Solvency and financial condition report 2016

Standard Life Pension Funds Limited

Standard Life

Contents

The Solvency and financial condition report for the Group and its other subsidiaries are available on our website **www.standardlife.com/SFCR**

The Group's Annual report and accounts 2016 is also available on our website **www.standardlife.com/annualreport**

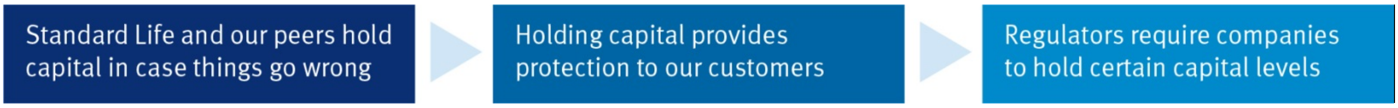
This document may contain certain 'forward-looking statements' with respect to Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. For example, statements containing words such as 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and circumstances which may be or are beyond Standard Life's control, including among other things: UK domestic and global political, economic and business conditions (such as the United Kingdom's exit from the European Union); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of competition; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life and its affiliates operate. These may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life's actual future financial condition, performance and results may differ materially from the plans, goals, strategy and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. Standard Life undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Standard Life in this document may not be indicative of, and are not an estimate, forecast or projection of, Standard Life's future results.

Summary

This document sets out a Solvency and financial condition report for Standard Life Pension Funds Limited (SLPF or the Company) to satisfy the requirements of Solvency II.

The purpose of the report is to assist policyholders and other stakeholders to understand the capital position under Solvency II of SLPF as at 31 December 2016.

On 1 January 2016, the Solvency II regulatory regime came into force for insurers across the European Union (EU). Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall - and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the 'solvency capital requirement', or SCR. The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand broadly a '1 in 200 year event'. The capital resources available to meet the requirements are called 'own funds'.



The main purpose of holding capital is to provide security to policyholders and other customers. The Company considers itself to be strongly capitalised under Solvency II, as own funds are significantly higher than the SCR as set out in Section c) of this summary.

a) Capital management policies and risk management objectives

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Board considers our key stakeholders to be the providers of capital (our equity holders and policyholders) and the Prudential Regulation Authority (PRA). The Company adopts the capital management policies and risk objectives of the Group (Standard Life Group).

There are two primary objectives of capital management within the Group. As noted above the primary objective is to provide security to policyholders and other customers. The second objective is to create equity holder value by driving profit attributable to equity holders.

The Liquidity and Capital Management policy forms one aspect of the Group's overall management framework. Most notably, it operates alongside, and complements, the Strategic Investment policy and other Group risk policies. Integrating policies in this way enables the Group to have a capital management framework that robustly links the process of capital allocation, value creation and risk management.

The capital requirements for each area of our business are forecast regularly, and the requirements are assessed against available capital resources. In addition for all capital invested an assessment is made of the minimum acceptable return on the investment taking into account the associated risks. The capital planning process is the responsibility of the Group's Chief Financial Officer. Capital plans are ultimately subject to approval by the Group Board.

b) Regulatory capital

The Company's capital position under Solvency II is determined by aggregating the assets and liabilities of the Company recognised and measured on a Solvency II basis (being own funds) and comparing this to the Company's Solvency II SCR to determine surplus capital.

The Company's SCR is calculated on the basis of management's own regulator-approved internal model. The Solvency II capital resources are also subject to minimum capital requirements (MCRs). The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. The MCR for SLPF is based on the minimum amount of €3.7m.

c) Capital surplus

Our capital surplus is the amount of capital resources (referred to as own funds) that the Company holds in excess of its capital requirement.

The Company is well capitalised under Solvency II with a SCR of £1,820k representing a solvency cover of 495%.

The Company's MCR, based on the minimum amount applicable to EEA-based insurance undertakings is £3,332k representing cover of 270%.

d) Format of the report and material changes

This report is prepared following the structure and headings set out in the Solvency II regulations. A brief outline of each section and details of any material changes in the year to 31 December 2016 are given below. Sections D and E are audited unless otherwise stated. For further details refer to the audit opinion.

Section A Business and performance – this section gives details on how the Company's performance is reported and managed, including details of current year performance. There have been no material changes in the year.

Section B System of governance – this section sets out the overall framework of policies, controls and practices we use to we meet all of the requirements of sound, risk-based management. There have been no material changes in SLPF's systems of governance in the year.

Section C Risk profile – this section sets out the material risks to which SLPF is exposed and the techniques used to monitor and manage them. There have been no material changes.

Section D Valuation for solvency purposes – provides information on the valuation of assets and liabilities for the Company's Solvency II balance sheet, with particular focus on how technical provisions are valued. There have been no material changes in the year.

Section E Capital management – this section gives details on SLPF's approach to Capital Management, the composition of Solvency II capital and details of the SCR and MCR. There have been no material changes in the year.

In addition to the above certain QRTs are included in Appendix 2. The Glossary at the end of the report defines the key terms and acronyms used throughout.

Parts of this document refer to sections of the Group's Annual report and accounts 2016, which is available to download from the Group's website **www.standardlife.com/annual report**

Comparison of information with previous reporting periods is not required in this first report in accordance with the regulations.

A. Business and performance

A.1 Business

The Company is registered in Scotland (Registered number: SC046447) and regulated by UK legislation (e.g. including the Companies Act 2006). As a life assurance company, the regulation of the Company is through the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA).

The Company is a wholly owned subsidiary of Standard Life Assurance Limited (SLAL), an insurance undertaking also registered in Scotland (Registered number: SC286833).

The Company transacts pension fund business and provides management services for pension funds.

The Company's ultimate parent and controlling party is Standard Life plc, which is also registered in Scotland (SC286832) and is listed on the London Stock Exchange.

See Appendix 1 for detail of the Company's position within the legal structure of the Group ('the Group' hereafter refers to Standard Life plc and its subsidiaries).

See Appendix 1 for detail of the Company's related party undertakings including the name, legal form, country and proportion of ownership interest held.

The supervisor of the Company and Standard Life plc is the PRA, 20 Moorgate, London, EC2R 6DA.

The Company's External auditor is PricewaterhouseCoopers LLP, Atria One, 144 Morrison St, Edinburgh, EH3 8EX.

A.1.1 Significant business events

There were no significant business events in the year.

A.1.2 Material lines of business

On a Solvency II line of business basis, as set out in the Delegated Acts, all business written by the Company is categorised as other life insurance.

A.1.3 Material geographical areas

The Company transacts United Kingdom pension fund business and provides management services for pension funds based in the United Kingdom and the Republic of Ireland.

A.2 Underwriting performance

The Company's only material Solvency II line of business is other life insurance.

Appendix 2 sets out the Company's QRT S.05.01.02 *Premiums, claims and expenses by line of business.*

The following table shows the Company's underwriting performance (net of reinsurance):

	2016	2015
	£'000s	£'000s
Net earned premium	**-**	52
Fee and commission income	**24,297**	24,642
Net insurance benefits and claims	**-**	(39)
Change in reinsurance assets	**635**	(427)
Change in insurance and participating liabilities	**(635)**	427
Administrative expenses	**(24,454)**	(24,810)
Underwriting performance	**(157)**	(155)
Net investment return	**53**	59
Profit/(loss) before tax	**(104)**	(96)

Fee and commission income comprises charges received in respect of the management services provided for pension funds. The main component in administrative expenses relates to investment expenses payable to Standard Life Investments Limited in respect of the pension funds business.

A.3 Investment performance

The Company uses investment return as a measure of investment performance. The following table shows the Company's investment return by asset class, including income and expense components, for the year ended 31 December 2016:

	2016 £'000s	2015 £'000s
Dividend income	**53**	59
Total net investment return	**53**	59

Investment return relates to dividend income received from holding in Standard Life Investments' (SLI) Global Liquidity Fund, a short term money market fund. No gains or losses have been recognised directly in equity.

The Company has no investments in securitisations.

A.4 Performance of other activities

The tax expense for the year ended 31 December 2016 was £21k (2015: £21k credit).

The Company has no material leasing arrangements.

A.5 Any other information

None.

B. System of governance

B.1 General Information on the system of governance

B.1.1 Overview

Standard Life's system of governance is the overall framework of policies, controls and practices by which we meet all the requirements of sound, risk-based management.

Our system of governance comprises:

- **Governance framework** – how we manage our business including the role of the Board and its committees
- **Organisational and operational structure** – how we structure our business and define roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation
- **Risk management system** – a risk-based approach to managing our businesses. It includes the methods and processes we use to manage risks consistently across Standard Life. We refer to our risk management system as the Enterprise Risk Management (ERM) framework.
- **Internal control system** – contains a range of processes which are captured under our Conduct and Operational Risk framework and includes policies to manage risks at the highest level, how we assess impact and likelihood of risks and how we determine the effectiveness of our key controls.

Standard Life Pension Funds Limited (SLPF) is a wholly owned subsidiary of Standard Life Assurance Limited (SLAL) and as such it adopts the Group system of governance. Further details of the system of governance can be found in Section B of the SLAL Solvency and financial condition report (SFCR).

B.1.2 Governance framework

SLPF is an insurance company and the SLPF Board responsibilities are in line with the Company's articles and the Companies Act.

SLPF's risks are managed in accordance with the ERM framework and details of the framework can be found in Section B.3.1 on pages 18 to 19 of the SLAL SFCR.

The Group Audit Committee had oversight of SLPF during 2016 however a SLAL Audit Committee was constituted in 2016 and has oversight of SLPF from 2017 onwards.

Code of Business Conduct

Good governance within Standard Life is predicated on the ethical behaviour of the organisation's staff. Further details can be found in Section B.1.2 on page 15 of the SLAL SFCR.

Prudent Person Principle

The Prudent Person Principle is a set of qualitative requirements used to govern investment decisions and asset allocations. Further details can be found in Section B.1.2 on pages 15 to 16 of the SLAL SFCR.

Senior Insurance Managers Regime

The Senior Insurance Managers Regime (SIMR) replaces the existing Approved Person Regime and came into force in March 2016 with the intention of strengthening individual accountability within the insurance industry. The regime seeks to ensure that senior individuals are responsible and accountable for the sound and prudent management of their firms, and behave with appropriate integrity, honesty and skill.

Further details can be found in Section B.1.2 on page 16 of the SLAL SFCR.

Remuneration

SLPF adopts the Group's remuneration policy and principles which are detailed in the Standard Life plc Board Charter, Section 2.9. Details of the Remuneration Committee can also be found in the Standard Life plc Board Charter, Appendix III. The Standard Life plc Board Charter is available in the Our Company - governance section of the Standard Life website: **www.standardlife.com**

Overview of organisational and operational structure

Standard Life has an established and well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation, in relation to its business activities and risk management.

Each business within Standard Life maintains a list of all of its decision making committees. Each committee operates under its own Terms of Reference, which sets out its authority, purpose, scope and quorum details. The purpose of the quorum rule is to give decisions made by a committee enough authority to allow binding action to be conducted.

Standard Life's governance functions include the Internal audit, Risk and Compliance and Actuarial with responsibility for monitoring, reviewing, challenging and reporting on the status of the Company's risks on an ongoing basis. Fit and proper checks are carried out on applicable staff from key functions to ensure that they possess the competency, expertise and integrity necessary for the performance of their duties. Further details can be found in Section B.1.3 of SLAL's SFCR.

B.2 Fit and proper requirements

Standard Life carries out initial 'fit and proper' checks before appointing new Directors (including non-executive Directors), Executives, Heads of Function or other SIMR of PRA/FCA Approved Persons. This process applies across the Group and further details can be found in Section B.2 of the SLAL SFCR.

B.3 Risk management system

Standard Life's risk management system includes the ERM framework and the Own Risk and Solvency Assessment (ORSA). SLPF has adopted the ERM framework and an ORSA is produced annually for SLPF. Further details on the risk management system can be found in Section B.3 on pages 18 to 20 of the SLAL SFCR.

B.4 Internal control system

Our internal control system contains a range of processes which are captured under our Conduct and Operational Risk framework. We position the Conduct and Operational Risk framework under the risk control process element of the ERM framework. SLPF has adopted the Conduct and Operational framework and further details on the framework can be found in Section B.4 on pages 20 to 23 of the SLAL SFCR.

B.5 Internal audit function

Group Internal Audit (GIA) is a third line of defence function. Its primary role is to provide independent and objective assurance in order to help the Board and Executive Management to protect the assets, reputation and sustainability of Standard Life Group. It also supports the Company in accomplishing its goals and objectives by bringing a professional and constructive approach to evaluate and improve the adequacy and effectiveness of its internal control system. Further details on GIA can be found in Section B.5 on pages 23 to 24 of the SLAL SFCR.

B.6 Actuarial function

SLPF has the same Actuarial function as SLAL. Further details of the Pensions and Savings Actuarial function can be found in Section B.6 of the SLAL SFCR.

B.7 Outsourcing

The Group's Outsourcing policy sets the standards that business units must comply with for outsourcing arrangements. SLPF complies with the policy and further details can be found in Section B.7 of the SLAL SFCR.

In addition to the roles mentioned in the SLAL SFCR, the Pensions and Savings Enterprise Risk Management Committee (ERMC) are responsible for reviewing risk assessments for material transactions affecting SLPF and annually reviews the list of outsourcing arrangements for SLPF.

B.8 Any other information

None.

C. Risk profile

The purpose of this section is to describe the material risks to which Standard Life Pension Funds Limited (SLPF) is exposed and the techniques used to monitor and manage them.

Please see QRT S.25.03.21 *SCR – for undertakings on full internal models*, a copy of which is included in Appendix 2, to see the split of the solvency capital requirement (SCR) by risk category.

C.1 Underwriting risk

The only underwriting risk to which SLPF is exposed is expense risk. Standard Life Assurance Limited (SLAL) provides services to SLPF in relation to accounting and actuarial reporting. SLAL reserves the right to recharge SLPF for these services although in practice it has not recharged in the past, and has stated that it has no intention to do so in the future. Nevertheless a best estimate provision is held for the future value of these expenses, and capital is held for the risk that these expenses are greater than expected.

Annuity contracts are reinsured with SLAL on a 100% original terms basis. There is no residual underwriting risk to which SLPF is exposed in relation to these contracts. The reassurance treaty gives rise to counterparty default risk, which is discussed further in Section C.3.

SLPF holds funds for Segregated Funds Pension Management Contracts and charges fees in exchange for managing clients' funds. The fees are passed through to Standard Life Investments (SLI), which bears any associated risk such as expense or persistency risk. There is no residual risk for SLPF in relation to these contracts.

Aside from the annuity reassurance treaty, there are no other underwriting risk mitigation techniques in place.

There are no material underwriting risk concentrations to which SLPF is exposed.

C.2 Market risk

SLPF has no exposure to market risk. SLPF is entirely invested in SLI's Global Liquidity Fund, which gives rise to credit risk, but not market risk.

C.3 Credit risk

SLPF has holdings in unsecured cash, and is exposed to the risk that the issuers of these cash instruments default. The risk is assessed by using a model calibrated to historic probabilities of default and loss given default from suitable indices.

SLPF is also exposed to the risk that SLAL defaults on the annuity reassurance treaty (counterparty default risk). The risk is assessed by using a model calibrated to historic probabilities of default for equivalent corporate bonds.

There are no credit risk mitigation techniques in place.

There are no material credit risk concentrations to which SLPF is exposed.

C.4 Liquidity risk

Liquidity risk is the risk that SLPF is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost.

SLPF has no material liquidity risk as its capital is entirely held in cash (through its investment in SLI's Global Liquidity Fund).

C.4.1 The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2)

No future premiums are anticipated in SLPF.

C.5 Operational risk

In relation to the segregated managed funds business, the Investment Management Agreement (IMA) between SLPF and SLI indemnifies SLPF against any losses, costs, claims, damages, liabilities and expenses incurred by SLPF arising directly as a result of the negligence, wilful default or fraud of SLI or any delegate or that of its or their employees.

The latest review of the operational risks in SLPF concluded that no material operational risks were deemed to arise in SLPF.

C.6 Other material risks

There are no other material risks in SLPF.

C.7 Any other information

C.7.1 Risk sensitivity

Standard Life performs a range of sensitivity, scenario and stress tests as part of its established stress and scenario testing (SST) programme which is reviewed annually by the Risk and Capital Committee (RCC). These tests are mainly internally driven by management to improve our understanding of the sensitivity of our business model, supplemented by others that are externally driven, such as regulatory requests.

The 2016 SST programme covered a comprehensive range of stresses to explore a continuum of plausible stress environments. The SST programme included stresses to each of our main risk exposures:

- Financial – market, credit, liquidity
- Demographic – longevity, persistency, mortality, morbidity, expense
- Other – conduct, reputation, operational

The SST programme also included insight into relevant severe combinations of risk events. A variety of stresses were applied to the year end Solvency II balance sheet and calibrated at or in excess of a 1-in-200 year probability level.

The SST programme includes both combined and solo stress tests and forward-looking scenario projections to support the annual business planning process and reverse stress tests to consider circumstances or severe events that, if they emerged, could have the potential to cause the business plan to fail.

The scenario projections comprise five-year projections on base, down and severe downside scenarios. The projections are completed on the regulatory solvency position and also economic capital.

In addition, liquidity stress testing is performed to assess the ability of the balance sheet to support potential outflows under stress, and assess the effectiveness of our Contingency Funding Plan, including circumstances in which market liquidity is stressed.

Due to the materiality of exposures in SLPF these stresses are not quantified for SLPF. This is based on a qualitative assessment of the materiality, rather than a quantitative materiality threshold. The exposures are not expected to change significantly over time and SLPF continues to be capitalised to a level well in excess of its solvency capital requirement. In the absence of any additional change in investment strategy or any further capital release, we would not anticipate any other material change in capital requirements or resources over time.

C.7.2 Prudent Person Principle

The ‘Prudent Person Principle’ (PPP) is a set of requirements which govern the investments that an insurer is allowed to make. For example insurers may only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs. To avoid repetition we describe the PPP compliance of all asset classes together rather than individually.

SLPF’s capital is entirely invested in SLI’s Global Liquidity Fund, a short term money market fund. This is to ensure the preservation of capital and liquidity by investing in a diversified portfolio of high quality money market instruments.

C.7.3 Use of special purpose vehicles

Throughout 2016 SLPF has not owned any special purpose vehicles.

D. Valuation for solvency purposes

In accordance with Solvency II valuation regulations and unless expressly stated below, the Company has valued its assets and liabilities at fair value. In order to establish the fair value of assets and liabilities, the following principles have been applied:

- Assets have been valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction
- Liabilities have been valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction

The valuation of technical provisions is described in Section D.2.

Details on the methods and assumptions used to determine the fair values of assets and other liabilities are included in Section D.4.

The Company's Solvency II balance sheet is reported via QRT S.02.01.02 *Balance sheet*, a copy of which is included in Appendix 2. The balance sheet QRT shows assets and liabilities valued under Solvency II rules using Solvency II scope and balance sheet classifications. Valuation differences between Solvency II and International Financial Reporting Standards (IFRS) statutory accounts values for assets, technical provisions and other liabilities are explained in Sections D.1, D.2 and D.3 respectively.

Reallocations

The structure of the Solvency II balance sheet is different to the structure of the statement of financial position in the Company's IFRS statutory accounts, and therefore reallocation adjustments are required between the two balance sheets.

The tables below set out adjustments which have been applied to assets and liabilities in the Company's IFRS statutory accounts balances at 31 December 2016. These presentation adjustments move other balances from the balance sheet line items used in the IFRS statement of financial position to the appropriate balance sheet line items used in the Solvency II balance sheet.

In addition to the above reallocations, some line items in the IFRS statement of financial position are named differently in the Solvency II balance sheet. The mappings from IFRS to Solvency II balance sheet lines are also shown in the table below.

IFRS statement of financial position headings Assets	IFRS £'000	Presentation adjustments £'000	IFRS statutory balance based on Solvency II presentation and scope £'000	Solvency II balance sheet headings Assets
Investments in associates	10,491	-	10,491	Holdings in related undertakings, including participations
Reinsurance assets	8,993	-	8,993	Reinsurance recoverables from life excluding health and indexed-linked and unit-linked
Receivables and other financial assets	7,161	633	7,794	Receivables (trade, not insurance)
Current tax asset	633	(633)	-	
Cash and cash equivalents	2	-	2	Cash and cash equivalents
Total assets	**27,280**	**-**	**27,280**	**Total assets**
Liabilities				**Liabilities**
Non-participating contract liabilities	8,993	-	8,993	Technical provisions – life (excluding health and indexed-linked and unit-linked)*
Other financial liabilities	7,506	-	7,506	Payables (trade, not insurance)
Total liabilities	**16,499**	**-**	**16,499**	**Total liabilities**
Total equity	**10,781**	**-**	**10,781**	**Excess of assets over liabilities**

* Risk margin within technical provisions are unaudited.

Valuation adjustments

The following table summarises valuation adjustments at 31 December 2016 between IFRS and Solvency II for assets, technical provisions and other liabilities that are explained in subsequent sections.

Solvency II balance sheet headings Assets	IFRS statutory balance based on Solvency II presentation and scope £'000	Solvency II balance sheet £'000	Valuations adjustments £'000
Holdings in related undertakings, including participations	10,491	10,491	-
Reinsurance recoverables from life excluding health and indexed-linked and unit-linked	8,993	9,130	137
Receivables (trade, not insurance)	7,794	7,794	-
Cash and cash equivalents	2	2	-
Total assets	**27,280**	**27,417**	**137**
Liabilities			
Technical provisions – life (excluding health and indexed-linked and unit-linked)*	8,993	10,905	1,912
Payables (trade, not insurance)	7,506	7,506	-
Total liabilities	**16,499**	**18,411**	**1,912**
Excess of assets over liabilities	**10,781**	**9,006**	**(1,775)**

* Risk margin within technical provisions are unaudited.

D.1 Assets

The total value of assets in the Company's Solvency II balance sheet at 31 December 2016 was £27,417k. An analysis of the Solvency II balance sheet by type of asset is provided in QRT S.02.01.02 *Balance sheet*, a copy of which is included in Appendix 2.

Solvency II regulations require that assets of insurers be valued on a basis that reflects their fair value, described as an 'economic valuation'. The valuation basis adopted should, as far as possible, be consistent with IFRS.

The following table gives the valuation bases used at 31 December 2016, along with a comparison between Solvency II and IFRS statutory accounts values. The IFRS statutory accounts values below reflect the IFRS statutory accounting values using Solvency II balance sheet presentation and as set out earlier in the introduction to this section. There have been no material changes to the recognition or valuation basis during the period.

Positive valuation differences are show where Solvency II valuations are higher than IFRS.

Balance sheet caption	Description of basis and method of valuation
Investments **(other than assets held for index-linked and unit-linked contracts)**	**Holdings in related undertakings, including participations** In the Company's IFRS statutory accounts, interests in pooled investment funds (classified as participations under Solvency II) are valued using quoted market prices in active markets or the adjusted equity method. For Solvency II, these holdings are held at fair value, valued using published prices where these are available. At 31 December 2016, there is no difference between the Solvency II and IFRS accounting values of participations. **£'000** Participations as per Solvency II balance sheet: 10,491 The above balance is entirely invested in Standard Life Investments' (SLI) Global Liquidity Fund, a short term money market fund. See Section D.4 for further information on alternative valuation methods.

Balance sheet caption	Description of basis and method of valuation
Reinsurance recoverables	Under IFRS, reinsurance recoverables are measured using valuation techniques and assumptions that are consistent with the valuation techniques and assumptions used in measuring the underlying policy benefits and taking into account the terms of the reinsurance contract. For Solvency II balance sheet purposes, reinsurance recoverables are valued using the cash flow projection model that is used to calculate the best estimate liabilities. Refer to Section D.2 for details on calculation of best estimate of liabilities and to Section D.2.5 for details of the reinsurance arrangements in place. The reinsurance assets are adjusted for expected defaults. The payment pattern for reinsurance assets is assumed to be the same as the gross claims payment patterns for this purpose. Any short term variations in actual payments are reflected in the reinsurance recoverable. Accordingly, the following valuation difference can be observed between the Solvency II balance sheet and the IFRS statutory accounts: **£'000** Reinsurance recoverables as per IFRS statutory accounts: 8,993 Reinsurance recoverables as per Solvency II balance sheet: 9,130 Valuation difference: 137
Receivables (trade, not insurance)	Trade and other receivables are stated at realisable value in the Solvency II balance sheet. This is consistent with the valuation approach followed in the IFRS statutory accounts. **£'000** Receivables (trade, not insurance) as per Solvency II balance sheet: 7,794
Cash and cash equivalents	Cash and cash equivalents comprise cash balances and demand deposits directly useable for making payments, which are valued at amounts receivable on demand. There is no difference between the valuation basis for the Solvency II balance sheet and the IFRS statutory accounts. **£'000** Cash and cash equivalents as per Solvency II balance sheet: 2

The Company has no material leasing arrangements.

The Company does not have any liabilities for employee benefits.

D.2 Technical provisions

This section provides information on the valuation of technical provisions.

D.2.1 Overview

The value of technical provisions corresponds to the amount to be paid if the Company's insurance obligations were immediately transferred to another insurance undertaking, making use of and consistent with information provided by the financial markets and generally available data on underwriting risks.

The value of technical provisions is determined as the sum of a best estimate and a risk margin.

The best estimate is a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

The risk margin is the additional amount required to ensure that the value of the technical provisions is equivalent to the amount that another insurance undertaking would be expected to require in order to take-over and meet the insurance obligations.

The best estimate and the risk margin are calculated separately.

The valuation approach is summarised in subsequent sections.

D.2.1.1 Nature of the business

The insurance contracts in the Company consist mainly of immediate annuities, typically providing an income for life with various policyholder options selected at outset (single / joint life, guaranteed period, escalation rate). They are reported in the "other life insurance" line of business under Solvency II. There is a very small portfolio of deferred annuities which are not included in technical provisions due to immateriality (less than £100k).

The Company's technical provisions at 31 December 2016 are shown in the following table.

Line of Business	Best estimate liability £'000	Risk margin* £'000	Total technical provisions £'000
Other life insurance	9,743	1,162	10,905
Total	9,743	1,162	10,905

* Unaudited

This business is written in the UK only, with all cash flows denominated in Sterling.

D.2.1.2 Valuation approach

The valuation of cash flows is determined individually for each policy. The best estimate liability is derived using a deterministic discounted cash flow approach. The valuation approach projects the cash flows for each annuity contract and their underlying features, and the best estimate liability is equal to the annuity payments and expenses discounted using the Solvency II Sterling yield curve. The projection is carried out using best estimate assumptions, allowing for the relevant survival probabilities. The Solvency II yield curve and other best estimate assumptions are described within Sections D.2.1.5 and D.2.1.4 respectively.

The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract. The Company's contracts are modelled for the full expected lifetime of the policyholders.

Annuity payments are calculated based on the specifics of each contract. The benefit payments projected reflect any guarantee period, whether the payment can step up or step down, the level of payment escalation (including RPI and LPI), payment frequency and dependant's benefits. Expenses include renewal, termination and investment expenses, allowing for expense inflation as appropriate. Allowance is also made for additional costs within the Standard Life Group which would fall to the Company if it operated as a standalone undertaking. There are no significant simplifications in the valuation of best estimate liabilities.

Best estimate liabilities are calculated excluding any reinsurance cash flows, with a separate valuation of the reinsurance recoveries receivable performed on a consistent basis.

D.2.1.3 Risk margin (unaudited)

The risk margin is held in respect of non-hedgeable risks and is required to ensure that the value of the technical provisions is 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 calculated by determining the cost of providing an amount of eligible own funds equal to the solvency capital requirement (SCR) in respect of non-hedgeable risks necessary to support the insurance obligations over their lifetime. The cost of capital in this calculation is prescribed.

In theory, the calculation of the risk margin involves a projection of future SCRs. A simplified approach to determining these SCRs is permitted by the regulations and this has been implemented using a risk driver based approach. For each risk and product group, a risk driver is chosen that approximates the expected run off pattern of the capital relating to that risk. For example, the present value of future expenses at each future date will drive the expense risk capital at that date so this is selected as the risk driver for expense risk. The appropriate risk drivers are regularly reviewed. This ensures that they accurately reflect the size of the risk exposure and that the run off of the risk driver is consistent with, and materially captures the run off of the underlying risk.

D.2.1.4 Non-economic basis

Non-economic assumptions are determined from annual experience investigations, are subject to detailed internal review and are approved by the Board. Best estimate assumptions are made in respect of future levels of longevity and expenses. These assumptions reflect the Company's best estimates of likely future experience, based on recent experience and relevant industry data as appropriate. The approach is to treat the best estimate assumptions as the median of the range of possible assumptions.

Longevity assumptions are a combination of base mortality rates, which are set by reference to recent experience, and expected future changes in mortality. The latter uses entity-specific considerations, along with data from external sources such as the Continuous Mortality Investigation Bureau (CMI) in the UK, which produces standard mortality tables and projection bases for mortality improvements. The assumptions vary by gender and age.

Best estimate expense assumptions on a per policy basis are derived from an analysis of management expenses. This allows for all expenses incurred in servicing policies, including overheads.

The investment management expense assumptions are derived as the best estimate of the future charges expected to be paid to Standard Life Investments, reflecting current investment management agreements, varying by the nature of assets backing technical provisions.

D.2.1.5 Economic basis

The valuation of future policyholder liabilities requires best estimate economic assumptions, and in particular a future interest rate assumption (i.e. yield curve). The basic risk free yield curve for the UK is based on swap rates, includes an adjustment for credit risk and is specified by EIOPA on a monthly basis. The UK curve specified by EIOPA is based on market data for the first 50 years after which it converges to the ultimate forward rate which is set by EIOPA and is currently 4.2%.

D.2.2 The level of uncertainty associated with the value of technical provisions

The level of uncertainty associated with the amount of technical provisions primarily relates to assumed future experience. The valuation of liabilities requires assumptions about the future (e.g. mortality, expenses, economic conditions), which are inevitably the source of some uncertainty. While the approach adopted by the Company leads to its best estimate of future expected experience, there can be a number of alternative similarly justifiable assumptions.

D.2.3 Differences between the valuation of technical provisions for solvency purposes and that for financial statements (IFRS)

All policies are classed as non-participating insurance contracts as they transfer significant insurance risk. The IFRS valuation uses a discounted cash flow method based on an assumed prudent rate of interest derived from yields on underlying assets in line with Prudential Regulation Authority (PRA) requirements before the introduction of Solvency II, and prudent non-economic assumptions.

The table below reconciles the main differences between the IFRS contract liabilities and Solvency II technical provisions:

	Total £'000
IFRS value	8,993
Remove prudent margins in non-economic basis	(443)
Move from IFRS to Solvency II economic basis	859
Include additional expenses	334
Include risk margin*	1,162
Solvency II technical provisions	10,905

* Unaudited

D.2.4 Long term guarantees package and transitional measures

The Company does not apply a matching adjustment, volatility adjustment or transitional measures when calculating technical provisions.

D.2.5 Reinsurance recoverables and special purpose vehicles

Under Solvency II, reinsurance is defined as business where there is a transfer of risk.

The annuity liabilities in the Company are reinsured by its parent company, Standard Life Assurance Limited (SLAL), under a reinsurance treaty. Reinsurance recoverables are calculated using the same models and assumptions as the corresponding best estimate liabilities. The valuation of reinsurance recoverables allows for the possibility of counterparty default.

The Company does not have any special purpose vehicle arrangements.

D.2.6 Material changes

There have been no material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period.

D.3 Other liabilities

This section provides information on the types and values of other liabilities in the Company's Solvency II balance sheet and a quantitative and qualitative explanation of any material differences with their IFRS statutory accounting valuation.

The total value of other liabilities in the Company's Solvency II balance sheet at 31 December 2016 was £7,506k. An analysis of the Solvency II balance sheet by type of other liability is provided in QRT S.02.01.02 *Balance sheet*, a copy of which included in Appendix 2.

Solvency II regulations require that other liabilities of insurers be valued on a basis that reflects their fair value (described as an 'economic valuation') with the exception that liabilities should not be adjusted to take account of an insurer's own credit standing. The valuation basis adopted should, as far as possible, be compatible with IFRS.

The following table gives the valuation bases and methods used at 31 December 2016 in valuing other liabilities for Solvency II balance sheet purposes along with a comparison between Solvency II and IFRS accounting values.

Positive valuation differences are show where Solvency II valuations are higher than IFRS.

Balance sheet caption	Description of basis and method of valuation	
Payables (trade, not insurance)	Trade payables are recorded under IFRS at amortised cost. This is consistent with the fair value valuation basis under Solvency II. Accordingly, there are no valuation differences between the IFRS statutory accounts and the Solvency II balance sheet.	
		£'000
	Payables (trade, not insurance) as per Solvency II balance sheet	7,506

D.4 Alternative methods for valuation

The assets held in SLPF are cash, trade receivables, and a holding in SLI's Global Liquidity Fund. Cash and trade receivables are not valued using an alternative method for valuation (AVM). The holding of £10,491k in SLI's Global Liquidity Fund is classified as AVM, however we consider the valuation uncertainty to be negligible given the very short term nature of the assets held and the active monitoring performed.

An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

D.5 Any other information

None.

E. Capital management

Standard Life Pension Funds Limited's (SLPF) approach to capital management

The Company adopts the Capital Management policy and objectives of Standard Life Group (the Group).

The Group's capital management policy seeks to ensure that the Group is appropriately capitalised under base and stress scenarios.

SLPF is a relatively small entity within the Group and is exposed to a limited range of risks, so in practice the capital management of SLPF is appropriate for the Company and is less involved than for other companies in the Group.

E.1 Own funds

E.1.1 Own funds

Own funds are the regulatory capital resources of an insurance undertaking or group under Solvency II.

Own funds comprise of balance sheet items (referred to as basic own funds) and items that may be called up to absorb losses that are off balance sheet (referred to as ancillary own funds). Basic own funds consist of the excess of assets over liabilities (including technical provisions) and certain subordinated liabilities, all of which must be valued in accordance with Solvency II regulations and guidance. Ancillary own funds are subject to prior supervisory approval. The Company has not sought approval for any ancillary own funds as at 31 December 2016.

This section provides information on the structure, amount and quality of the Company's own funds, as well as a quantitative and qualitative explanation of any material differences between equity as shown in the Company's IFRS statutory accounts and the excess of assets over liabilities as calculated for solvency purposes.

E.1.2 Group structure

The Group structure showing major legal entities within the Group and where SLPF sits therein is included in Appendix 1.

E.1.3 Composition and quality of own funds

Items of own funds vary in their ability to absorb losses both in the normal course of business and in times of stress. Items are graded into three tiers to reflect their quality (i.e. their ability to absorb losses), with Tier 1 being of the highest quality and Tier 3 the lowest. All the Company's own funds are categorised as Tier 1 unrestricted and are considered to be suitably resourced.

The tiering of own funds is based on the extent to which own funds items possess the characteristics of permanent availability and subordination. A further four features also need to be taken into consideration, these are: sufficient duration, absence of incentives to redeem, absence of mandatory servicing costs and absence of encumbrances. Definitions of each of these characteristics are as follows:

- Permanent availability refers to whether an item is available, or can be called up on demand, to fully absorb losses on a going-concern basis, as well as in the case of a winding-up
- Subordination refers to whether, in the case of a winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policyholders and beneficiaries of insurance and reinsurance contracts, have been met
- Sufficient duration requires that consideration be given to the duration of the item, in particular whether the item is dated or not. Where an own fund item is dated, the relative duration of the item as compared to the duration of the insurance obligations should be considered.
- Absence of incentives to redeem refers to whether the item is free from requirements or incentives to redeem the nominal sum
- Absence of mandatory servicing costs refers to whether the item is free from mandatory fixed charges
- Absence of encumbrances refers to whether the item is free from encumbrances. Encumbrances include factors such as rights of set off, restrictions and charges or guarantees

To be classified as Tier 1, an item of own funds must substantially possess the characteristics of permanent availability and subordination taking into consideration the additional four features described above. For an item of own funds to be classified as Tier 2, it must substantially possess the characteristics of subordination taking into consideration the additional four features.

Where own funds do not meet the criteria to be classified as Tier 1 or Tier 2, the items will be classified as Tier 3.

Based on the tiering classifications, there are certain regulatory limits regarding the eligibility of own funds to meet capital requirements. Limits are placed on Tier 2 and Tier 3 and hybrid/ restricted (e.g. subordinated liabilities) Tier 1 items to ensure that there is a sufficiently high proportion of highest quality own funds (non-restricted Tier 1) and that only higher quality own funds (Tier 1 and Tier 2 own fund items) cover the minimum capital requirement (MCR).

The key eligibility limits are as follows:

- At least 50% of the solvency capital requirement (SCR) must be covered by Tier 1 own funds (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities) and a maximum of 15% may be covered by Tier 3
- At least 80% of the MCR must be covered by Tier 1 (and no more than 20% of those Tier 1 items may be hybrid instruments such as subordinated liabilities). Tier 3 own funds are not eligible to cover the MCR. This in effect means that Tier 2 basic own funds are eligible as long as they cover no more than 20% of the MCR.

The following table sets out the values of own funds of the Company as at 31 December 2016, shown after application of the tiering limits:

Description	Tier 1 unrestricted £'000	Tier 1 restricted £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Ordinary share capital	50	-	-	-	50
Reconciliation reserve	8,956	-	-	-	8,956
Own funds	**9,006**	**-**	**-**	**-**	**9,006**
Eligible own funds to meet the SCR	**9,006**	**-**	**-**	**-**	**9,006**
Eligible own funds to meet the MCR	**9,006**	**-**	**-**	**-**	**9,006**

More detail on each of the items included in the previous table is provided in the following sections. A copy of the QRT S.23.01.01 *Own funds* is included in Appendix 2.

E.1.4 Ordinary share capital

Under IAS 32 *Financial Instruments: Presentation*, loan capital of £50k provided by the parent undertaking (SLAL) meets the definition of equity. It is non-interest bearing, repayable only on liquidation and ranks after all other creditors. As a result, it meets the definition of ordinary share capital and Tier 1 classification in QRT S.23.01.01 *Own funds*.

The following table summarises the characteristics of £50k loan capital issued by the Company, to support their classification into the appropriate tier of own funds:

Instrument	Tier	Duration	Subordination	Redemption incentives	Mandatory servicing costs	Encumbrances
Ordinary share capital	Tier 1	undated	last upon winding up	none	none	none

E.1.5 Surplus funds

Surplus funds relate to ring-fenced funds, being accumulated profits within ring-fenced funds which have not been made available for distribution to policyholders or other beneficiaries. The Company had no such funds as at 31 December 2016.

E.1.6 Reconciliation reserve

The reconciliation reserve is the amount of excess assets over liabilities (valued in accordance with the Solvency II regulations and guidance) that remain once all the other identified elements of basic own funds have been deducted. As such, it serves to ensure that the total of all the individual basic own funds items are equal to the total excess of assets over liabilities and subordinated liabilities.

The following table analyses the reconciliation reserve as at 31 December 2016:

	£'000
Excess of assets over liabilities	9,006
Other basic own fund items (ordinary share capital, share premium, surplus funds and deferred tax assets)	(50)
Reconciliation reserve total	**8,956**

E.1.7 Reconciliation of IFRS accounting equity to own funds

The own funds position is different from the equity stated in the IFRS statutory accounts. The table below reconciles the IFRS financial statements to the Solvency II own funds position as at 31 December 2016:

31 December 2016	£'000	£'000
Equity attributable to equity holders per the financial statements on an IFRS basis		10,781
Valuation differences:		
In respect of technical provisions	(1,775)	
		(1,775)
Total basic own funds after adjustments		**9,006**

E.1.8 Movements in own funds during the reporting period

The following table sets out the movements on the Company's own funds, analysed by tier, during 2016:

Description	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Total £'000
Opening own funds*	9,128	-	-	9,128
Opening eligibility restrictions*	-	-	-	-
Opening eligible own funds to meet the SCR	**9,128**	**-**	**-**	**9,128**
Movements in period:				
Own funds	(122)	-	-	(122)
Eligibility restrictions*	-	-	-	-
Total movements in eligible own funds	**(122)**	**-**	**-**	**(122)**
Closing eligible own funds to meet the SCR	**9,006**	**-**	**-**	**9,006**

*Unaudited

There were no ancillary own funds at 1 January 2016 or 31 December 2016.

There were no eligibility restrictions at 1 January 2016 or 31 December 2016.

The Company has no subordinated liabilities or other own fund items subject to transitional arrangements.

There were no material issues or redemptions of own fund items during the period.

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 SLPF's solvency capital requirement (unaudited)

SLPF's capital position is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – for example that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the SCR. The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

SLPF applies an internal model. Please see QRT S.25.03.21 *SCR – for undertakings on full internal models* to see the split of the SCR by risk category, a copy of which is included in Appendix 2.

Diversification benefits between risks within the SLPF internal model are described in Section E.4.8.

SLPF's SCR does not include a capital add-on and does not include any impact from the use of undertaking-specific parameters. In addition, no simplified calculations have been used. The final SCR is not subject to supervisory assessment.

SLPF's SCR at the end of 2016 calculated using its internal model was £1,820k. As this is lower than the MCR (see below), the biting capital requirement is the MCR, which was equal to £3,332k (€3.7m) at end of 2016.

There have been no material changes to the SCR over the reporting period.

E.2.2 Scope of the internal model (unaudited)

Standard Life uses a partial internal model to calculate the Group SCR. The approved internal model is used for SLPF. It has no subsidiaries.

E.2.3 SLPF's minimum capital requirement

The MCR applies to EEA-based insurance undertakings. The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. If the level of own funds falls below the MCR, the national regulator would intervene. The MCR should correspond to the amount of capital needed to ensure that the insurance undertakings will be able to meet their obligations over the next 12 months with a probability of at least 85%. It is bound between 25% and 45% of the insurance undertaking's SCR, but subject to an absolute floor (see below).

The MCR for SLPF is the minimum amount of €3.7m.

The non-life insurance element of the MCR calculation is zero for SLPF, as it does not have any business covered by the non-life insurance calculation.

There have been no material changes to the MCR over the reporting period.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement (unaudited)

SLPF is not using the duration-based equity risk sub-module for the calculation of its SCR.

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

The following section sets out the key features of Standard Life's partial internal model, including the key differences between it and the standard formula. SLPF uses a full internal model, as it makes no use of the standard formula. In practice only the treatment of credit and expense risk is of relevance to SLPF.

E.4.1 Purposes for which SLPF is using its internal model

The internal model output is used in the following Own Risk and Solvency Assessment processes:

- **Insight and Reporting** – Regular monitoring of key risk and capital metrics
- **Strategic decision making** – Supports the longer terms strategic decisions in running the business.

E.4.2 Scope of the internal model in terms of business units and risk categories

The coverage of the internal model risk categories is based on the risks included in Standard Life's Enterprise Risk Management framework (ERM framework). The Group's partial internal model covers the subset of risks identified in the ERM framework which are quantifiable and material.

In addition to the risks covered by the ERM framework, sovereign debt basis risk is also included in the internal model, as required by the Prudential Regulation Authority' Supervisory Statement SS30/15.

The risk categories used in the internal model include:

- Equity (including equity implied volatility)
- Basis risk
- Property (including property implied volatility)
- Currency
- Interest rates
- Swaption implied volatility
- Credit (bonds, asset-backed securities, counterparty)
- Longevity (including proportions married for joint-life annuities)
- Persistency mis-estimation and dependent persistency
- Company specific and economic expense risk
- Mortality mis-estimation and mortality catastrophe
- Morbidity mis-estimation and catastrophe
- Operational risk
- New business risk (adverse variation in business mix or volume over the next year)

Of this list credit and expense risk are the only risk categories that SLPF is currently exposed to at the 99.5th percentile.

A fuller description of material risks is included in Section C. The internal model does not include liquidity risk and group specific risks given that these risks are more appropriately considered using qualitative techniques.

E.4.3 Integration of the internal model into the standard formula

There is no integration of the internal model into the standard formula for SLPF.

E.4.4 Methods used in the internal model for the calculation of the probability distribution forecast and the solvency capital requirement

SLPF's approach is to calculate the SCR directly from the Probability Distribution Forecast as the Value at Risk of Basic own funds at a 99.5% confidence level over a one year time horizon, in line with Solvency II requirements.

For the Group partial internal model the Probability Distribution Forecast of changes in value of own funds is determined by simulating the joint distribution of changes in the individual risk factors and calculating the change in Basic own funds in each simulation. The model consists of a set of functions which describe changes in own funds as a function of changes in risk factors. These functions are calibrated using changes in the values of assets and liabilities obtained by modelling a large number of scenarios using the full actuarial model suite. For pragmatic and materiality reasons SLPF uses a correlation matrix as a simplification to the Group partial internal model approach.

E.4.5 Main differences in the methodologies and underlying assumptions used in the standard formula and in the internal model

The methods used to calibrate the distributions for the internal model have been developed independently from the standard formula, and as a result there are differences in each of these from the standard formula, in terms of both the granularity of the stress and the level of the stress.

As an internal model firm, we have designed our model around the risks to which we as a Company are exposed, ensuring that each risk module is constructed with the Company's exposures in mind. This will therefore include risks that are not included in the standard formula (see Section E.4.9), and the data used to calibrate our stresses (and to help set our correlations) is in line with risks we are exposed to. The granularity of each of the risk modules has also been chosen considering our risk exposures, and therefore in many instances the granularity of our stresses is different to that of the standard formula.

Our overall approach to aggregating the risk modules to calculate our capital requirements is also different to that used by the standard formula; where the standard formula approach uses a correlation matrix approach, our internal model uses a simulation approach which is described further in Sections E.4.6 and E.4.8.

The key differences between the methodologies and underlying assumptions used in the standard formula and in the internal model are as follows for the key risk modules:

Risk	Key Differences
Equity	• The internal model equity stress is calibrated at a more granular level, using market data. • Standard formula equity stress includes a dampener to reduce pro-cyclicality.
Credit (spread risk)	• Internal model stresses are calibrated using market data, and include a split by sector (financial / non-financial) which is not included in standard formula stresses.
Longevity	• The standard formula longevity stress is a 20% reduction in mortality rates. • Our internal model stress is calibrated using relevant experience, and explicitly allows for future mortality improvements.
Fixed interest	• Standard formula stresses are a proportion of the base yield curve. • Internal model stresses are absolute stresses which capture changes in level, shape and curvature of the yield curve.
Lapse risk	• The standard formula mass lapse stress reflects an instantaneous lapse rate of either 40% or 70%, depending on the nature of the product. • The internal model dependent persistency stress incorporates market and operational risk elements, and is applied as a multiple of base persistency rates.
Operational	• The standard formula uses a factor based approach, with weightings applied to different metrics, such as expenses on unit-linked business. • The internal model capital requirement is derived using input from business subject matter experts to determine the frequency and severity of operational risk events.

E.4.6 Internal model approach

SLPF's approach is to calculate the SCR as the value-at-risk of its basic own funds subject to a confidence level of 99.5% over a one-year period. This is the same as the risk measure and time period required in Solvency II regulations. To calculate this, SLPF uses a correlation matrix to aggregate risks.

E.4.7 Nature and appropriateness of the data used in the internal model

A range of information is used within the internal model; this includes the relevant market data (both current for the valuation date, and the historic data to calibrate stresses), and internal policyholder data used to calculate our liabilities as well as historic policyholder experience to calibrate our underwriting risk stresses. The sources used in each instance have been chosen considering the range of options available and the appropriateness of the data sets for the purpose for which they're used. Where external data is used, this is sourced from reputable suppliers (e.g. Office for National Statistics, Bank of England, Continuous Mortality Investigation). We also have an internal data governance framework, which sets the standard to which the data we use must meet, and is used as a means to escalate and resolve any issues appropriately.

E.4.8 Aggregation methodologies and diversification effects used in the internal model

Mathematical formulae are fitted to the balance sheet impact of these selected stresses which allows us to describe the behaviour of the balance sheet under a wide range of scenarios.

We then simulate a large number of possible future scenarios and assess the impact on the balance sheet – allowing for the diversification between risks – with the 99.5^{th} percentile balance sheet loss being our capital requirements.

The diversification between risks is set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

E.4.9 Risks not covered by the standard formula but covered by the internal model

The additional risks that are covered by Standard Life's internal model, but not by the standard formula are:

Risk	Description
Equity implied volatility risk	The risk that the expected volatility of equity markets increases.
Property implied volatility risk	The risk that the expected volatility of property markets increases.
Swaption implied volatility risk	The risk that the expected volatility of interest rates increases.
Sovereign spread risk	The risk that AAA rated government bonds fall in value without a corresponding change in swap rates.
Equity basis risk	The risk that the value of our equity investments move out of line with the equity indices used to price the equity derivatives that we have in place (in particular to hedge the equity risk on with profits policyholder guarantees).
Proportion married risk	The risk of mis-estimating the proportion of reversionary annuities where there is a spouse who would be eligible to receive an annuity (if the main life died).
New business risk	The risk that adverse deviations in volume and mix of new business impact the capital position over the one year time horizon of the capital assessment.

None of these risks are currently relevant for SLPF.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement (unaudited)

Throughout 2016 own funds have at all times exceeded both the MCR and the SCR.

E.6 Any other information

None.

Statement of Directors' responsibilities

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, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under Section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the PRA approvals and determinations section of this document.

The Directors are satisfied that:

(a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as applicable to the Company; and

(b) it is reasonable to believe that the Company has continued so to comply subsequently, and will continue so to comply in future.

The SFCR was approved by the Board and signed on its behalf by the following Director

Mark Hesketh
Director
18 May 2017

Prudential Regulation Authority approvals and determinations

The approvals and determinations in the table below apply to Standard Life Pension Funds Limited (SLPF), firms reference number 110466:

Description	Reference	Date of Waiver	Applicable from
Approval to use a partial internal model for the calculation of its SCR Approval of policy for changing an approved internal model.	2247363	5 December 2015	1 January 2016
Approve the major model change to the Standard Life group internal model approved in the written notice - Internal model approval dated 5 December 2015 (reference 2247359, 2247366, 2247363) (the ‘Original Notice’), on the basis of the application for a major model change submitted on 29 June 2016 and the addendum submitted on 11 November 2016 (the ‘Proxy Model Application’).	3802826	30 November 2016	31 December 2016

Report of the external independent auditors to the Directors of Standard Life Pension Funds Limited

Report of the external independent auditors to the Directors of Standard Life Pension Funds 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 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:

- Information contained within the relevant elements of the Solvency and financial condition report set out above which are, or derive from the solvency capital requirement, as identified in the Appendix to this report
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report
- Company templates S.05.01.02, S.05.02.01, and S.25.03.21
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and financial condition report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Solvency and financial condition report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion the information subject to audit in the relevant elements of the SLPF 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, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

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’ 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.

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 which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under Section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the PRA approvals and determinations section of this document.

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.

Other Matter

The Company has authority to calculate its solvency capital requirement using a internal model (‘the Model‘) approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

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

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
18 May 2017

- The maintenance and integrity of the Standard Life plc 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.

Appendix – relevant elements of the Solvency and financial condition report that are not subject to audit

The relevant elements of the Solvency and financial condition report that are not subject to audit comprise:

a) The following elements of template S.02.01.02:
- Row R0550: Technical provisions - non-life (excluding health) - risk margin
- Row R0590: Technical provisions - health (similar to non-life) - risk margin
- Row R0640: Technical provisions - health (similar to life) - risk margin
- Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
- Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

b) The following elements of template S.12.01.02:
- Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

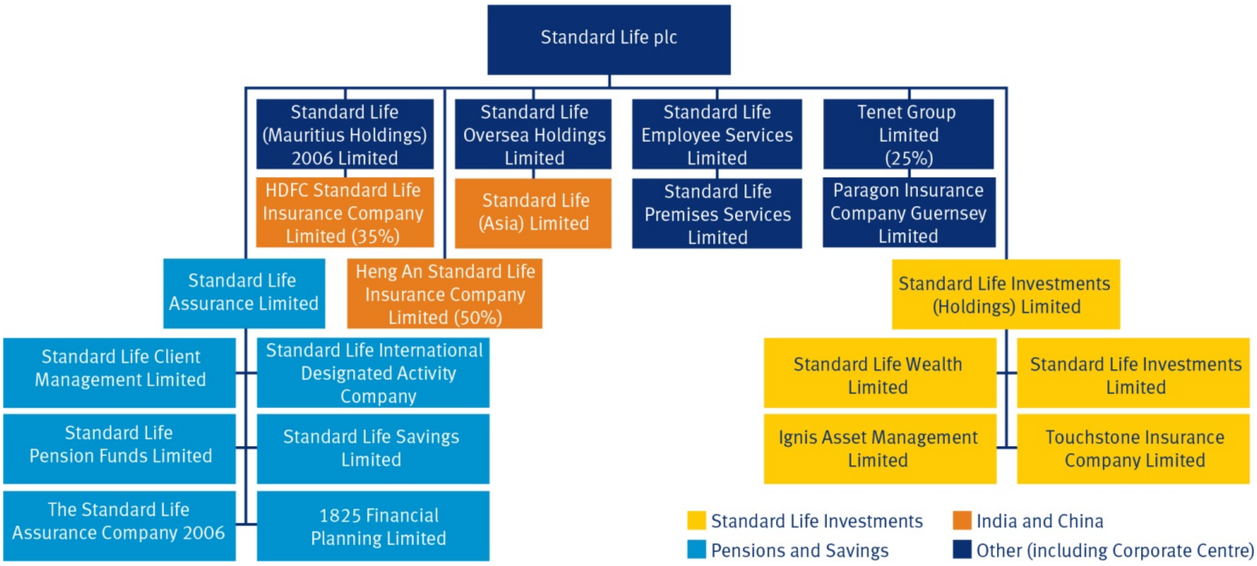
c) The following elements of template S.23.01.01:
- Row R0580: SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds

d) The following elements of Company template S.28.01.01:
- Row R0310: SCR

e) Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Appendix 1 – Group structure

Group structure by operating segment



Related Party Undertakings

Related Undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares if a book value greater than 20% of the Company's assets.

The particulates of the Company's related undertakings at 31 December 2016 are listed below:

Name of Related Undertaking	Country of incorporation and registration	Share Class held	% Interest
Standard Life Investment (Global Liquidity Fund) Plc	Republic of Ireland	OEIC	0.4%

Appendix 2 – Quantitative Reporting Templates (QRTs)

S.02.01.02 Balance sheet

Assets		Solvency II value C0010 £000s
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	10,491
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	10,491
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	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	9,130
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	9,130
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	9,130
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	-
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	7,794
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	2
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	27,417

Liabilities		Solvency II value C0010 £000s
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	10,905
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	10,905
TP calculated as a whole	R0660	-
Best Estimate	R0670	9,743
Risk margin	R0680	1,162
Technical provisions – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
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	7,506
Subordinated liabilities	R0850	-
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	-
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	18,411
Excess of assets over liabilities	R1000	9,006

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

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

		Medical expense insurance C0010 £000s	Income protection insurance C0020 £000s	Workers' compensation insurance C0030 £000s	Motor vehicle liability insurance C0040 £000s	Other motor insurance C0050 £000s	Marine, aviation and transport insurance C0060 £000s	Fire and other damage to property insurance C0070 £000s	General liability insurance C0080 £000s	Credit and suretyship insurance C0090 £000s
Premiums written										
Gross - Direct Business	R0110	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	-	-	-	-	-	-	-	-	-
Net	R0200	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross - Direct Business	R0210	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	-	-	-	-	-	-	-	-	-
Net	R0300	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross - Direct Business	R0310	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	-	-	-	-	-	-	-	-	-
Net	R0400	-	-	-	-	-	-	-	-	-
Changes in other technical provisions										
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	-	-	-	-	-
Other expenses	R1200									
Total expenses	R1300									

Note: This page is blank as SLPF does not have any non-life insurance business.

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written									
Gross - Direct Business	R0110	-	-	-					-
Gross - Proportional reinsurance accepted	R0120	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0130				-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	-	-	-
Net	R0200	-	-	-	-	-	-	-	-
Premiums earned									
Gross - Direct Business	R0210	-	-	-					-
Gross - Proportional reinsurance accepted	R0220	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	-	-	-	-	-	-	-	-
Net	R0300	-	-	-	-	-	-	-	-
Claims incurred									
Gross - Direct Business	R0310	-	-	-					-
Gross - Proportional reinsurance accepted	R0320	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0330				-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	-	-	-
Net	R0400	-	-	-	-	-	-	-	-
Changes in other technical provisions									
Gross - Direct Business	R0410	-	-	-					-
Gross - Proportional reinsurance accepted	R0420	-	-	-					-
Gross - Non- proportional reinsurance accepted	R0430				-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	-	-	-	-
Other expenses	R1200								
Total expenses	R1300								

Note: This page is blank as SLPF does not have any non-life insurance business.

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance C0210 £000s	Insurance with profit part-icipation C0220 £000s	Index-linked and unit-linked insurance C0230 £000s	Other life insurance C0240 £000s	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250 £000s	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260 £000s	Health reinsurance C0270 £000s	Life reinsurance C0280 £000s	Total C0300 £000s
Premiums written										
Gross	R1410	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-	-	-
Net	R1500	-	-	-	-	-	-	-	-	-
Premiums earned										
Gross	R1510	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	R1610	-	-	-	610	-	-	-	-	610
Reinsurers' share	R1620	-	-	-	610	-	-	-	-	610
Net	R1700	-	-	-	-	-	-	-	-	-
Changes in other technical provisions										
Gross	R1710	-	-	-	635	-	-	-	-	635
Reinsurers' share	R1720	-	-	-	635	-	-	-	-	635
Net	R1800	-	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	24,454	-	-	-	-	24,454
Other expenses	R2500									-
Total expenses	R2600									24,454

S.05.02.01 Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		-	-	-	-	-	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Premiums written								
Gross - Direct Business	R0110	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	-	-	-
Net	R0200	-	-	-	-	-	-	-
Premiums earned								
Gross - Direct Business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	-	-	-	-	-	-	-
Net	R0300	-	-	-	-	-	-	-
Claims incurred								
Gross - Direct Business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	-	-	-
Net	R0400	-	-	-	-	-	-	-
Changes in other technical provisions								
Gross - Direct Business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
Expenses incurred	R0550	-	-	-	-	-	-	-
Other expenses	R1200							-
Total expenses	R1300							-

Note: This page is blank as SLPF does not have any non-life insurance business.

		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	x	-	-	-	-	-	x
		C0220 £000s	C0230 £000s	C0240 £000s	C0250 £000s	C0260 £000s	C0270 £000s	C0280 £000s
Premiums written								
Gross	R1410	-	-	-	-	-	-	-
Reinsurers' share	R1420	-	-	-	-	-	-	-
Net	R1500	-	-	-	-	-	-	-
Premiums earned								
Gross	R1510	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-
Claims incurred								
Gross	R1610	-	-	-	-	-	-	-
Reinsurers' share	R1620	-	-	-	-	-	-	-
Net	R1700	-	-	-	-	-	-	-
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	-	-	-	-	-	-	-
Other expenses	R2500							-
Total expenses	R2600							-

Note: This page is blank as SLPF only operates in the United Kingdom.

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 obligations 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**
		£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Technical provisions calculated as a whole	R0010	-	-			-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for the expected losses due to counterparty default associated to TP as a whole	R0020	-	-			-			-	-	-
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	-		-	-		-	9,743	-	-	9,743
Total Recoverables from reinsurance/SPV and Finite Re after adjustment for expected losses due to counterparty default	R0080	-		-	-		-	9,130	-	-	9,130
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-		-	-		-	613	-	-	613
Risk Margin	R0100	-				1,162			-	-	1,162
Amount of the transitional on Technical Provisions											
Technical provisions calculated as a whole	R0110	-	-			-			-	-	-
Best estimate	R0120	-		-	-		-	-	-	-	-
Risk margin	R0130	-	-			-			-	-	-
Technical provisions - total	R0200	-	-			10,905			-	-	10,905

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health re-insurance (re-insurance accepted)	Total (health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
		£000s	£000s	£000s	£000s	£000s	£000s
Technical provisions calculated as a whole	R0210	-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0220	-			-	-	-
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		-	-	-	-	-
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 Finte Re – total	R0090		-	-	-	-	-
Risk Margin	R0100	-			-	-	-
Amount of the transitional on Technical Provisions							
Technical Provision calculated as a whole	R0110	-		-	-	-	-
Best estimate	R0120		-	-	-	-	-
Risk Margin	R0130	-		-	-	-	-
Technical provisions - total	R0200	-		-	-	-	-

Note: This page is blank as SLPF does not have any non-life insurance business.

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
		£000s	£000s	£000s	£000s	£000s
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	50	50		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial 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	8,956	8,956			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other items approved by 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 other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	9,006	9,006	-	-	-
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 subordinate 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	9,006	9,006			
Total available own funds to meet the MCR	R0510	9,006	9,006			
Total eligible own funds to meet the SCR	R0540	9,006	9,006			
Total eligible own funds to meet the MCR	R0550	9,006	9,006			
SCR	R0580	1,820				
MCR	R0600	3,332				
Ratio of eligible own funds to SCR	R0620	4.949				
Ratio of eligible own funds to MCR	R0640	2.703				

		C0060 £000s
Reconciliation reserve		
Excess of assets over liabilities	R0700	9,006
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	50
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	-
Reconciliation reserve	R0760	8,956
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-
Total EPIFP	R0790	-

S.25.03.21 Solvency capital requirement – for undertakings on full internal models

Unique number of component C0010	Components description C0020	Calculation of the solvency capital requirement C0030 £000s
100	Market risk	1,813
300	Life underwriting risk	50
701	Operational risk	-
801	Other risks	-
804	Other adjustments	-

Calculation of solvency capital requirement		C0100 £000s
Total undiversified components	R0110	1,863
Diversification	R0060	(43)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	1,820
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	1,820
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	-
Total amount of Notional Solvency Capital Requirement 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 non-life insurance and reinsurance obligations

		C0010 £000s
MCR_{NL} Result	R0010	-

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0020 £000s	Net (of reinsurance) written premiums in the last 12 months C0030 £000s
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-
General liability insurance and proportional reinsurance	R0090	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

Note: This page is blank as SLPF does not have any non-life insurance.

Linear formula component for life insurance and reinsurance obligations

		C0040 £000s
MCR_L Result	R0200	13

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050 £000s	Net (of reinsurance/SPV) total capital at risk C0060 £000s
Obligation with profit participation – guaranteed benefits	R0210	-	
Obligation with profit participation – future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	613	
Total capital at risk for all life (re)insurance obligation	R0250		-

Overall MCR calculation

		C0070 £000s
Linear MCR	R0300	13
SCR	R0310	1,820
MCR cap	R0320	819
MCR floor	R0330	455
Combined MCR	R0340	455
Absolute floor of the MCR	R0350	3,332
		C0070
Minimum Capital Requirement	R0400	3,332

Glossary

Annuity
A periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums. If the annuity commences immediately after the payment of the sum, it is called an immediate annuity. If it commences at some future date, it is called a deferred annuity.

Assumptions
Variables, which can be economic or non-economic in nature, used in actuarial models to project expected policy cash flows.

Best estimate liability
The part of technical provisions representing a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk-free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

Board
The Board of Directors of the Standard Life Pension Funds Limited (the Company).

Capital resources
Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

Company
Standard Life Pension Funds Limited.

Contract boundary
The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract.

Deterministic model
An actuarial projection model in which the input variables are defined in terms of a single best estimate value leading to a point estimate of the value of future cash flows. In comparison, stochastic models use a range of input variables (e.g. future investment returns) in the form of probability distributions leading to a number of modelled outcomes.

Director
A director of the Company.

Discounting
This is the process of reducing a future cash flow back to present value terms, by way of an assumed future interest (discount) rate.

Economic assumptions
Assumptions in relation to future interest rates, investment returns, inflation and tax.

Economic scenario generator (ESG)
An ESG generates a large number of economic scenarios which are used to value insurance liabilities.

EIOPA
European Insurance and Occupational Pensions Authority

Estate or Residual estate
The excess of assets available to the with profits fund over the value of liabilities.

Executive management
The executive management team is responsible for the day-to-day running of the Group and the Company and comprises at 31 December 2016: the Chief Executive, Chief Executive – Life Insurance, Chief Executive – Pension and Savings, Chief Operating Officer, Chief Financial Officer and the Chief Risk Officer.

External fund links (EFL)
These are unit-linked fund options on Standard Life products, where the funds are not managed by Standard Life.

FCA
Financial Conduct Authority.

Group Board
The board of Directors of Standard Life plc.

Group, Standard Life Group or Standard Life
Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006, Standard Life plc and its subsidiaries.

Heritage With Profits Fund (HWPF)
This fund contains most of the business written by Standard Life before demutualisation.

Maintenance expenses
Expenses relating to the ongoing maintenance of business. This would include customer service costs, for example.

Market consistency
A market consistent value is the market value if the instrument is readily traded. In the context of liabilities, a market consistent value is a valuation that is consistent with the prices of assets with similar characteristics to those liabilities. For liability cash flows with option-like features e.g. guarantees, these values should be consistent with market option prices.

Matching adjustment
An adjustment to the risk free yield used to calculate the best estimate to reflect where long–term liabilities are backed by assets which closely match the cash flows, where these assets have yields in excess of risk free and the extent that the assets are expected to be held long term.

Minimum capital requirement (MCR)
The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II.

Non-economic assumptions
Assumptions in relation to future expenses and future lapse, withdrawal, retirement, mortality and morbidity rates.

Own funds
Under Solvency II, the capital resources available to meet solvency capital requirements are called own funds.

Option (insurance policy feature)
A benefit feature of an insurance contract that may be selected at the discretion of the policyholder e.g. right to convert a maturity value into an income for life at guaranteed terms.

PRA
Prudential Regulation Authority.

Present value of in-force business (PVIF)
The expected future profits (usually excess of charges over expenses) on existing business.

Principles and Practices of Financial Management
Public document that sets out the basis on which with profits business will be managed.

Quantitative Reporting Template (QRT)
Templates used for the supervisory reporting and public disclosure of quantitative data under Solvency II.

Reinsurance
Process whereby one entity takes on all or part of the risk covered under a policy issued by an insurance company in return for a premium payment.

Ring-fenced funds
Ring-fenced funds are arrangements as a result of which certain items of own funds have a reduced capacity to fully absorb losses on a going concern basis due to their lack of transferability within the undertaking.

Risk margin
The part of technical provisions in addition to the best estimate liability required to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

Scheme of Demutualisation or the Scheme
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

SLAC 2006
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

SLAL
Standard Life Assurance Limited.

SLI
Standard Life Investments Limited.

SLPF
Standard Life Pension Funds Limited.

Solvency II Directive
Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Solvency capital requirement (SCR)
The economic capital to be held by an insurer in order to ensure that it will still be in a position to meet their obligations to policyholders over the following 12 months, with a probability of at least 99.5% (i.e. limit probability of failure to less than 1 in 200 years).

Spread/risk business
Spread/risk business mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment, for example, annuities. The ‘spread’ referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Stochastic modelling
An actuarial projection model in which the input variables (e.g. future investment returns) are defined in terms of a range of values in the form of probability distributions, reflecting the volatility of those variables. This leads to a range of modelled outcomes. This approach is useful when a policy provides a guarantee e.g. a minimum rate of investment return. A deterministic model would not allow for the volatility of future investment returns and hence is a less appropriate way of estimating the cost of providing the guarantee.

Technical provisions
The value attributed to future insurance obligations determined in line with Solvency II regulations, comprising a best estimate liability plus risk margin.

Technical provisions as a whole
The best estimate and the risk margin are typically calculated separately. Where the future cash flows can be replicated reliably using financial instruments for which a reliable market value is observable (such as unit-linked fund values) then the value of technical provisions equals the market value of those financial instruments (‘technical provisions as a whole’).

Unit-linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit-linked fund.