	ii	3.0%	Varies Dynamically
UWP Pensions - Series 1 and 2	ii	4.0%	Varies Dynamically
UWP Life - Series 1 and 2	iii	3.0%	Varies Dynamically
UWP Pensions - Series 1 and 2	iii	4.0%	Varies Dynamically

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up rates are:

Product		Average surrender rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	4.0%	4.0%	4.0%	4.0%
Conventional endowment withprofits OB target cash	Surrender	4.0%	4.0%	4.0%	4.0%
Conventional deferred annuity withprofits	Surrender	4.0%	4.0%	4.0%	4.0%
Group conventional deferred annuity Annuity withprofits (CPA)	Surrender	2.0%	2.0%	2.0%	2.0%
Life UWP single premium	Surrender	10.0%	10.0%	10.0%	10.0%
Life UWP whole life regular premium	Surrender	25.0%	25.0%	25.0%	25.0%
Life UWP endowment regular premium savings	Surrender	25.0%	25.0%	25.0%	25.0%
Individual pensions UWP	Surrender	4.0%	4.0%	4.0%	4.0%
Group money purchase pensions UWP	Surrender	1.0%	1.0%	1.0%	1.0%
DWP National Insurance rebates UWP	Surrender	1.9%	1.9%	1.9%	1.9%
Income drawdown UWP	Surrender	1.0%	1.0%	1.0%	1.0%
Trustee investment plan UWP	Surrender	10.0%	10.0%	10.0%	10.0%

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Product		Average paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	PUP	4.0%	4.0%	4.0%	4.0%
Conventional endowment withprofits OB savings	PUP	4.0%	4.0%	4.0%	4.0%
Conventional endowment withprofits OB target cash	PUP	4.5%	4.5%	4.5%	4.5%
Conventional deferred annuity withprofits	PUP	2.0%	2.0%	2.0%	2.0%
Group conventional deferred annuity withprofits	PUP	10.0%	10.0%	10.0%	10.0%
Annuity withprofits (CPA)	PUP	25.0%	25.0%	25.0%	25.0%
Life UWP single premium	PUP	25.0%	25.0%	25.0%	25.0%
Life UWP whole life regular premium	PUP	25.0%	25.0%	25.0%	25.0%
Life UWP endowment regular premium savings	PUP	3.2%	3.2%	3.2%	3.2%
Individual pensions UWP	PUP	1.0%	1.0%	1.0%	1.0%
Group money purchase pensions UWP	PUP	1.6%	1.6%	1.6%	1.6%
DWP National Insurance rebates UWP	PUP	1.0%	1.0%	1.0%	1.0%
Income drawdown UWP	PUP	10.0%	10.0%	10.0%	10.0%

There was no change in demographic assumptions from the previous year. The change in the table compared to last year is due to a different presentation of the product splits.

The annuitant mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
Annuity Rate Guarantee – post vesting ⁽¹⁾	Projection Basis	
	Male	Female
All	107.5% PCMA00	95% PCFA00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All
GAO Upper bound	76%
GAO Lower bound	60%

We assume a take up rate of nil for guarantees that are out of the money at retirement. We assume take up rates of 100% on policies with guaranteed cash options.

(7) Policyholders' Actions

The approach for setting the take up rates of Guaranteed Annuity Options has changed from the previous valuation and is now following a different dynamic approach using different parameters. As a result the relationship between take up rates and moneyness is more linear.

There is currently no allowance in the model for different lapse tables to apply in MVA free periods. This is a change since the previous valuation where the lapse rates at MVA free dates changed dynamically depending on the moneyness of the option.

7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19.

The amount shown in Line 47 of Form 19 is composed of the present value of future transfers to shareholders and technical provisions.

The present value of future transfers to shareholders was £3.1m at the valuation date.

Technical provisions of £6.0m were held in the Fund at the valuation date.

The provisions held at the valuation date are shown in the table below:

	£m
Present value of future CWP transfers	3.1
Future projects and issues	1.8
MER	0.0
VAT	1.0
Costs falling outside MSAs	0.2
Pensions Review	0.0
IBNR, Overdue Claims and underpaid claims	0.0
Strachan	0.0
Capita Regulatory Buyout	0.2
Outsourcer Expenses Risk Transfer	0.0
Asset Management Services	1.5
Solvency II, ICA and QR Reporting	0.9
Cost of Guidance	0.2
TCF	0.1
Total	9.0

9. REALISTIC CURRENT LIABILITIES

The realistic current liabilities are obtained from the regulatory value by adjusting to allow for recoverable deferred tax assets. The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	£m
Regulatory current liabilities	386.9
- Recoverable deferred tax asset	0.0
- Recoverable tax on excess E	0.0
Realistic current liabilities	386.9

10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall (rise) by an amount which depends on the territory in question:

% Change in Equity Markets	%
UK and "Non-significant" Overseas Holdings	20.00
Europe	20.00
USA	20.00

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There was also a 12.5% rise / fall in property stress applied.

The equity fall and the property fall were the more onerous scenarios.

- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario again depends on the territory in question:

Nominal change in yields on fixed interest securities	Nominal Change in Yields	% change in long term gilt yield
UK and "Non-significant" Overseas Holdings	0.38%	17.50%
Europe	0.16%	17.50%
USA	0.42%	17.50%

A decrease in yields is the more onerous scenario.

- (iii) The average change in spread is 1.0%. Changes in market values are:
- (8.0)%;
 - Not applicable;
 - Not applicable;
 - Not applicable;
 - Not applicable.
- (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 3.5%.
- (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).
- (b) There is a collateral promise on the unitised with-profits business under which the cost of conventional with-profits guarantees must not be borne by unitised with-profits policyholders. However, planned enhancements arising on either unitised with-profits or conventional with-profits business may be used to reduce any deficit arising in the other category having first covered their own deficit.
- (i) In the stress scenarios the following additional assumption is made:
- The planned benefit enhancements will be reduced resulting in £nil working capital under the stressed conditions.
- (ii) The risk capital margin is nil so there is no impact on the risk capital margin of reducing the planned benefit enhancements.
- (iii) No changes would be made to equity backing ratios or bonus rates if the management actions were taken.
- (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.
- (c)
- (i) The risk capital margin is covered by the assets of the Scottish Mutual With-Profits Fund.
- (ii) The scheme for the funds merger as at 1 January 2009 includes a provision that in the event that the value of the assets of the fund falls below the regulatory minimum, support will be provided to the fund by way of a loan arrangement from the Non Profit Fund or the Shareholders' Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

12. DERIVATIVES

A number of structured derivative contracts are held within the fund at the valuation date to enable the fund to withstand the impact of adverse conditions. They are constructed from at-the-money vanilla over-the-counter derivatives – equity put options, equity futures, interest rate swaps, interest rate swaptions and spreadlocks – with outstanding terms ranging from 1 to 20 years.

As at the valuation date the total market price of these derivatives, on a bid basis, is £154.34m. This is split as follows:

Type	GBP (£m)	EUR (£m)	USD (£m)	Total (£m)
Swaps	7.11	0.00	0.00	7.11
Swaptions	23.79	0.00	0.00	23.79
Options	69.21	0.00	0.00	69.21
Spreadlocks	55.04	0.00	0.00	55.04
Futures	(0.81)	0.00	0.00	(0.81)
Total derivatives backing guarantees	154.34	0.00	0.00	154.34
Other derivatives backing benefit reserves				0.00
Total				154.34

The other derivatives form part of asset backing asset shares.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	212.7
Revised opening working capital	212.7
Opening adjustments	0.0
Restated opening working capital	212.7
Expected return on opening surplus	1.1
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	(1.4)
- Economic	0.0
- Policyholder actions	26.7
Model and methodology changes	43.4
Other Variances	
- Economic	64.9
- Non-economic	0.0
- Management actions	(19.3)
- Other projects / provisions	(0.0)
- Unexplained	0.9
Closing working capital before zeroisation	328.8
Planned benefit enhancements to distribute estate	(447.7)
Impact of planned enhancement on future policy related liabilities	118.9
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

SPI With-Profits Fund

2. ASSETS**(1) Economic Assumptions For Valuing Non-Profit Business**

There is no material amount of non-profit business.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. WITH-PROFITS BENEFITS RESERVE LIABILITIES**(1) Calculation Of With-Profits Benefits Reserve**

Where previously prospective with-profits benefit reserves were used for some whole of life business, a retrospective method is now used.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
CNP Life	Retrospective	0.0	
UWP Life	Retrospective	99.4	37.2
CWP Life	Retrospective	711.0	266.4
Life Total		810.4	303.6
CNP Pensions	Retrospective	0.1	
UWP Pensions	Retrospective	468.5	175.6
CWP Pensions	Retrospective	310.2	116.2
Total Pensions		778.8	291.8
Total		1589.1	595.4
Form 19 Line 31		1,589.1	
Form 19 Line 49			595.4

There have been no changes to methods or assumptions since the previous valuation except where previously prospective with-profits benefit reserves were used for whole life assurance business, a retrospective method is now used.

(2) Correspondence With Form 19

The above reconciles to lines 31 and 49 of Form 19.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable: the table in (1) covers all products in the Fund.

(4) Types Of Products

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, unitised with-profits business is separated from conventional with-profits business.

4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD**(1) Retrospective Methods**

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) The new methodology uses a retrospective approach for all business. In the case of policies which were previously valued using a prospective approach, the basepoint for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the prospective valuation at that time.
- (b) The block of liabilities in respect of SPI Funding was modelled previously; however in the new approach, the guarantees on this business have been approximated outside the model.

(3) Expense Allocation

- (a) The 2009 Court Scheme sets out the charges for the SPI With-Profits Fund. The scheme also specifies that in any financial year, these charges (calculated on a per policy basis) shall not be less than 85% or more than 115% of the costs actually incurred by Phoenix in respect of the business in the SPI With-Profits Fund. These charges are reviewed by the With-Profits Committee with a view to ensuring that they comply with these terms.
- (b) Expense investigations (reviews of the management services agreement) are carried out annually.
- (c) The expenses for the business for the year to the valuation date were:

Item	£m
Initial Expenses ¹	0.0
Maintenance Expenses	4.8
Investment Expenses	7.0
Method	Average expense charge deducted
Expenses charged other than to with-profits benefits reserve	1.9

¹ Since the company is closed to new business (apart from contractual increments etc.), the initial expenses are negligible.

Investment expenses were deducted from the with-profits benefits reserve at a rate of 0.08% p.a. for traditional and deposit administration business.

(4) Significant Charges

There is a hedge asset in place to cover a substantial part of the guarantees within the fund. The costs of rebalancing this hedge were previously charged to the with-profits benefits reserve but are now charged to the estate. The resulting percentage reduction in the with-profits benefits reserve is shown in the following table.

Asset Share Group	Current Valuation	Previous Valuation
CWP Life and Pensions	0.00%	0.00%
UWP Life and Pensions	0.00%	0.00%

(5) Charges For Non-Insurance Risk

Charges in respect of accumulating with-profits business are as determined by the policy terms and conditions. In particular, an annual management charge is deducted from asset shares. This is 0.60% for life business and 0.85% for pensions business.

(6) Ratio Of Claims To Reserve

Average ratio of total claims to asset shares:

Year	Ratio of claims to asset shares
Previous year -1	100%
Previous year	100%
Current year	100%

(7) Allocated Return

The average rates of return attributed to the with-profit benefits reserve of a policy depends on the asset mix for it. Investment returns for Pensions products are gross of tax and those for Life products are net of tax. Investment returns for the year to 31 December 2014 are shown below.

Type of business	Investment Return	
	UK	Irish
Conventional Life	7.32%	11.10%
Conventional Pensions	8.83%	11.65%
UWP Life	7.26%	13.91%
UWP Pensions (with g'teed min bonus)	8.83%	11.65%
UWP Pensions (with no min bonus)	8.47%	13.91%
SPI Funding	8.83%	11.65%

5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

(1) Key Assumptions

Not applicable as all Asset Shares are calculated on a retrospective basis.

(2) Different Sets Of Assumptions

Not applicable.

6. COST OF GUARANTEES, OPTIONS AND SMOOTHING

(1) De Minimis Limit

The cost of smoothing is nil as all benefits are based on unsmoothed asset shares.

(2) Valuation Methods For Guarantees etc.

(a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

- (i) Guaranteed annuity option reserves

- (ii) The reserves required in addition to asset share to meet guaranteed benefits

The calculations were carried out using a risk neutral approach.

- (b) (i) No projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis.
- (iii) The previous data grouping approach produced grouped policies that were the average of a number of similar policies by type and term. At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 103,286 individual policies and members of group schemes, which have been grouped together into 4,592 model points.

(3) Significant Changes

Cost of Smoothing

At the current valuation date, future smoothing profits and costs arise where the current level of payout as a percentage of asset shares is different from 100% and the time period required to restore payouts to 100% is greater than one month due to smoothing constraints, however no future smoothing costs are valued in respect of any projected investment returns as over the long-term smoothing is expected to be neutral to the fund. At the previous valuation date, the model effectively assumed current final bonus rates continued for a year and determined future (post one year) final bonus rates on a global basis and applied limits to changes.

Stochastic Modelling of Bonus Rates for Shareholder Transfer Calculations

Previously shareholder transfers were modelled deterministically based on initial terminal and reversionary bonus rates. The new methodology is based on the stochastic scenarios determining the terminal bonuses dynamically.

Modelling of Guaranteed Cash Options

Previously products with a guaranteed cash option were modelled as products with a guaranteed annuity option. These are now modelled accurately as guaranteed cash options.

(4) Further Information on Stochastic Approach

There has been a change in ESG Provider from Barrie & Hibbert to Deloitte since the previous valuation.

- (a) (i) The stochastic model is used to value the following guarantees and options:
- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts.
 - Market value reduction-free spot maturity guarantees within unitised with-profits contracts.
 - Guaranteed annuity options on conventional with-profits contracts.

Of these, the guaranteed annuity options and market value reduction-free guarantees are strongly “in the money” at the valuation date. For the guarantee of no negative terminal bonus, the extent to which it is “in the money” depends on duration and policy size.

- (ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Deloitte. The asset classes modelled are UK equities, UK property, UK corporate bonds, UK gilts, EU equities, EU corporate bonds and EU gilts.

Interest Rate

UK gilt returns are modelled using gilts + 10bps calibration in a LIBOR Market Model with displaced diffusion and stochastic volatility. The Government Nominal Bond yield curve is a direct input into the model. Euro gilt returns are modelled in a similar fashion based on the closest equivalent to the Government Nominal bond yield curve.

The calibration at the valuation date was as follows:

Term	GBP			EUR		
	Govt. + 10bp	Model	Difference (Model - Market) bps	Govt. + 10bp (equivalent)	Model	Difference (Model - Market) bps
1	0.43%	0.42%	(0)	-0.01%	-0.01%	(0)
2	0.68%	0.67%	(1)	0.00%	0.00%	(0)
3	0.91%	0.90%	(1)	0.02%	0.02%	(0)
4	1.12%	1.11%	(1)	0.06%	0.06%	(0)
5	1.31%	1.29%	(1)	0.11%	0.11%	0
7	1.61%	1.59%	(2)	0.30%	0.30%	(0)
10	1.95%	1.93%	(2)	0.69%	0.68%	(1)
15	2.35%	2.34%	(1)	1.15%	1.13%	(1)
20	2.59%	2.60%	1	1.42%	1.41%	(2)
25	2.72%	2.72%	1	1.48%	1.45%	(2)

The volatility within the model is calibrated to the market implied volatility for at the money swaptions. The calibration at the valuation date is as follows:

Option Term	Swap Term	GBP		
		Model (%)	Market (%)	Difference (Model - Market) bp
5	5	37.95%	37.13%	82
10	10	26.31%	27.02%	(71)
10	20	23.68%	25.08%	(140)
20	10	23.55%	24.16%	(61)
20	20	22.04%	21.88%	16

Option Term	Swap Term	EUR		
		Model (%)	Market (%)	Difference (Model - Market) bp
5	5	49.44%	50.66%	(122)
10	10	36.31%	38.36%	(205)
10	20	31.24%	32.48%	(124)
20	10	32.72%	35.57%	(285)
20	20	27.42%	28.37%	(95)

Inflation is derived from the nominal and real yield curves. Real interest rates are modelled using a two-factor Hull-White model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2014.

Equities and Property

Excess returns over risk free rates on UK, overseas equities are modelled using separate (but correlated) lognormal models.

Separate equity models are used for UK and Euro equities and Property each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. The equity index is modelled stochastically using Heston’s stochastic volatility model and incorporates a discontinuous component driven by a Poisson process. Alternative investments are treated as UK equities.

The UK asset model was calibrated by reference to the implied volatility of FTSE 100 options for a range of terms and strikes.

Implied volatility data (%) at the valuation date is shown below:

Model (%)

GBP

%	Strike		
Term	0.8	1	1.2
1	22.52%	16.11%	8.73%
3	20.56%	17.43%	13.85%
5	20.88%	18.31%	15.64%
7	21.20%	19.27%	17.64%
9	21.09%	19.60%	18.25%

Model calibration is close to market implied equity volatility as confirmed by our validations.

The Euro asset model was calibrated by reference to the implied volatility of Eurostoxx 50 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Model (%)

EURO

%	Strike		
Term	0.8	1	1.2
1	24.28	20.71	18.72
3	22.00	20.35	19.34
5	20.39	19.16	18.53
7	20.00	19.24	18.74
9	19.89	19.23	18.78

Property volatility has been adjusted to be a weighted average of equity and direct property due to the investment in the UKCPT.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to

vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

Correlations

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

Output Correlations @ Year 10									
	Gilts 10y spot rate	Real 5Y spot rate	UK Equities	Direct Property	7y A-Rated Corp	Overseas Equities	Indirect Property	Quant	Fund
Gilts 10y spot rate	100%								
Real 5Y spot rate	-42%	100%							
UK Equities	-4%	-10%	100%						
Direct Property	6%	10%	14%	100%					
7y A-Rated Corp	-88%	27%	7%	-16%	100%				
Overseas Equities	10%	-12%	36%	7%	8%	100%			
Indirect Property	5%	9%	11%	34%	-13%	10%	100%		
Quant	-23%	-1%	21%	14%	37%	38%	15%	100%	
Fund	-34%	-8%	22%	31%	46%	39%	29%	55%	100%

Nominal foreign exchange rates are modelled as the combination of real exchange rates and inflation rates where real exchange rates follow a mean-reverting process and are calibrated to the long-term best estimates.

(iii) The table below gives further information on the stochastic approach used based on 1000 scenarios:

		0.75				1				1.5			
<i>n</i>	<i>K</i> Duration (<i>n</i>)	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	1.31%	2.38%	2.75%	2.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	936,767	703,202	507,216	392,624	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	66,851	173,222	278,651	367,516	158,615	304,723	445,566	552,770	501,625	662,576	829,091	957,551
3	FTSE All Share Index (p=0.8)	64,167	150,782	222,999	280,079	152,768	265,484	358,744	425,582	484,391	582,312	678,309	747,988
4	Property (p=1)	34,903	128,601	217,312	298,513	139,996	264,683	376,801	476,943	522,814	637,315	756,060	879,233
5	Property (p=0.8)	32,377	106,369	165,464	216,651	132,862	223,281	293,419	354,265	505,260	555,415	605,641	669,773
6	15 year risk free zero coupon bond (p=1)	11,749	26,183	18,337	27,587	86,330	111,316	102,506	132,054	498,398	513,276	508,616	524,430
7	15 year risk free zero coupon bond (p=0.8)	10,719	18,487	7,880	7,392	79,943	79,602	48,922	52,390	479,531	416,904	334,178	304,369
8	15 year risk free bonds (p=1)	14,561	35,790	28,941	45,944	91,823	127,622	121,612	154,697	499,735	515,567	514,985	536,320
9	15 year risk free bonds (p=0.8)	13,341	25,657	14,393	18,988	85,361	95,627	64,764	73,168	480,987	421,848	345,705	324,065
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	30,889	111,762	208,577	296,508	114,564	237,746	363,842	474,432	495,843	601,946	748,571	876,842
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	29,001	91,995	157,826	215,655	108,434	198,677	282,279	352,026	477,317	519,753	595,091	666,522
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	25,047	77,091	133,871	194,798	103,677	199,088	292,737	372,771	491,714	574,269	688,684	783,300
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	23,358	59,130	85,668	118,294	97,710	161,075	207,860	249,396	472,690	489,143	530,656	568,563
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	8,107	31,376	70,750	127,412	72,830	137,187	213,068	291,233	492,347	531,347	616,076	697,632
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	7,251	19,710	36,137	66,729	66,796	100,434	133,837	175,702	473,058	440,025	453,569	483,060
16	Receiver sw options	25.16%	19.15%	17.90%	15.45%	30.41%	24.74%	22.32%	18.70%	35.75%	29.85%	25.73%	21.15%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

SPI With-Profits Fund

- (iv) UK initial equity yield: 2.9%
Overseas initial equity yield: 1.9%
UK initial property rental yield: 2.3%
- (v) The following table shows entries (K=1 only) for the risk free rate and lines 1 and 2 for the Eurozone, the only economy outside the UK to which the fund has significant asset exposure. They are denominated in euros and based on 1,000 scenarios.

Asset Type (EU Assets)		K=1			
n	Duration	5	15	25	35
	Strike price per €1m	1,005,755	1,187,654	1,446,056	1,850,671
r	Annualised compound equivalent of the risk free rate	0.11%	1.15%	1.49%	1.77%
1	Risk-Free Coupon Bond	994,278	841,996	691,536	540,345
2	ESTOXX (p=1)	29,006	110,735	186,707	294,364

- (vi) The table shows the proportion of the total present value of the cost of modelled guarantees and options split by term to maturity.

Outstanding Term (Years)	Conventional		Unitised	
	Life	Pensions	Life	Pensions
0 - 5	2.0%	18.3%	0.0%	1.9%
5 - 10	1.1%	17.0%	0.0%	2.8%
10 - 15	0.3%	17.3%	0.0%	3.7%
15 - 20	0.1%	15.1%	0.0%	2.0%
20 - 25	0.0%	7.1%	0.0%	0.9%
25 - 30	0.0%	3.1%	0.0%	0.1%
30 - 35	0.0%	1.2%	0.0%	0.0%
35 - 40	0.1%	1.6%	4.0%	0.0%

Policies without a fixed maturity date have been shown in the 35 to 40 outstanding term band.

- (vii) The asset models of each main asset class have been validated by comparing the net present value of a forty year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested namely the UK and the EU.

- (viii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU.

At the previous valuation date 3000 scenarios were used in the determination of the cost of guarantees, smoothing and options. At the current valuation date 1000 scenarios were used; however there has been no deterioration of the quality of the convergence of the scenarios.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) Previously reversionary bonus rates were static and remained at current levels in future years. These are now being modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on unithised with-profits business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
UK business	i	38%	35%	35%
Irish business	i	37%	29%	29%
All	ii	Unchanged	Unchanged	Unchanged
All	iii	Unchanged	Unchanged	Unchanged

Reversionary Bonus Rates on accumulating with profits		Current Valuation Date	Projected years
Type of business		p.a	p.a
UK UWP Life Series 1	i	5.0%	Varies Dynamically
UK and Irish UWP Pensions Series 1	i	4.0%	Varies Dynamically
UK UWP Life Series 1	ii	5.0%	Varies Dynamically
UK and Irish UWP Pensions Series 1	ii	4.0%	Varies Dynamically
UK UWP Life Series 1	iii	5.0%	Varies Dynamically
UK and Irish UWP Pensions Series 1	iii	4.0%	Varies Dynamically

Any dynamic projections of minimum guaranteed reversionary bonus rates will be subject to this minimum rate.

(6) Demographic Assumptions

The surrender and paid-up rates are:

Following an Actuarial Systems Transformation Project, this valuation has been done using a new actuarial model. The underlying demographic assumptions did not change for this valuation. The impact of the changes from the previous valuation seen above is the impact of the change to the new model.

SPI With-Profits Fund

Product		Average Surrender rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	Surrender	4.7%	9.1%	2.5%	2.5%
Conventional endowment withprofits OB savings	Surrender	6.4%	6.8%	4.1%	4.1%
Conventional deferred annuity withprofits	Surrender	2.0%	5.0%	2.8%	2.8%
Miscellaneous conventional withprofits	Surrender	6.4%	6.8%	2.3%	2.3%
Additional reserves withprofits OB	Surrender	0.0%	0.0%	0.0%	0.0%
Regular premium nonprofit WL/EA OB	Surrender	6.4%	6.8%	5.0%	5.0%
Deferred annuity nonprofit	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous nonprofit	Surrender	11.1%	8.6%	6.8%	6.8%
Additional reserves nonprofit OB	Surrender	0.0%	0.0%	0.0%	0.0%
Life UWP single premium	Surrender	11.2%	16.6%	16.3%	16.3%
Life UWP whole life regular premium	Surrender	8.0%	5.6%	5.0%	5.0%
Life UWP endowment regular premium savings	Surrender	6.0%	10.0%	10.0%	10.0%
Life UWP endowment regular premium – target cash	Surrender	6.0%	10.0%	10.0%	10.0%
Individual pensions UWP	Surrender	4.1%	4.8%	5.0%	5.0%
Group money purchase pensions UWP	Surrender	8.6%	17.0%	15.0%	15.0%
Group deposit administration withprofits	Surrender	0.0%	0.0%	0.0%	0.0%
Trustee investment plan UWP	Surrender	25.0%	25.0%	25.0%	25.0%
Miscellaneous UWP	Surrender	5.5%	6.3%	6.5%	6.5%

Product		Average Paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Conventional whole life withprofits OB	PUP	1.5%	1.5%	1.5%	1.5%
Conventional endowment withprofits OB savings	PUP	3.8%	3.8%	3.8%	3.8%
Conventional deferred annuity withprofits	PUP	2.8%	2.8%	2.8%	2.8%
Miscellaneous conventional withprofits	PUP	5.0%	5.0%	5.0%	5.0%
Regular premium nonprofit WL/EA OB	PUP	0.0%	0.0%	0.0%	0.0%
Deferred annuity nonprofit	PUP	0.0%	0.0%	0.0%	0.0%
Miscellaneous nonprofit	PUP	0.0%	0.0%	0.0%	0.0%
Life UWP single premium	PUP	0.0%	0.0%	0.0%	0.0%
Life UWP whole life regular premium	PUP	5.0%	5.0%	5.0%	5.0%
Life UWP endowment regular premium savings	PUP	10.0%	10.0%	10.0%	10.0%
Life UWP endowment regular premium – target cash	PUP	10.0%	10.0%	10.0%	10.0%
Individual pensions UWP	PUP	6.0%	6.0%	6.0%	6.0%
Group money purchase pensions UWP	PUP	0.0%	0.0%	0.0%	0.0%
Trustee investment plan UWP	PUP	0.0%	0.0%	0.0%	0.0%
Miscellaneous UWP	PUP	6.5%	6.5%	6.5%	6.5%

The annuitant mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
Annuity Rate Guarantee – post vesting ⁽¹⁾	Male	Female
All	107.5% PCMA00	95% PCFA00

(1) Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All
GAO Upper bound	68%
GAO Lower bound	60%

We assume a take up rate of nil for guarantees that are out of the money at retirement. We assume take up rates of 100% on policies with guaranteed cash options.

(7) Policyholders' Actions

The approach for setting the take up rates of Guaranteed Annuity Options has changed from the previous valuation and is now following a different dynamic approach using different parameters. As a result the relationship between take up rates and moneyness is more linear. There is currently no allowance in the model for different lapse tables to apply in MVA free periods. This is a change since the previous valuation where the lapse rates at MVA free dates changed dynamically depending on the moneyness of the option.

7. FINANCING COSTS

The fund has no financing costs as at the valuation date.

8. OTHER LONG-TERM INSURANCE LIABILITIES

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is made up as follows:

	£m
Present value of future transfers	41.7
Additional charges on UWP	11.5
Statutory Liabilities for NP GAOs	0.3
Future projects and issues	1.8
MER	0.0
IGNIS Sale	0.8
Costs falling outside MSAs	0.2
Pensions Review	0.0
IBNR, Overdue Claims and underpaid calims	0.0
Strachan	0.0
Capita Regulatory Buyout	0.1
Percana	1.5
Asset Management Services	0.0
Solvency II, ICA and QR Reporting	1.0
Cost of Guidance	0.7
Total	59.7

9. REALISTIC CURRENT LIABILITIES

The reconciliation of the realistic current liabilities to the regulatory current liabilities is:

	£m
Regulatory current liabilities	182.4
Recoverable deferred tax asset	0.0
Recoverable tax on excess E	0.0
Total	182.4

10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

(i) The market risk scenario assumes that equities fall (rise) by an amount which depends on the territory in question:

% Change in Equity Markets	%
UK and "Non-significant" Overseas Holdings	20.00
Europe	20.00
USA	20.00

The market risk scenario assumes a 12.5% fall / rise in property values.

The equity fall and the property fall were the more onerous scenarios.

(ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario again depends on the territory in question:

Nominal change in yields on fixed interest securities	Nominal Change in Yields	% change in long term gilt yield
UK and "Non-significant" Overseas Holdings	0.38%	17.50%
Europe	0.16%	17.50%
USA	0.42%	17.50%

The fall in yields is the more onerous scenarios.

In each case this is consistent with a rise or fall of 17.5% in the appropriate long term gilt yield. There is little difference between the various RCM scenarios; this is due to a varying degree of hedge effectiveness.

(iii) The average change in spread is 0.9%. Changes in market values are:

- (7.1%)
- Not applicable
- Not applicable
- Not applicable
- Not applicable

(iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 1.5%.

(v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

- (b) (i) In the stress scenarios the following additional assumption is made:
The planned benefit enhancements will be reduced resulting in £nil working capital under the stressed conditions.
- (ii) The risk capital margin is nil so there is no impact on the risk capital margin of reducing the planned benefit enhancements.
- (iii) No changes would be made to equity backing ratios or bonus rates if the management actions were taken
- (iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.
- (c) Assets covering risk capital margin
- (i) The risk capital margin is covered by the assets of the long-term fund.
- (ii) The scheme for the funds merger as at 1 January 2009 includes a provision that in the event that the value of the assets of the fund falls below the regulatory minimum, support will be provided to the fund by way of a loan arrangement from the Non-Profit Fund or the Shareholders Fund to the extent that the Board determines there are assets in those funds available to make such a loan.

11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An amount in respect of deferred tax on anticipated recoverable investment losses has been used to reduce current liabilities.

12. DERIVATIVES

A number of structured derivative contracts are held within the fund at the valuation date to enable the fund to withstand the impact of adverse conditions. They are constructed from at-the-money vanilla over-the-counter derivatives – equity put options, equity futures, interest rate swaps, interest rate swaptions and spreadlocks – with outstanding terms ranging from 1 to 20 years.

As at the valuation date the total market price of these derivatives, on a bid basis, is £85.59m. This is split as follows:

Type	GBP (£m)	EUR (£m)	Total (£m)
Swaps	(19.87)	28.24	8.37
Swaptions	3.53	1.12	4.65
Options	40.21	13.66	53.87
Futures	3.51	0.48	3.99
Spreadlocks	14.71	0.00	14.71
Total derivatives backing guarantees	42.09	43.50	85.59
Other derivatives backing benefit reserves			0.00
Total			85.59

The other derivatives form part of the assets backing asset shares.

13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
Opening working capital	0.0
Write back planned benefit enhancements to zeroise working capital	288.6
Revised opening working capital	288.6
Opening adjustments and modelling changes	0.0
Restated opening working capital	288.6
Expected return on opening surplus	1.5
Mismatch profits and losses	0.0
Assumption changes	
- Non-economic	(1.1)
- Economic	0.0
- Policyholder actions	7.3
Model and methodology changes	24.4
Other variances	
- Non-economic	12.7
- Economic	0.0
- Management actions	(37.8)
- Other projects / provisions	(39.6)
- Unexplained	(3.7)
Closing working capital before zeroisation	252.1
Planned benefit enhancements to zeroise working capital	(314.5)
Impact of planned enhancement on future policy related liabilities	62.4
Closing working capital	0.0

14. OPTIONAL DISCLOSURE

Not applicable.

NPI WITH-PROFITS FUND

As part of the transfer of NPIL to PLL on 1st January 2012 a new NPI WP fund was created. NPIL held predominantly non-profit business but the unit-linked business had a unitised with-profit (UWP) option and this business transferred to NPI WP.

The UWP business is wholly reinsured to Phoenix Life Assurance Limited (the former Pearl Assurance Limited), including associated expenses and charges; the NPI WP fund therefore has no net assets. Asset shares and any bonuses paid by the NPI WP fund are determined by the reinsurer. As a consequence the NPI WP fund does not require the appointment of a With-Profits Actuary. Further to this it is also not the intention to complete Appendix 9.4a since the detailed questions are not applicable.

Returns under the Accounts and Statements Rules

Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36

Phoenix Life Limited

Global business

Financial year ended 31 December 2014

To 31 March 2014, the actuary who was appointed to perform the with-profits actuary function for the Alba With-Profits Fund was Ms H C Jones.

- 1 (a) During the period, Ms Jones held options to subscribe for up to 321 shares in Phoenix Group Holdings, the ultimate holding company, granted under the Company's Save As You Earn Scheme (SAYE).
 - (b) Ms Jones had no other pecuniary interest with the insurer during the period.
 - (c) The aggregate of the remuneration and value of other benefits receivable by Ms Jones from the insurer in respect of the period to 31 March 2014 was £69,464.
 - (d) Ms Jones was a member of the PGL Pension Scheme throughout the period, and was entitled to the standard benefits under the rules of the scheme.
- 2 The insurer has made a request of Ms Jones to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Ms Jones.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36

Phoenix Life Limited

Global business

Financial year ended 31 December 2014

Throughout the year, the actuary who was appointed to perform the with-profits actuary function for the 90% With-Profits Fund, 100% With-Profits Fund, Phoenix With-Profits Fund, Scottish Mutual With-Profits Fund, SPI With-Profits Fund, SAL With-Profits Fund and NPI With-Profits Funds and from 1 April 2014 for the Alba With-Profits Fund was Mr A E Burke.

- 1 (a) During the year Mr Burke held up to 5,696 shares in Phoenix Group Holdings (“PGH”), the ultimate holding company. He also held up to 879 shares in PGH, under the Company’s Share Incentive Plan, and options to subscribe for up to 54,535 shares in PGH granted under the Company’s Deferred Bonus Scheme, Long Term Incentive Plan and the Save As You Earn Scheme (SAYE).
 - (b) Mr Burke had no other pecuniary interest with the insurer during the year.
 - (c) The aggregate of the remuneration and value of other benefits receivable by Mr Burke from the insurer during 2014 was £313,095 including the proceeds from the vesting of options to subscribe for shares in PGH granted under Company’s Long Term Incentive Plan.
 - (d) Mr Burke was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.
- 2 The insurer has made a request of Mr Burke to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer’s Human Resources records with the permission of Mr Burke.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer’s subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Statement of information on the Actuary appointed to perform the With-Profits Actuary function required by rule 9.36

Phoenix Life Limited

Global business

Financial year ended 31 December 2014

Throughout the year, the actuary who was appointed to perform the with-profits actuary function was Mr K J Arnott.

- 1 (a) During the year, K J Arnott held up to 865 shares in Phoenix Group Holdings (“PGH”), the ultimate holding company, under the Company’s Share Incentive Plan. He also held options to subscribe for up to 66,072 shares in PGH granted under the Company’s Deferred Bonus Scheme and Long Term Incentive Plan.
 - (b) Mr Arnott had no other pecuniary interest with the insurer during the period.
 - (c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2014 was £457,570 including the proceeds from the vesting of options to subscribe for shares in PGH granted under Company’s Long Term Incentive Plan.
 - (d) Mr Arnott was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.
- 2 The insurer has made a request of Mr Arnott to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer’s Human Resources records with the permission of Mr Arnott.

Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer’s subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)


Phoenix Life Limited

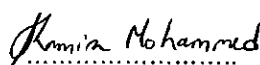
Global business


Financial year ended 31 December 2014

We certify that:

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver in supplementary note 0201(b); and
- (b) we are satisfied that:
- (i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC, as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) from the beginning of financial year until 18 June 2014, the insurer has complied in all material respects with the requirements of PRIN;
 - (iii) from 19 June 2014 until the end of the financial year, the insurer has complied in all material respects with the Fundamental Rules; and
 - (iv) it is reasonable to believe that the insurer has continued so to comply with the requirements of SYSC, the Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU subsequently, and will continue so to comply in future.
- (2) (a) in our opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with profits funds have been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- (d) the directors, have in preparing the return, taken and paid due regard to:
- (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.


.....
A Moss
Chief Executive


.....
S Mohammed
Director


.....
S C True
Director

Date: 17 March 2015

PRA RETURN REPORT

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Phoenix Life Limited

Global business

Financial year ended 31 December 2014

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction on 4 February 2014 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on ¹⁸ March 2015. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP

Statutory Auditor

London

¹⁸ March 2015