COLUMBIA THREADNEEDLE INVESTMENTS

Your success. Our priority.

COLUMBIA THREADNEEDLE
Threadneedle Pensions Limited
Solvency and Financial Condition Report

31 December 2016

Report date: 19 May 2017

COLUMBIATHREADNEEDLE.COM

Contents

1. Summary

This report is an annual Solvency II disclosure report for Threadneedle Pensions Limited comprising five descriptive sections A to E, and the Solvency II Quantitative Reporting Templates ("QRTs").

1.1 Business and performance

Threadneedle Pensions Limited ("TPEN") is a subsidiary of Threadneedle Asset Management Holdings Sàrl, a Luxembourg registered company owned by Ameriprise Financial, Inc. ("Ameriprise"), the ultimate parent company. Threadneedle Asset Management Holdings Sàrl and all its subsidiaries are referred to as "the Group". The Group forms part of Columbia Threadneedle Investments, the asset management segment of Ameriprise.

TPEN is a unit linked life assurance company which manages assets for UK pension schemes. It manages assets for DB and DC pension schemes (DB in segregated client portfolios under investment management contracts and both DB and DC in insured unit linked pooled funds under unit linked insurance contracts). It does not write life assurance protection but earns fees on its assets under management for investment management and related services.

In 2016 assets under management increased from £8.1 billion ("bn") at 31 December 2015 to £9.2bn at 31 December 2016 reflecting investment returns of £1.4bn and net outflows of £0.3bn. TPEN remained profitable, reporting total comprehensive income for the year of £3.0 million ("m").

1.2 System of governance

The TPEN Board is responsible for all matters pertaining to TPEN and delegates to two Board Committees:

- to the General Management Committee ("GMC") the management, governance and risk management oversight over the day to day business processes which support the TPEN business;
- to the Fund Pricing and Dealing Committee ("FPDC") the monitoring and reviewing of the pricing of and dealing in funds to ensure that clients and funds are treated equitably.

Other than changes in the directors of the business, set out in B1.2 below, there have been no material changes to the governance structure of TPEN in the year to 31 December 2016.

The majority of TPEN's activities are outsourced to UK entities, either to Group companies or to third party providers. All arrangements are governed by legally binding agreements which outline the functions and activities provided, stipulating the duties and responsibilities of both parties. The arrangements are overseen by the TPEN Board and the GMC in accordance with TPEN's governance arrangements.

TPEN has no employees as its services are performed under contract by other Group companies or outsourcers. The Group remuneration and recruitment policies cover TPEN's directors as well as the Group employees who provide services to TPEN and ensure that all person who are involved in running TPEN or have other key functions are at all times fit and proper and remunerated appropriately.

TPEN is part of the Group's risk and control framework which is embedded in the business through a three lines of defence model:

The First Line of Defence, the Group business units, undertake day-to-day risk management, ensure compliance with the risk management framework, policies and procedures and apply internal management controls and improvement actions.

The Second Line of Defence, the Group Risk and Compliance functions, oversee and challenge risk management in First Line of Defence, provide guidance and direction to First Line of Defence and develop and communicate the risk management framework.

The Third Line of Defence, Group Internal Audit, provide independent perspective and challenge and oversee the First and Second Lines of Defence.

The primary component of the internal control system operated by TPEN is the Risk and Control Self-Assessment ("RCSA") process. The RCSA process is performed by the First Line of Defence and the Second Line of Defence provides independent challenge. The TPEN RCSA articulates the process, risks and controls which relate to TPEN.

The Group Finance function is responsible for the statutory and regulatory financial reporting for TPEN including oversight of the actuarial calculations and forms part of the First Line of Defence of the Group.

1.3 Risk Profile

The standard formula Solvency Capital Requirement ("SCR") for TPEN at 31 December 2016 is £10.5m before adjustments for risk diversification and the risk absorbing impact of deferred taxes. The largest risk to which TPEN is exposed is Operational risk (£7.4m of the SCR) which is the risk of loss caused by failure in processes, systems, people or external factors. Operational risk workshops are held regularly with subject matter experts to discuss the frequency and severity with which these risks apply to TPEN.

Other standard formula SCR risks include Counterparty credit risk, Insurance risk and Market risk. The Insurance and Market risks (combined £1.6m of the SCR) are estimated by applying stress scenarios to the projected cashflows of TPEN. The estimated risks are relatively small compared to Operational risk because the projection period over which the cashflows are assessed ("the contract boundary") is defined by the TPEN Board to be equal to the notice period of the policyholder contracts (many of which are three months). This is on the basis that, in a stressed environment, TPEN could give unilateral notice to its policyholders and return their assets to them after three months.

An alternative view of the contract boundary and projection period is the period from the valuation date to the time when the relevant policyholder might be expected to terminate their policy of their own accord. Using this alternative approach, the longer projection period would result in an increase in the SCR from £9.4m (after adjustments for risk diversification and the risk absorbing nature of deferred taxes) to £22.2m. TPEN's capital resources would continue to exceed its SCR with the solvency cover ratio (capital resources/SCR) reducing from 246% to 119%.

The PRA has acknowledged that there are two views of the contract boundary, as described above, and has not indicated an objection to the use of either approach. However, should the PRA require the use of the longer projection period in the future TPEN would be required to calculate its SCR on this alternative basis.

Counterparty credit risks (£1.5m) are also relatively small due to the high quality of the clients with which we do business and that TPEN's own funds are invested in high quality liquid assets within a Collective Investment Scheme.

1.4 Valuation for Solvency purposes

The valuation of assets and liabilities for Solvency II purposes is the same as under UK accounting principles except for differences in the value of technical provisions. These differences are set out below:

	As at 31 Dec 2016 £m
Total equity in financial statements	22.364
Items not recognised in the financial statements	
Best Estimate (S.02.01.02)	1.273
Risk margin (S.02.01.02)	(0.553)
Solvency II – Basic Own Funds	23.084

The Best Estimate provision is calculated by determining the discounted Present Value of best estimates of future cashflows of the policies. Due to the profitable nature of the unit linked insurance contracts the technical provision is actually an asset.

The Risk Margin is an additional technical provision derived by projecting forward the SCR through time and discounting using a cost of capital of 6% per annum.

1.5 Capital management

At 31 December 2016 the Solvency cover (capital resources/SCR) was 246%. Solvency II capital resources were £23.1m compared to the SCR of £9.4m after adjustments for risk diversification and the risk absorbing impact of deferred taxes. TPEN's policy is that sufficient own funds will be maintained to meet regulatory requirements with adequate surplus in line with operating and strategic objectives. TPEN holds regular board meetings at least quarterly at which regulatory capital requirements are compared to own funds.

A. Business and Performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Threadneedle Pensions Limited ("TPEN") is incorporated in the England and Wales and is a private company limited by shares. The address of the registered office is:

Cannon Place
78 Cannon Street
London
EC4N 6AG

This Solvency and Financial Condition Report ("SFCR") covers TPEN on a standalone basis.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

The supervisory authorities of TPEN are the PRA and the FCA and they can be contacted at:

Prudential Regulation Authority
Bank of England
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

A.1.3 External auditor of the undertaking

The independent auditors of TPEN are:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

A.1.4 Holders of qualifying holdings in the undertaking

The direct and indirect holders of qualifying holdings in TPEN at any time during the reporting period and at the end of the financial year were:

a) Threadneedle Asset Management Holdings Limited – a company incorporated in England and Wales which is the immediate parent company of TPEN. As at the reporting date, Threadneedle Asset Management Holdings Limited owned 100% of the voting shares of TPEN and was able to exercise 100% of the voting power at any general meeting.

b) Threadneedle Asset Management Holdings Sàrl – a Luxembourg registered company which is the European holding company of the Group. As at the reporting date, Threadneedle Asset Management Holdings Sàrl owned 100% of the shares of

Threadneedle Asset Management Holdings Limited, via a number of other holding companies, and was able to exercise 100% of the voting power at any general meeting.

c) Ameriprise Financial, Inc. (“Ameriprise”) – the ultimate parent company incorporated in the United States. As at the reporting date, Ameriprise owned 100% of the voting shares of Threadneedle Asset Management Holdings Sàrl, via another holding company Ameriprise International Holdings GmbH, and was able to exercise 100% of the voting power at any general meeting.

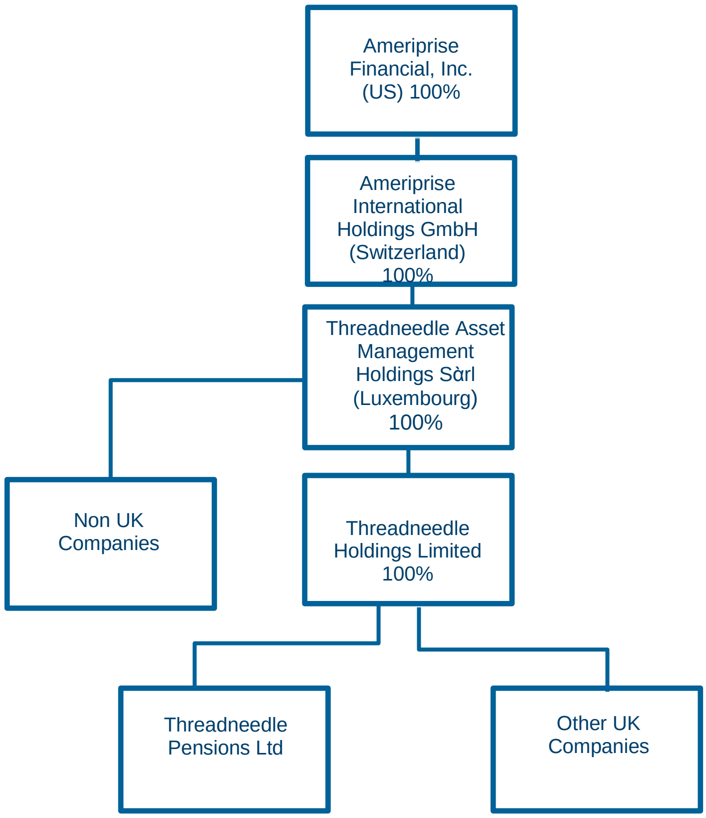
A.1.5 Legal structure of the group

TPEN is a wholly owned subsidiary of Threadneedle Asset Management Holdings Limited which is, via a number of other holding companies, a wholly owned subsidiary of Threadneedle Asset Management Holdings Sàrl, the Luxembourg registered holding company for the Group.

The ultimate parent company of Threadneedle Asset Management Holdings Sàrl is Ameriprise.

Threadneedle Asset Management Holdings Sàrl owns 100% of the non UK companies of the Group as well as via UK intermediate holding companies, 100% of the voting shares of TPEN and the other UK companies of the Group. Outsourced services are provided to TPEN by Threadneedle Asset Management Holdings Limited (one of the UK intermediate holding companies) and Threadneedle Asset Management Limited (one of the Other UK companies).

The schematic below sets out a simplified summary of the group structure and excludes a number of UK intermediate holding companies. The percentages refer to voting control.



A.1.6 Material lines of business and geographical areas

TPEN is a unit linked life assurance company which manages assets for UK pension schemes. It manages assets for both DB and DC pension schemes in segregated client portfolios (DB only) and in insured unit linked pooled funds. The assets in segregated client portfolios are managed under investment management contracts and are not included on the balance sheet of TPEN. The assets in the insured unit linked pooled funds are managed under unit linked insurance contracts and are shown on the balance sheet under ”Assets held for index linked and unit linked contracts”. TPEN does not , as part of its asset management activity, write life assurance protection.

Six of the unit linked pooled funds invest via reinsurance contracts in unit linked pooled funds managed on a passive basis by a third party asset manager. These assets are shown on the balance sheet under “Reinsurance recoverables”.

A.1.7 Significant business events during the reporting period

There were no significant business events during the reporting period.

A.2 Underwriting Performance

The unit linked life insurance contracts are classified as investment contracts for UK accounting purposes. The balance sheet value of the assets held for unit linked contracts (which are carried at market value) is always equal to the balance sheet value of the liabilities under the unit linked contracts before the deduction of the technical provision set out in D.2.1.

Client inflows (funds received from unit linked policyholders to be invested on their behalf) are described as “premiums” in this report because they relate to insurance contracts. Premiums are recorded as an increase in the liability to the policyholder shown on the balance sheet (the technical provision for linked liabilities). Client outflows (previously invested funds repaid to policyholders) are described as “claims” and are recorded as a reduction in the liability.

In 2016 the technical provision for index linked and unit linked liabilities increased by £0.3bn from £2.9bn at 31 December 2015 to £3.2bn at 31 December 2016 as a result of investment returns on the financial investments held to cover the financial liabilities, partially offset by net client outflows of £10m shown in the table below.

Unit linked pooled funds	**2016 £m**
Premiums earned (client inflows)	315.1
Claims incurred (client outflows)	(325.4)
Net	(10.3)

The premiums received and claims paid contribute to increasing or decreasing the assets under management of TPEN on which TPEN’s revenue is calculated. The resulting performance is set out in A.4 below.

A.3 Investment Performance

A.3.1 Income and expenses arising from investments by asset class

The table below shows an analysis of the £242.8m increase in Assets held for index linked and unit linked contracts (including reinsurance recoveries) to £3,174.4m during 2016.

Assets held for unit linked contracts	£m
Opening balance @ 1.1.16	2,931.6
Investment income	154.8*
Unrealised gains on investments	111.3

Premiums	315.1
Claims	(325.4)
Fund charge rebates**	9.1
Fund expenses	(22.1)
Closing balance at 31.12.16	3,174.4

*includes £8m of prior year valuation adjustment

** relates to the rebating of the AMC charged by the underlying funds that TPEN funds invest in

The table shows that the majority of the increase in asset value was due to investment income and unrealised gains on investments. The fund expenses of £22.1m relate to the costs of buying and selling the financial assets in the unit-linked funds and the fees for investment management services, the majority of which relate to the management of the TPEN property fund.

The increase in asset value can be analysed into the movement in different asset classes, which are set out in the table below:

	2015 £m	2016 £m	Increase/ (Decrease)
Investment in reinsurance undertakings to cover unit-linked liabilities	26.0	51.8	25.8
Equities	890.0	919.2	29.2
Property	1,533.4	1,559.3	25.9
Fixed Interest	257.2	420.4	163.2
Cash and Cash Equivalents	222.5	221.6	(0.9)
Other	2.5	2.0	(0.5)
Asset Value	2,931.6	3,174.3	242.7

The Fixed Interest figures above include a small amount of asset backed securities investments.

A.4 Performance of Other Activities

A.4.1 Summary of other material income and expenses

In addition to the investments shown in the balance sheet, TPEN also manages individual client portfolios, the nature of which does not meet the criteria for inclusion in the balance sheet of TPEN.

The market value of these portfolios increased from £5.4bn at 31 December 2015 to £6.3bn at 31 December 2016 driven by market returns of £1.2bn and partially offset by net outflows of £305m. Fees received for investment management services were £12.3m.

TPEN's Statement of Comprehensive Income includes the following:

- income for the provision of specialist investment and other technical services relating to the management of the unit linked investment contracts and the individual client portfolios;
- direct product costs relating to these services (for example transfer agency costs);
- costs for distribution and investment management services supplied by other Group companies in line with the Group transfer pricing framework under which TPEN retains a fixed proportion of gross profit (revenue less direct costs); and

- allocated costs for other Group services

In 2016 the investment management fees earned by TPEN were £30.9m compared to operating costs of £27.9m resulting in a net profit of £3.0m.

A.5 Other Material Information

There is no other material information regarding business and performance.

B. System of Governance

B.1 General Information on the system of governance

B.1.1 Role and responsibilities of the administrative, management or supervisory body

TPEN Board

The Board bears ultimate legal responsibility for all matters pertaining to TPEN including the following main roles and responsibilities:

- Client service;
- Financial and Capital Position;
- Health and Safety;
- Oversight of outsourcers;
- Risk management;
- Compliance;
- Investment management performance;
- Internal audit.

In particular, the Board is responsible for the Own Risk and Solvency Assessment (the "ORSA") , as well as for implementing and managing TPEN's risk framework, including review of the Risk and Control Self-Assessment, Risk Events, controls and risk mitigation processes (see B.3.1).

The above information is presented to the Board by the Head of the relevant function including Chief Actuary, the Head of Finance. Head of Investment Risk, Head of Operational Risk, Head of Compliance. A board director is the Chairman of the GMC (see below) and presents the GMC report to the Board.

The Board is composed of five Directors:

- Tim Gillbanks
- Mark Burgess
- Don Jordison
- Andrew Nicoll
- Ann Roughead (Non Executive)

All Board and Board Committee meetings are formally minuted. The Board meets at least quarterly and the quorum is two.

The Board delegates the following to the two Board committees:

- management, governance and risk management oversight over the day to day business process which supports the TPEN business to the GMC;
- monitoring and reviewing of pricing activities, and reviewing the pricing of, and dealing in, funds to ensure that the clients and funds are treated equitably to the Fund Pricing and Dealing Committee ("FPDC")

The Board approves the Board Committees' Terms of Reference and any changes thereto. The Committees' Terms of Reference outlines their roles and responsibilities in relation to TPEN.

General Management Committee

The Board has delegated authority for certain of TPEN's management functions to the GMC. A Board director chairs the GMC.

The purpose of the GMC is to provide management, governance and risk management oversight over the day to day business process which supports the TPEN business. The GMC membership is drawn from the Group functions which provide the day-to-day management of the TPEN business ensuring there is sufficient coordination, knowledge and experience to be able to challenge the performance and results, including but not limited to any outsourced arrangements.

Fund Pricing and Dealing Committee

The purpose of the FPDC is to monitor and review pricing activities, and to review the pricing of, and dealing in funds to ensure that clients and funds are treated equitably. To remove any potential conflicts of interest, where a matter is escalated that concerns the pricing or valuation of funds that fall within the scope of the FPDC (e.g. fair value adjustments to TPEN Funds), FPDC members that are authorised Fund Managers are not permitted to approve any instructions.

The Board has assessed the system of governance and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of TPEN. This includes the governance of outsourced activities described further in B.7.

B.1.2 Material changes in the system of governance that have taken place over the reporting period

The following Director resignations took place in the period:

- Campbell Fleming, Chairman and Chief Executive, resigned on 29th April 2016

The following Director appointments took place within the last year and up to the date of signing of this report:

- Andrew Nicoll appointed on 2nd March 2016

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

TPEN has no employees as its services are performed under contract by other Group companies or outsourcers. The Group Remuneration Policy covers TPEN's directors as well as the Group employees who provide services to TPEN.

B.1.3.1 Principles of the Group remuneration policy

The Group's remuneration policies and practices are an integral part of arrangements that support the work, culture and commitment to serving the Group's clients.

The remuneration policies and practices are based on those of Ameriprise and are consistent with applicable regulatory requirements including Solvency II, UCITS, AIFMD and MiFID.

The Group remuneration policy is based on the following principles:

- remuneration programmes must be aligned with the Group and Ameriprise strategy, objectives, values and long-term interests;
- the remuneration opportunity and rewards must be competitive enough to attract and retain the key talent who can help the Group achieve consistently superior results for its clients and stakeholders;
- there should be a strong linkage between remuneration and both financial and non-financial performance, while also supporting the Group's culture and values;
- remuneration decisions must be made on a well-informed basis based on the employee's experience, responsibilities, and performance, while also considering external market and internal comparability;
- remuneration programmes must be operated in full compliance with all applicable legal, tax, and regulatory requirements. No local programme structure will be established to avoid such requirements;
- remuneration programmes must be consistent with and promote sound and effective risk management and not induce imprudent risk taking or impair the safety and soundness of the Group. This includes the need for remuneration programmes to avoid introducing or incentivising conflicts of interest or potential mis-selling.

With regards to fixed remuneration the Group is committed to ensuring that

- salaries remain competitive within the labour market, by conducting an annual pay review and benchmarking salaries against other employers;
- salary adjustments consider individual performance, that individuals are not discriminated against because of gender, marital or civil partnership status, race, religion or belief, sexual orientation, age, disability, gender reassignment, pregnancy and maternity, or because they work part time or on a fixed term contract;
- each employee is paid at the level of at least the national minimum wage, and that;
- each employee's salary is sufficient so that they do not need to rely on a bonus.

B.1.3.2 Share options, shares or variable components of remuneration

With regard to variable compensation, all permanent employees are eligible to participate in the Group's incentive arrangements which are entirely discretionary in nature and may be amended or withdrawn by the Group in its absolute discretion at any time. The incentive schemes applicable to each role and business may be varied from time to time.

The amounts of any individual incentive awards made by the Group are discretionary and based on business and individual performance against financial and non-financial criteria.

Awards are made according to the individual employee's performance against their Goals and Leadership scores, market remuneration levels for comparable roles, internal comparators and the funding available to fund Total Incentive awards, further influenced by the employee's adherence to and delivery of the Group's risk and regulatory compliance responsibilities.

Incentive awards due immediately and not deferred are normally paid in cash, but may be delivered in other instruments. Incentive awards that are deferred may be delivered in cash or other instruments, including Shares or Options over shares in Ameriprise, as required from time to time by Group practice or by regulatory requirement, either Group-wide or applied to specific individuals.

Incentive deferral rates, deferral instruments, and deferral periods comply with the deferral requirements of the regulation applicable to their roles; incentive deferral is also applied to senior and higher paid employees outside this group as a matter of good practice.

B.1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

The Group's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders. The Group offers all staff the choice of making contributions into a defined contribution scheme which the Group will match up to a limit. The Group operates a defined benefit scheme which closed to new joiners in 2005.

B.1.4 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking and with members of the administrative, management or supervisory body

There were no material transactions in the reporting period.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

As a UK Solvency II firm, TPEN ensures that all persons who run the undertaking or have other key functions (collectively known as "key functions") are at all times fit and proper persons. The Group's recruitment policy covers the TPEN directors as well as the Group employees who provide services to TPEN.

In deciding whether a person is fit and proper, the Group satisfies itself that the person:

(1) has the personal characteristics (including being of good repute and integrity);

(2) possesses the level of competence, knowledge and experience;

(3) has the qualifications; and

(4) has undergone or is undergoing all training,

required to enable such person to perform his or her key function effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of the Group's business including TPEN.

The Group considers the person's past business conduct; and whether the person performs his or her key functions in accordance with the relevant conduct standards. The Group obtains the fullest information in relation to the person that it is lawfully able to request under the

Police Act 1997 and related subordinated legislation of the UK or any part of the UK or under equivalent overseas legislation.

The Group takes reasonable steps to obtain appropriate references covering the past six years and will request that the organisation giving the reference discloses all matters of which they are aware that they reasonably considers to be relevant to the assessment of that person's fitness and propriety.

The Group ensures that such persons are fit and proper through the recruitment process and on an on-going basis. They are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken. They are assessed on an on-going basis which is recorded formally twice yearly through appraisals.

The Group ensures that such persons have the necessary skills, knowledge and expertise required by assessing their professional qualifications, knowledge and experience. Some of the general checks conducted at recruitment include:

- Educational Background Check; and
- Professional Qualifications / Membership Check

The Group depending on the current skill set and skills required to perform may undertake

- Skills gap analysis
- Skills mapping document
- Learning and development plan

for such persons it deems necessary.

B.2.2 Fitness and propriety of persons

The Group conducts a variety of checks to assess fitness and propriety of such persons at the commencement of their assessment including:

- FCA register search
- Credit checks
- Identity checks
- Financial Sanctions and AML check
- UK Directorship search
- 6 years employment history
- International adverse media check
- Social media checks
- Criminal history check
- Standard disclosure checks

The Group conducts ongoing fitness and propriety assessment of such persons which includes:

- Repeat screening
- Annual Training and Competence Assessment
- Annual refresh of Responsibility Statements

B.3 Risk management system including Own Risk and Solvency Assessment

B.3.1 Risk management system, implementation and integration

The Board is responsible for implementing and managing TPEN's risk management framework. Key components of the framework include:

- Identification of the key risks that are relevant to TPEN;
- Establishment of the risk appetite statement which expresses TPEN's appetite or tolerance for the risks that it faces in pursuing its business strategy;
- Bottom up identification of the risks associated with TPEN's processes, the relevant controls and the resulting residual risks; and
- Identification of Key Risk Indicators (KRIs) which are used to monitor TPEN's risk exposure compared to its risk appetite.

TPEN is part of the Group's risk and control framework which comprises strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks to which TPEN is or could be exposed and their interdependencies.

The Group operates a three lines of defence model:

Three Lines of Defence – Roles and Responsibilities	
First Line: Business Units	Undertake day-to-day risk management
	Comply with risk management framework, policies and procedures
	Apply internal management controls and improvement actions
Second Line: Risk & Compliance	Oversee and challenge risk management in First Line of Defence
	Provide guidance and direction to First Line of Defence
	Develop and communicate the risk management framework
Third Line: Internal Audit	Independent perspective and challenge process
	Review and oversee First and Second Lines of Defence

The First Line of Defence, the Group business units, identify the risks and controls associated with the processes they perform (a Risk and Control Assessment or "RCSA"). TPEN performs its own RCSA process in which it articulates its business processes, the risks inherent in those processes and the controls mitigating those risks. Risks are rated in terms of the financial impact, probability of occurrence, control mitigation and residual risks. The results of the RCSA are linked to the relevant Key Risk, providing a "bottom up" validation of the Key Risk . The TPEN RCSA is reviewed by the GMC annually.

Key Risk Indicators (KRIs) are developed, by the business unit, for each RCSA risk which has a residual risk rating of medium or above. The suite of KRIs capture a mixture of leading and lagging indicators and they provide information as to the status and the trend of the underlying key risks. KRI is recorded on TPEN's business unit dashboard and this is reviewed on a quarterly basis by the GMC.

A Risk Event ("REV") is defined as an incident or issue that has a financial, business, client, regulatory or reputational event to TPEN and/or its clients. REVs are entered into a database system and assigned a level of severity. REVs that impact TPEN significantly and/or its clients above a specified level follow an escalation process.

The Second Line of Defence Risk team prepare a quarterly report which provides a forward looking assessment covering TPEN's key risks and is informed by the KRIs, RCSA risks, REVs and TPEN's business unit dashboard. The risk report also takes into account issues raised by Internal/External audit, Compliance and third parties. It is used to help determine whether action is required to mitigate risk exposures and whether risks are being mitigated on a timely basis. Emerging risks are also reported to the Board as part of this process. The report is presented to the TPEN Board together with the TPEN Dashboard on a quarterly basis.

A separate report is presented to the Board by Internal Audit, the Third Line of Defence, on a quarterly basis.

The key risks and risk event loss data are inputs into the Own Risk and Solvency Assessment (“ORSA”) and capital management process. Operational risk workshops determine severe but plausible loss events based on the identified key operational risks. The internal loss data is used, together with external loss data to estimate the size and frequency of such event. This information is then used to help determine the appropriate capital to be retained in TPEN to protect against the impact of such events.

B.3.2 ORSA

Process and integration

The TPEN Board is responsible for the ORSA process which includes the following:

- Review and confirmation of key risks by GMC and TPEN Board
- Identification of operational risks for discussion at operational risk workshops
- Operational risk workshops held with subject matter experts (“SMEs”) to identify and quantify severe but plausible risk scenarios in the light of loss data
- Calculation of Market, Insurance and Credit risk scenarios by SMEs including Chief Actuary
- Define and implement stress testing scenarios
- Refine capital requirements if appropriate
- Extensive review of results of process by internal SMEs
- Review and approval of results of process and documents by GMC and TPEN Board

The ORSA process involves subject matter experts and senior management across TPEN and the Group:

- Finance co-ordinate the process and provide the balance sheet figures
- The Chief actuary assists in estimation of the Market and Insurance risk
- Counterparty credit risk team assist in estimation of Credit risk
- Subject matter experts drive the determination of appropriate loss event scenarios and the Operational risk team input and challenge
- GMC and TPEN Board review and approve the results

The ORSA process is conducted, reviewed and approved by the TPEN Board annually. However, in exceptional circumstances the TPEN Board will consider re-running the ORSA on an ad-hoc basis. To ensure that the risk and capital implications of business decisions are constantly monitored, a monthly report is prepared and submitted to a senior executive group which includes three of the four executive directors of TPEN, and a quarterly update is given to the TPEN Board for approval.

The Board determines the solvency needs of TPEN in the following way:

- The risk management system provides the results of the ORSA process and the SCR calculation

- These results are compared to the relevant capital resources of TPEN to arrive at two surplus calculations
- Capital calculation with the lower surplus is used as the solvency requirement
- Capital management activities ensure that Own funds remain in excess of 125% of the capital requirement.

B.4 Internal control system

B.4.1 Internal control system

The primary component of the internal control system operated by TPEN is the RCSA process described in B.3.1. The RCSA process is performed by the First Line of Defence and the Second Line of Defence provides independent challenge. The TPEN RCSA articulates the process, risks and controls which relate to TPEN. As described in B.3.1 above, relevant breaches of controls are reported to the TPEN Board and an assessment is made whether further action is required.

The Group provides financial services to TPEN. The Group's finance responsibilities include maintaining the books and records of TPEN and the production of the statutory and regulatory financial reporting.

The Group Finance function is part of the First Line of Defence of the Group and so follows the RCSA process including identifying and documenting the risks and mitigating controls relating to its business processes including the production of financial information. Finance's RCSA is subject to review by and guidance from the Second Line of Defence.

The financial statements are subject to rigorous controls in the production and review leading up to finalisation and the actuarial provisioning calculations are prepared by the Chief Actuary and reviewed by the finance function and the Board.

B.4.2 Implementation of the compliance function

TPEN's compliance arrangements are provided by the Group. The Group's compliance responsibilities include advising the Board and the GMC on compliance with the rules and other laws, regulations and administrative provisions adopted in accordance with the Solvency II directive and an assessment of the possible impact of any changes in the legal environment on the operations of TPEN and the identification and assessment of compliance risk.

The Group's Compliance function is established as an independent second line of defence and meets its responsibilities by:

- providing policy advice, guidance and training to assist TPEN in managing its compliance responsibilities, including money laundering;
- oversight of compliance arrangements to assess whether TPEN has appropriate systems, procedures and controls in place;
- working with Approved Persons and Key Persons to ensure that they are aware of and that they perform their responsibilities and to ensure there are effective governance arrangements within management processes;
- oversight of regulatory risks including successful liaison with regulators and the management of regulatory risk mitigation programmes;
- ensuring that appropriate remedial action is taken where issues have been identified;
- ensuring that portfolios are being managed in accordance with the respective investment management contracts, investment guidelines, prospectus and any relevant regulatory requirements; and
- monitoring investment activities in relation to the Group's Market Abuse, Best Execution and Conflicts of Interest regulatory requirements, including monitoring trading patterns and

electronic communications in relation to investment and deadline activities to prevent and detect potentially suspicious or fraudulent activities or behaviours.

B.5 Internal audit function

B.5.1 Implementation of the internal audit function

The Group provides TPEN with an effective internal audit function which includes an evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance and is objective and independent from the operational functions.

The Group's internal audit function acts as the third line of defence. It is responsible for the independent assessment of, and providing advice on, the control structure and risk implications of TPEN's business activities, which is achieved through:

- Delivery of an annual risk based audit plan;
- Completion of ad hoc reviews and investigations; and
- Building relationships with Senior Management and the wider business in order to act in an advisory capacity to promote good governance and risk management.

Any relevant findings and recommendations are reported to the Board.

B.5.2 Independence of the internal audit function

The internal audit function of the Group is managed by the Head of Internal Audit who is an employee of the business, has no responsibility for any other function across the business and has direct reporting lines through to the General Auditor of Ameriprise. This reporting structure ensures independence of the internal audit function.

B.6 Actuarial function

Actuarial services (from the Chief Actuary) are provided to TPEN by Nematrian. The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries and has complied continuously with the specific professional obligations this requires. He holds a Practicing Certificate and is an Approved Person under the Senior Insurance Management Function 'SIMF' regime.

The Chief Actuary's responsibilities as part of the First Line of Defence include:

- determining a half yearly Solvency II balance sheet for TPEN;
- preparing half yearly Market and Insurance risk updates; and
- summarising the methods, assumptions and data used for the above.

The Chief Actuary's responsibilities as part of the Second Line of Defence include:

- reviewing TPEN's underwriting policy (effectively for TPEN the types of business it is prepared to write and on what terms) and reinsurance arrangements;
- providing advice to Directors on material risks to the solvency of TPEN to the extent not covered elsewhere;
- monitoring the adequacy of the firm's premium rates (e.g. management fees) to cover future claims and expenses;
- advising the Board on actions it could take if TPEN's solvency were to deteriorate;
- Providing guidance in relation to the production of the ORSA;
- Advising on Solvency II reporting.

To fulfil these responsibilities the Chief Actuary liaises extensively with the Group Finance function and produces a quarterly report which he submits to and presents to the Board which sets out the tasks that he has undertaken and their results, and any relevant recommendations.

B.7 Outsourcing

B.7.1 Outsourcing policy

The majority of TPEN's activities are outsourced to UK entities, either to:

- third parties who also provide outsource services to other Group companies;
- third-party providers for whom TPEN is the only client within the Group; or
- other companies within the Group ("intra-group" arrangements).

All arrangements are governed by legally binding agreements which outline the functions and activities provided; stipulating the duties and responsibilities of both parties. The arrangements are overseen on TPEN's behalf by the TPEN Board and the GMC in accordance with TPEN's governance arrangements.

The GMC membership is drawn from the Group functions that provide the intra-group services and is chaired by a TPEN board director. It receives reports from the intra-group service providers as well as from the Group staff who oversee the third party outsourced service providers. Service providers either report direct to the Board or are included in the GMC report to the Board.

The TPEN Board retains ultimate responsibility for discharging TPEN's obligations, notwithstanding that activities may be outsourced.

B.7.2 Outsourcing services

The following outsourced providers are used by TPEN in providing its services to clients:

Service Provider	Service(s) Provided
Threadneedle Asset Management Limited	• Investment Management services for TPEN unit linked funds and segregated client portfolios • Marketing and client services
Threadneedle Asset Management Holdings Limited	• Group support services including Risk management, Finance, Compliance, Legal, HR, Premises management, IT, Internal Audit, Operations
Capita Asset Services	• Transfer Agency services
Citi	• Fund Accounting
Nematrian	• Chief Actuary

B.7.3 Outsourcing selection and management

Third party outsource provider relationships are managed in accordance with Group policies including the selection process (for example risk-rating vendors based on several factors which informs the required level of due diligence), required contractual and service level documentation and resilience and exit planning.

The selection process for intra-group outsourcing arrangements includes consideration to ensure that the intra-group entities providing the services have the requisite skills and knowledge to do so.

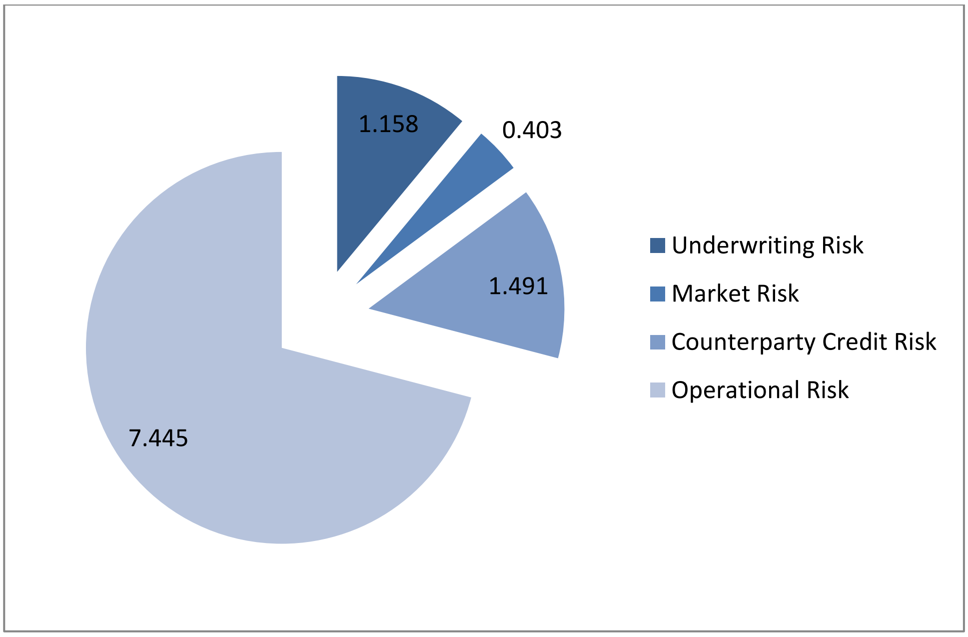
C. Risk Profile

The key risk to which TPEN is exposed is Operational risk as shown in the standard formula SCR at 31 December 2016 in the chart below. Operational risk is the risk of loss caused by failure in processes, systems, people or external factors. It is described below together with other categories of risk.

Prudent person principle

The Prudent Person principle requires that TPEN's assets are prudently invested taking account of the capital and liquidity requirements of the business. TPEN invests its Own Funds in the Threadneedle Sterling Fund which was specifically chosen because of the high credit rating of the constituents of the fund.

The standard formula Solvency Capital Requirement ("SCR") for TPEN at 31 December 2016 is £10.5m before adjustments for risk diversification and the risk absorbing impact of deferred taxes. An analysis of the SCR by risk type is shown below in £m.



C.1 Underwriting risk

C.1.1 Material underwriting risks and changes over reporting period

Three of the life underwriting sub-modules in the SCR are relevant to TPEN, longevity risk, lapse risk and expenses risk.

Lapse risk reflects the risk that profitable unit linked investment contracts will be withdrawn at a faster rate than expected and that non-profitable contracts are not withdrawn.

Expense risk reflects the risk that the expenses of TPEN and expense inflation will be higher than expected.

Longevity risk reflects the risk that a reduction in mortality rates will increase the length of time over which an unprofitable contract will remain. This last risk only affects a very small part of TPEN's business.

The Insurance risks are estimated by applying stress scenarios to the projected cashflows of TPEN. The estimated risks are relatively small compared to Operational risk because the projection period over which the cashflows are assessed ("the contract boundary") is defined by the TPEN Board to be equal to the notice period of the policyholder contracts (many of which are three months). This is on the basis that, in a stressed environment, TPEN could give unilateral notice to its policyholders and return their assets to them after three months.

An alternative view of the contract boundary and projection period is the period from the valuation date to the time when the relevant policyholder might be expected to terminate their policy of their own accord. Using this alternative approach, the longer projection period would result in an increase in the SCR from £9.4m (after adjustments for risk diversification and the risk absorbing nature of deferred taxes) to £22.2m. TPEN's capital resources would continue to exceed its SCR with the solvency ratio (capital resources/SCR) reducing from 246% to 119%.

There were no material changes over the reporting period to the risks TPEN is exposed to and no changes in measurement technique.

C.1.2 Assessment of and risk mitigation techniques used for underwriting risks

Client flows, expenses and the potential impact of longevity risks are monitored by the Board at quarterly meetings.

Lapse risk – client service teams work closely with key clients to increase client retention.

Expense risk – the Group performs an extensive annual budgeting process across all its functions. Actual expenses are then compared against budget throughout the year and used to highlight areas for more detailed review.

Longevity risks- the impact of this risk is not material and no specific risk mitigation techniques are applied.

Over the reporting period the potential impact of the lapse risk increased as a result of the increased profitability of TPEN which increases the impact of a withdrawal of profitable unit linked contracts.

C.1.3 Risk sensitivity for underwriting risks

The most material underwriting risk is lapse risk. As part of the calculation of the underwriting risks three different lapse stresses are considered: a 50% increase in lapse rates, a 50% decrease and a mass lapse of 70% of profitable business departing. The results of these lapse stresses give an indication of the sensitivity of the SCR to different lapse rates. The most onerous lapse stress, the mass lapse stress, is included in the SCR.

C.2 Market risk

C.2.1 Material market risks and changes over reporting period

The assets held in the unit linked funds on TPEN's balance sheet are exposed to market risk. However, the value of the liabilities shown to the policyholders (the technical provision for linked liabilities) moves up and down in line with the fair value of the financial assets thus eliminating the balance sheet market risk for TPEN.

TPEN's non-linked technical provisions are sensitive to market risk and the profitability of the unit linked investment contracts will be impacted by the value of the assets under management which is affected by the market. The potential types of market risk include equity, interest rate, property, concentration, currency. The impact of market risk is relatively small as a result of the short projection period over which the risk is estimated (as described in C.1.1 above). The projection period is taken to be the notice period of the contracts the majority of which are three months. TPEN's non-linked assets which are also exposed to market risk are:

- a small amount of seed money in the linked funds;
- commercial paper held in the Sterling fund.

The main component of market risk is concentration risk relating to the amounts and degrees of concentration of certain types of holdings within the Sterling fund.

There were no material changes over the reporting period and there were no changes in the measurement techniques.

The impact of market risk on the assets under management and future revenue of TPEN is discussed in C.6.3 below.

C.2.2 Assessment and risk mitigation techniques used for market risk

The main contributors to market risk arise from:

- concentration risk; and
- the impact of equity markets, interest rates and currency rates on the profitability of unit-linked contracts and on the Sterling fund

The contribution of concentration risk is derived by identifying the assets deemed subject to this risk (principally individual commercial paper exposures held within the Threadneedle Sterling Fund) and their total value, deducting from each exposure within the list some allowed fraction of the total list value and then combining any remaining excess exposures in a manner that takes into account diversification between individual names.

Their contributions from the relevant markets are derived by assessing the impact that prescribed market stresses have on the profitability of unit-linked contracts and on TPEN's holding in the Threadneedle Sterling fund.

Given the small size of market risk no specific risk mitigation techniques are used.

C.2.3 Risk sensitivity for market risks

As part of the ORSA process stress testing is performed to understand the impact of stress scenarios on the Income Statement and Balance Sheet. This stress testing includes a test in which a severe market downturn is combined with a severe operational risk loss event. The result of the stress test demonstrated that TPEN remains profitable and appropriately capitalised under such a scenario.

C.3 Counterparty credit risk

C.3.1 Material credit risks and changes over reporting period

Counterparty credit risk is defined as the risk of loss resulting from counterparty default. TPEN is exposed to counterparty credit risk in the following areas:

- policyholder debtors;
- intra-group debtors;
- certificates of deposit held in the Sterling fund; and
- cash at bank.

There were no material changes over the reporting period and no changes in measurement techniques.

C.3.2 Assessment of and risk mitigation techniques used for counterparty credit risks

Most of the risk calculated under the SCR comes from intragroup debtors which do not have a formal credit rating and so are treated as having no credit rating. The Threadneedle Group is profitable and is not believed to represent a credit risk. The Group counterparty credit risk team performs credit risk assessments on the counterparties in the Sterling fund.

No specific risk mitigation techniques are used.

There were no material changes over the reporting period and no changes in measurement technique.

C.3.3 Risk sensitivity for counterparty credit risks

Owing to the fact that the majority of the risk calculated under the SCR relates to intra group debtor risk which is treated as having no credit rating no specific stress testing is performed for counterparty credit risk.

C.4 Liquidity risk

C.4.1 Material liquidity risks and changes over reporting period

Liquidity Risk is defined as the risk that TPEN will not have sufficient liquidity to meet its liabilities as they become due or that it can secure the required liquidity only at additional cost. As a result of the size and liquid nature of the corporate assets held on TPEN's balance sheet throughout the year TPEN has limited liquidity risk.

In addition, TPEN is included in the Group's liquidity risk management policy which allows access to limited additional liquidity via its ultimate parent company if required.

C.4.2 Assessment of and risk mitigation techniques used for liquidity risks

Short term liquidity requirements are assessed daily and sufficient liquidity is made available to meet expense liabilities either from fees received or from existing own fund investments. A significant amount of own funds is held in the Sterling fund described above.

In accordance with TPEN's risk appetite statement, TPEN holds a minimum level of cash to meet liquidity demands.

Quarterly updates on TPEN's cash position are prepared and presented for review to the TPEN Board and GMC.

C.4.3 Expected profit included in future premiums ("EPIFP")

The total amount of the expected profit included in future premiums is zero.

C.4.4 Risk sensitivity for liquidity risks

As part of the ORSA process, liquidity stress testing is conducted to assess the liquidity required under normal and stressed conditions. This stress testing includes tests in which a large client or fund delays paying investment management fees to TPEN. This testing demonstrated that TPEN maintains sufficient liquid resources to withstand severe liquidity shocks.

C.5 Operational risk

C.5.1 Material Operational risks and changes over reporting period

TPEN defines Operational risk as the risk of loss resulting from inadequate or failed internal processes, systems and people or external events.

The categories of material operational risk to which TPEN is or could be exposed are set out below:

Key Risk Description
Talent Retention
Mandate Breach
Trade Error / Significant Outsourcer Error
Health & Safety
Fraud, AML and Other Financial Crimes
Conflicts of Interest / Policy Holder Reasonable Expectations / Treating Customers Fairly
Product Design & Management / Suitability / Mis-selling
Failure of Major Outsource Provider
Regulatory Change and Relationship Management
Client Satisfaction / Client Services / Reporting / Billing etc.
Financial Reporting / Disclosures / Payments / Taxes
Systems / Premises Failure

There were no material changes over the reporting period in the operational risks to which TPEN is exposed.

C.5.2 Assessment of and risk mitigation techniques used for operational risks

TPEN's Operational risk policy has the objective of establishing effective and sustainable operational risk governance. The policy is designed to manage operational risk exposures that have been agreed by the TPEN Board and the GMC.

The following measures are used to assess operational risks:

- Top down assessment of operational risks facing the business
- RCSAs performed by the First Line of Defence business units on their business processes and challenged by the Second Line of Defence
- Loss data from both internal and external loss events
- Operational risk scenario workshops in which Subject Matter Experts assess severe but plausible loss events
- Assessment of legal cover from intragroup service agreements
- The SCR includes a quantification of operational risk exposure

All risks identified as part of the RCSA process are rated according to the inherent risk, controls and residual risk. Medium and high residual risks are reported to the GMC and the Board in the TPEN Dashboard and accepted or risk mitigation actions are identified and completed.

Since the majority of TPEN's activities are outsourced either to Group companies or to external providers, this is coupled with the review by the GMC and TPEN Board of the performance of the outsourced service providers. The ORSA also takes into account that the contracts underlying the outsourcing arrangements provide some legal protection to TPEN in the event of a loss caused by an outsource provider.

C.5.3 Risk sensitivity for operational risks

As part of the ORSA process operational risk workshops are held to identify and discuss different stress scenarios for each operational risk. Subject Matter experts use their knowledge and experience and internal and external loss data to identify different scenarios and to estimate the size and frequency of loss. This assists in understanding the potential impact of different operational risk events.

C.6 Other material risks

C.6.1 Risk concentration

TPEN has concentration risks to key clients and to the outsourced service providers described above.

Key clients

The exposure to key clients is assessed by monitoring the proportion of assets under management and revenue attributable to key clients. Dedicated client service teams work closely with the clients to ensure that TPEN continues to meet their needs.

As part of the ORSA process specific stress scenarios are used to model the impact of the loss of key clients. Whilst the loss would have a material impact on the profitability of TPEN there would be no impact on other clients.

There were no material changes over the reporting period.

Outsource service providers

The performance of outsource service providers is assessed by the GMC and Board on a regular basis.

As part of the ORSA process specific stress scenarios are used to model the impact of the failure of an outsourced service provider and TPEN ensures it has sufficient capital to withstand such a severe loss event.

There were no material changes over the reporting period.

C.6.2 Fund liquidity risks

TPEN has no obligation to redeem policies at a stated price. In liquidity constrained environments where redemptions may exceed the ability to raise cash, TPEN has the option to suspend dealing in a fund or funds. The potential liquidity risk is therefore mitigated by this option in the terms and conditions of the funds.

C.6.3 Other material risks

As described above TPEN offers asset management services to its clients either in the form of unit linked insurance contracts or in segregated client portfolios. The nature of this service introduces the following risks to TPEN:

- Investment performance/sustained underperformance making funds less attractive
- Market events and AUM Fall reducing fees earned
- Profit margin compression due to changing market conditions

As part of the ORSA process specific stress scenarios are used to model the impact of these risks including:

1. Bank of England Anchor scenario

2. Severe Market Downturn combined with a severe operational event
3. Poor relative investment performance and loss of a key team
4. Long term mandate breach leading to loss of a key client
5. New business strain from above plan net inflows

Whilst severe scenarios would have a material impact on the profitability, TPEN would continue to able to service its clients.

There were no material changes over the reporting period and there is no other material information.

D. Valuation for Solvency Purposes

D.1 Assets

D.1.1 Solvency II valuation for each material class of asset

The following table analyses TPEN's assets at fair value at 31 December 2016:

£m	As at 31 Dec 2016
Investments: Collective investment undertakings and other investments	24.725
Assets held for index linked and unit linked contracts[1]	3,122.624
Reinsurance recoverable from life index linked and unit linked[1]	51.770
Receivables (trade not insurance)	6.844
Cash and cash equivalents	0.250
Total assets	3,206.213

[1] These two items sum to £3,174.m and net off against Technical provisions calculated as a whole of £3,174.4m.

Investments - Collective investment schemes

At the reporting date TPEN held £24.6m in a collective investment scheme which invests primarily in Sterling denominated cash deposits and certificates of deposits and UK Government issued Treasury Bills. Shares in assets in collective investment schemes are valued at fair value for Solvency II based on market prices of the underlying assets at the reporting date. The balance of £0.1m is seed investments made in to Pooled funds. These Pooled funds are held within a variety of collective investment schemes and valued at fair value. This fair value is based upon the published price of the collective investment scheme.

Assets held for index linked and unit linked contracts

The fair value of assets held to cover index linked and unit linked contracts that are actively traded in organised financial markets is determined by reference to quoted active market prices at the close of business on the balance sheet date. An active market is defined as a market in which the securities have daily quoted prices and are regularly traded.

There are no assets that are held to cover index linked and unit linked contracts held in markets that are inactive therefore no alternative valuation methods have been applied.

Investment property is measured initially at cost, including related transaction costs, on the date of acquisition or the date of unconditional exchange, if earlier. After initial recognition, investment property is carried at fair value, after the deduction of unamortised lease incentives. Revaluation gains and losses are recognised in the statement of comprehensive income.

Valuations are performed by CBRE Limited ("CBRE") who are professional, third party, independent Chartered Surveyors, at the period end in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. CBRE hold recognised and relevant professional qualifications and have relevant experience in the location and category of the investment property being valued. Fair value is based on active market information, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods are used, such as recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, or discounted cash flow projections.

Reinsurance recoverables from life index linked and unit linked

Reinsurance recoverables from index linked and unit linked represents the amount that has been contracted out to other institutions under a contract of reinsurance. Reinsurance contracts which do not transfer significant insurance risk are classified as financial assets. These are valued at fair value based on current market value of the underlying assets.

Receivables

Receivables (debtors) are amounts due for services performed in the ordinary course of business, which generally have 30 day payment terms. Debtors are initially recognised at fair value, normally equivalent to the invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks, other short term highly liquid investment with original maturities of three months or less and bank overdrafts.
At the reporting date cash at bank was £0.3m.

D.1.2 Solvency II and Generally Accepted Accounting Principles ("GAAP") valuation differences by material class of asset

There are no differences between the valuation of assets for solvency purposes and the valuation in the financial statements. There have been no changes to the valuation and recognition approach during the year.

TPEN has made no adjustments to its reinsurance recoveries in its financial statements in recording the reinsurance share of claims provisions for solvency purposes. The reinsurance share of claims provisions as at 31 December 2016 was £51.8m.

D.2 Technical Provisions

D.2.1 Technical provisions by material line of business

At 31 December 2016, the technical provisions were:

S.02.01.02 £m	As at 31 Dec 2016
Technical provisions calculated as a whole	3,174.394
Best estimate	(1.273)
Risk margin	0.553
Total Solvency II Pillar 1 Best estimate of Liabilities	3,173.674

Technical provisions calculated as a whole

For liabilities that can be replicated reliably using financial instruments for which a reliable market value is observable (e.g. TPEN's unit-linked liabilities, because they exactly match the unit-linked assets) the (market) value of the replicating financial instruments are used. Thus, for TPEN the unit-linked assets and liabilities should net off against each other. Included within TPEN unit linked assets and liabilities is £51.8m in relation to reinsurance recoverables.

Best Estimate

For liabilities that cannot be replicated in this way, both a best estimate of the provision is calculated as well as a risk margin (see below). The Best Estimate is calculated by determining the discounted Present Value of best estimates of future cashflows of the policies.

The key assumptions are set out below:

- both the projection period over which the best estimate is accrued and the contract boundary are taken to be the length of time that it would take for TPEN to terminate the contract unilaterally by TPEN serving relevant notice on the policyholder. As at 31 December 2016, the notice periods range from three months to 22 months;
- the lapse rates on policies underlying the SCR are 9% per annum or 17% per annum dependent on the actual experience ;
- expenses continue to be subject to the transfer pricing policy described in A.4.1 above. This methodology provides some protection to TPEN's profit in that if revenue were to decrease, so too would expenses.

Due to the profitable nature of the contracts the technical provision, which is based on future cashflows, is actually an asset.

There have been no material changes to assumptions during the year.

Risk Margin

The Risk Margin is required in addition to the Best Estimate the aim being to ensure that the technical provisions as a whole are equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations. The Risk Margin is derived by projecting the non-hedgable element of SCR through time and applying a cost of capital of 6% per annum.

D.2.2 Uncertainty associated with the value of technical provisions

A source of uncertainty is how actual experience will differ from the best estimate assumptions used to calculate the technical provisions. A sensitivity analysis is performed to ensure TPEN understands this uncertainty.

Estimates, assumptions and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

D.2.3 Solvency II and GAAP valuation differences of Technical Provisions by material line of business

The IFRS valuation of the unit linked liabilities is £3,174.4m. The valuation for solvency purposes is £3,173.7m a difference of £0.7m. The difference of £0.7m represents the amount of the risk margin and the Best Estimate liabilities (as reflected in D2.1 above).

There have been no changes to the valuation and recognition approach during the year.

D.2.4 Other

The TPEN does not apply or make use of the following:

- The matching adjustment referred to in Article 77b of Directive 2009/138/EC.
- The volatility adjustment referred to in Article 77d of Directive 2009/138/EC.
- The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.
- The transitional deduction referred to in Article 308d of Directive 2009/138/EC.

D.3 Other Liabilities

D.3.1 Solvency II valuation for each material class of other liabilities

The table sets out a summary of Technical provisions from S.02.01.02:

S.02.01.02 £m	As at 31 Dec 2016
Deferred tax liability	0.809
Payables (trade not insurance)	8.185
Any other liabilities not shown elsewhere	0.461
Total other liabilities	9.455

Deferred tax liability

The deferred tax liability arose from a change in tax basis introduced in preparation for the introduction of Solvency II. From 2013 the Company is taxed on its corporate profit whereas previously tax was calculated on the surplus calculated under Solvency I. The deferred tax figure reflects the transitional adjustment that is being made over a 10 year period.

Payables

Payables, (creditors), include amounts due to Group undertakings of £8.2m. This is made up of amounts relating to Transfer Agent services, investment management services and distribution services.

Any other liabilities not shown elsewhere

Any other liabilities are made up of amounts for Custody and Subadvisor fees of £0.5m recognised on an accruals basis.

D.3.2 Solvency II and GAAP valuation differences by material class of other liabilities

There are no material differences between the valuation of other liabilities for solvency purposes and the valuation in the financial statements.

D.4 Alternative methods for valuation

No Alternative valuation techniques are used.

E. Capital management

E.1 Own funds

E.1.1 Objective, policies and process for managing own funds

TPEN's policy is that sufficient own funds will be maintained to meet regulatory requirements with adequate surplus in line with operating and strategic objectives. TPEN holds regular board meetings at least quarterly to review regulatory capital requirements compared to own funds.

As part of the ORSA process described above, a 5 year plan is prepared which assists in own funds planning. There have been no material changes over the reporting period.

None of TPEN's own funds are subject to transitional arrangements and TPEN has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.1.2 Own funds classified by tiers

TPEN classifies its own funds as tier 1, tier 2 or tier 3 depending on the characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses.

S.23.01.01 Own fund item	Tier	2016 £m	%	2015 £m	YoY
Share capital	1	11.300	49.1	11.300	-
Reconciliation reserve	1	11.704	50.9	7.563	4,141
Basic own funds		23.004	100.0	18.863	4,141

The reconciliation reserve represents retained earnings and reconciliation adjustments from the GAAP balance sheet to the Solvency II balance sheet. It has increased over the reporting period by an amount equal to the retained earnings.

The share capital and reconciliation reserve are available, are not subordinated in any way, and have no restricted duration.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

All of TPEN's own funds are Tier 1 and are therefore eligible to be used for meeting the SCR.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

All of TPEN's basic own funds are Tier 1 and are therefore eligible to be used for meeting the Minimum Capital Requirement ("MCR").

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes.

£m	As at 31 Dec 2016
Total equity in financial statements	22.364
Items not recognised in the financial statements	
Difference between unit linked liabilities and BEL (S02.01.01)	1.273
Risk margin (S.02.01.01)	(0.553)
Solvency II – Basic Own Funds	23.084

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The amount of TPEN's SCR and MCR at the end of the reporting period are £9.4m and £4.2m respectively.

The insurance and market risk elements of the SCR are estimated by applying stress scenarios to the projected cashflows of TPEN. As described in C.1.1 above, the estimated risks are relatively small compared to Operational risk because the projection period over which the cashflows are assessed ("the contract boundary") is defined by the TPEN Board to be equal to the notice period of the policyholder contracts (many of which are three months). This is on the basis that, in a stressed environment, TPEN could give unilateral notice to its policyholders and return their assets to them after three months.

An alternative view of the contract boundary and projection period is the period from the valuation date to the time when the relevant policyholder might be expected to terminate their policy of their own accord. Using this alternative approach, the longer projection period would result in an increase in the SCR from £9.4m (after adjustments for risk diversification and the risk absorbing nature of deferred taxes) to £22.2m. TPEN's capital resources would continue to exceed its SCR with the solvency ratio (capital resources/SCR) reducing from 246% to 119%.

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the components of the SCR (using the Standard Formula) at 31 December 2016.

S.25.01.21	£m
Market risk total	0.403
Counterparty risk total	1.491
Life underwriting risk total	1.158

Diversification	(0.788)
Risk absorbing impact of deferred taxes	(0.312)
Basic Solvency Capital Requirement	1.952

S25.01.21	£m
Operational risk	7.445

S25.01.21	£m
Solvency Capital Requirement	9.397

E.2.3 Simplified calculations and Company specific parameters

TPEN uses the Solvency II Standard Formula to calculate its SCR. In the computation of its SCR:

- No simplifications per the Solvency II Delegated Regulation Articles 89 to 112 have been used. Where it proved impractical to capture a full look-through of some unitised funds held within some of TPEN's portfolios, these funds were treated as Type 2 Equities, per Delegated Regulation Article 168(3).
- No undertaking-specific parameters have been used.
- TPEN was not subject to a capital add-on or any required use of undertaking-specific parameters by the PRA that might need to be disclosed in the SFCR under Article 110 of Directive 2009/138/EC.

E.2.4 Inputs used to calculate the Minimum Capital Requirement

TPEN is required by Solvency II Article 129 to maintain an amount of eligible basic own funds, the MCR.

The MCR is calculated as the maximum of €3.7m (absolute floor in Article 129(d)(ii) for TPEN's type of business), and the linear MCR derived from a proportion of technical provisions and a proportion of the SCR, with the linear MCR subject to upper and lower bounds of 25% to 45% of the SCR. As at the reporting date, the upper bound applied and the MCR was 45% of the SCR.

The SCR and MCR did not change materially over the reporting period.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

TPEN did not use the duration based equity risk sub-module when calculating its SCR.

E.4 Differences between the standard formula and any internal model used

TPEN applies the Standard formula model and does not use an internal model to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There was no breach of the SCR or the MCR over the reporting period.

E.6 Any other information

TPEN has no further material information to disclose.

F. Validations

F.1 Directors' confirmation

Threadneedle Pensions Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2016

We certify that:

The Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations; and

We are satisfied that:

a. Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
b. It is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued to comply, and will continue to comply in future.

Threadneedle Pensions Limited Board of Directors

11 May 2017

F.2 Independent Auditor's Report

Report of the external independent auditors to the Directors of Threadneedle Pensions Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02 and S.05.02.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Preparation of the SCR

We draw attention to section E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement, which describes the use of the short contract boundary approach in calculating the SCR. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Solvency and Financial Condition Report and of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
16 May 2017

The maintenance and integrity of the Threadneedle Pensions Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Quantitative Reporting Templates

List of reported templates
S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses
S.12.01.02 – Life and Health SLT Technical provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

.

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	24,725
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	24,677
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	48
Assets held for index-linked and unit-linked contracts	**R0220**	3,122,624
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	51,770
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	51,770
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	6,844
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	250
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	3,206,213

S.02.01.02
Balance sheet (continued)

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	72
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	72
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	57
Risk margin	**R0680**	15
Technical provisions – index-linked and unit-linked	**R0690**	3,173,602
TP calculated as a whole	**R0700**	3,174,394
Best Estimate	**R0710**	(1,330)
Risk margin	**R0720**	538
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	809
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	8,185
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	461
Total liabilities	**R0900**	3,183,129
Excess of assets over liabilities	**R1000**	23,084

S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**			315,085						315,085
Reinsurers' share	**R1520**			22,037						22,037
Net	**R1600**			293,048						293,048
Claims incurred										
Gross	**R1610**			325,437						325,437
Reinsurers' share	**R1620**			4,285						4,285
Net	**R1700**			321,152						321,152
Changes in other technical provisions										
Gross	**R1710**			(281,257)						(281,257)
Reinsurers' share	**R1720**			25,783						25,783
Net	**R1800**			(255,474)						(255,474)
Expenses incurred	**R1900**			30,585						30,585
Other expenses	**R2500**									0
Total expenses	**R2600**									30,585

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**							
Reinsurers' share	**R1420**							
Net	**R1500**							
Premiums earned								
Gross	**R1510**	315,085						315,085
Reinsurers' share	**R1520**	22,037						22,037
Net	**R1600**	293,048						293,048
Claims incurred								
Gross	**R1610**	325,437						325,437
Reinsurers' share	**R1620**	4,285						4,285
Net	**R1700**	321,152						321,152
Changes in other technical provisions								
Gross	**R1710**	(281,257)						(281,257)
Reinsurers' share	**R1720**	25,783						25,783
Net	**R1800**	(255,474)						(255,474)
Expenses incurred	**R1900**	30,585						30,585
Other expenses	**R2500**							-
Total expenses	**R2600**							30,585

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**		3,174,394								3,174,394
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**			- 1,273							- 1,273
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**										
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**			- 1,273							- 1,273
Risk Margin	**R0100**		553								553
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**		3,173,674								3,173,674

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	11,300	11,300			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	11,784	11,784			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	23,084	23,084			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	23,084	23,084			
Total available own funds to meet the MCR	R0510	23,084	23,084			
Total eligible own funds to meet the SCR	R0540	23,084	23,084			
Total eligible own funds to meet the MCR	R0550	23,084	23,084			
SCR	R0580	9,397				
MCR	R0600	4,229				
Ratio of Eligible own funds to SCR	R0620	245.66%				
Ratio of Eligible own funds to MCR	R0640	545.86%				

S.23.01.01
Own funds

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	23,084	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**		
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	11,784	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**		

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	403		
Counterparty default risk	**R0020**	1,491		
Life underwriting risk	**R0030**	1,158		
Health underwriting risk	**R0040**			
Non-life underwriting risk	**R0050**			
Diversification	**R0060**	- 788		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	2,264		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	7,445
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	- 312
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	9,397
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	9,397
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	21,850

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**	3,121,294	
Other life (re)insurance and health (re)insurance obligations	**R0240**	57	
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	21,850
SCR	**R0310**	9,397
MCR cap	**R0320**	4,229
MCR floor	**R0330**	2,349
Combined MCR	**R0340**	4,229
Absolute floor of the MCR	**R0350**	3,332
		C0070
Minimum Capital Requirement	**R0400**	4,229