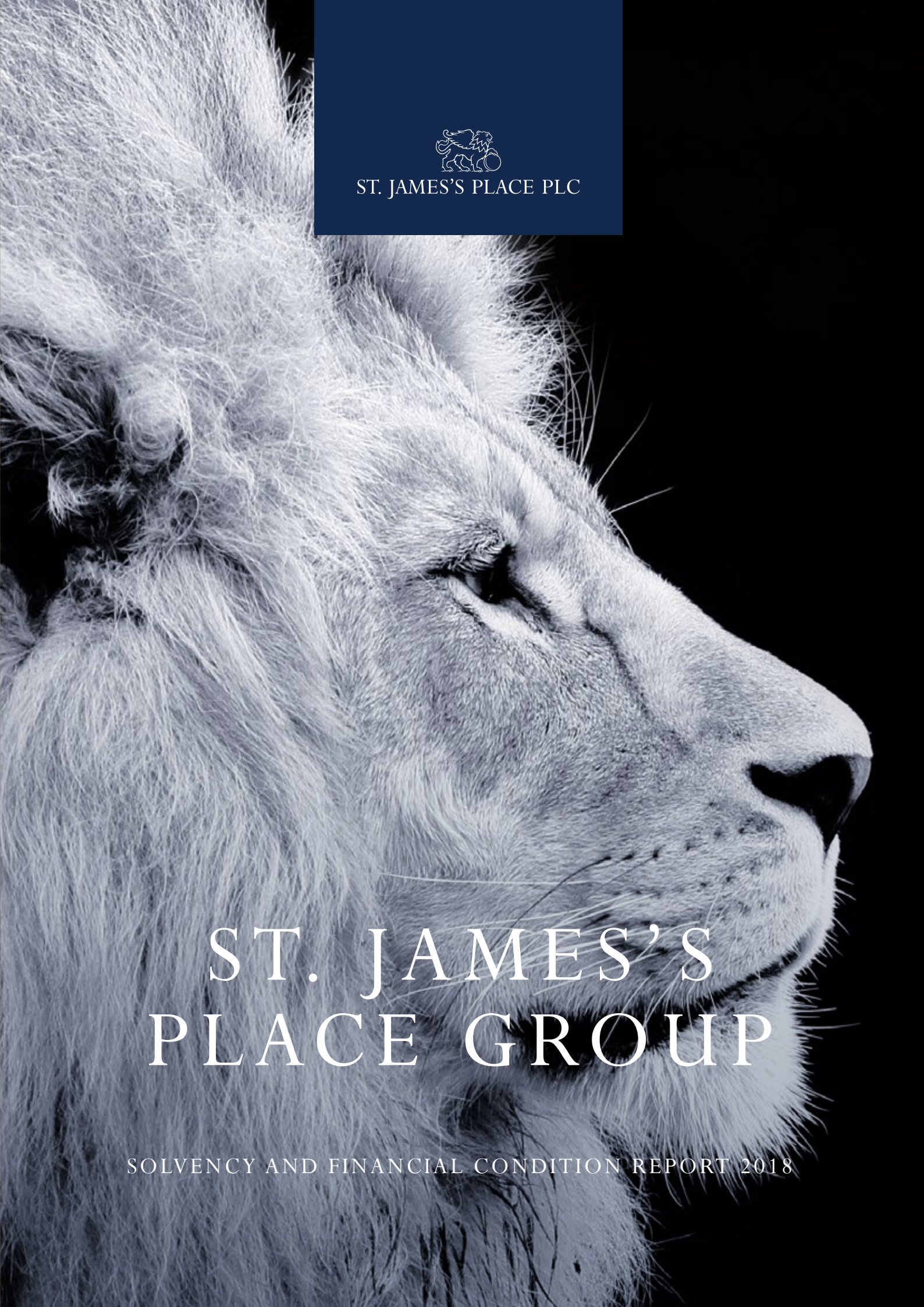


ST. JAMES'S PLACE PLC

ST. JAMES'S PLACE GROUP

SOLVENCY AND FINANCIAL CONDITION REPORT 2018



TABLE OF CONTENTS

Introduction 1
Summary 2
Statement of Directors' Responsibilities 4
Auditors' Report and Opinion 5
A. Business and Performance 7
A.1 Business 7
A.2 Underwriting performance 8
A.3 Investment performance 8
A.4 Performance of other activities 8
B. System of Governance 9
B.1 General information on the system of governance 9
B.2 Fit and proper requirements 10
B.3 Risk management system including the ORSA 10
B.4 Internal control system 11
B.5 Internal audit function 12
B.6 Actuarial function 12
B.7 Outsourcing 12
C. Risk Profile 14
C.1 Underwriting risk 14
C.2 Market risk 16
C.3 Credit risk 16
C.4 Liquidity risk 17
C.5 Operational risk 17
C.6 Other material risks 17
C.7 Any other information 17
D. Valuation for Solvency Purposes 18
D.1 Assets 18
D.2 Technical provisions 20
D.3 Other liabilities 23
D.4 Alternative methods of valuation 24
D.5 Any other information 24
E. Capital Management 25
E.1 Own funds 25
E.2 Solvency Capital Requirement & Minimum Capital Requirement 26
E.3 Use of duration based equity risk sub-module in the calculation of SCR 27
E.4 Difference between Standard Formula and any internal model used 27
E.5 Non-compliance with the MCR and Non-Compliance with the SCR 27
Appendix: Quantitative Reporting Templates 28
Glossary of Terms 55

INTRODUCTION

This Solvency and Financial Condition Report (SFCR) has been prepared in line with the requirements of the Solvency II (SII) Regulations, to assist clients of the St. James's Place Group (the Group) and other stakeholders in understanding the nature of our business, how it is managed, and its solvency position.

This is a single SFCR that incorporates consolidated information at the level of the Group, and solo information for the subsidiary insurance undertakings located within the European Union: St. James's Place UK plc (SJPUK) and St. James's Place International plc (SJPI). This report is prepared in compliance with rule modification 4768061 granted by the PRA with effect from 1 January 2018.

Relevant information about the business of our Group is provided in the Group's Annual Report and Accounts for the year ended 31 December 2018 (the Report & Accounts), a copy of which can be found at **www.sjp.co.uk/shareholders/reports-presentations-and-webcasts/2019**. Where appropriate we will refer readers to that document.

There are, however, certain specific SFCR requirements which are not already reported publicly elsewhere, and those are specifically included in this report. In particular this report includes full reporting of the SII valuation undertaken at 31 December 2018, and the associated capital position for our Group. Those results are also presented in quantitative reporting templates (QRTs), and the Group's and its solo insurance undertakings' submissions can be found in the Appendix to this report.

SUMMARY

St. James's Place plc is an award-winning wealth management company. Clients of St. James's Place have access to a range of financial solutions, including the provision of funds and expert advice regarding building investment portfolios, retirement planning, managing intergenerational wealth and ensuring financial protection. Advice is provided by the St. James's Place Partnership, a 3,954-strong force of self-employed advisers, with whom we enjoy a close relationship.

We aim to be the most trusted brand in UK wealth management, and focus on doing 'the right thing' for our clients.

The Group provides insurance-based investment and pension products, mainly to UK clients, through two key subsidiary companies – St. James's Place UK plc (SJPUK), which is based in the UK and St. James's Place International plc (SJPI) which is based in Dublin. The Group also provides insurance-based investment products to a small but growing number of clients, mainly expatriates, in Asia through a branch of SJPI based in Singapore and a subsidiary of SJPUK based in Hong Kong.

The wider Group also provides unit trusts and discretionary fund management.

Our business

Our financial business model remains straightforward and unchanged. We attract and then retain funds under management on which we will receive an annual management fee. We use this income to meet our overheads and to invest for the future.

During another successful year, our business has experienced strong growth, with insurance Funds Under Management (FUM) in the Group and individual entities growing as follows:

	SJP Group		SJPUK[1]		SJPI	
£'Billion	2017	**2018**	2017	**2018**	2017	**2018**
Opening FUM	54.13	**64.46**	47.86	**57.47**	6.27	**6.99**
Gross inflows	9.75	**11.17**	9.20	**10.45**	0.55	**0.72**
Outflows	(3.81)	**(3.71)**	(3.38)	**(3.37)**	(0.43)	**(0.34)**
Investment return	4.39	**(3.58)**	3.79	**(3.21)**	0.60	**(0.37)**
Closing FUM	64.46	**68.34**	57.47	**61.34**	6.99	**7.00**

1 Figures for SJPUK include closing funds under management of £0.06 billion in a subsidiary life insurance company based in Hong Kong.

Most of the Group's insurance business is investment-related. However, both SJPUK and SJPI have small legacy books of protection business, which are substantially reinsured with highly-rated EU-based reinsurance companies.

The wider Group has an additional £27.21 billion of FUM within its unit trust and discretionary fund management companies.

More information about our business can be found in Section A of this report.

Risk management

The Group Board and the Boards of the insurance entities have responsibility for assessing the main risks affecting the business, and these are monitored on a regular basis.

There have been no significant changes in the principal risks for the Group in the past year. However the political environment is an area of increasing uncertainty to our business and the wider economy. Whilst we believe that the direct impact on our operations will be limited, the indirect impact on the economy cannot be determined with any precision because of the current uncertainties around Brexit.

The key risks that could impact on the profitability of the Group's insurance business are:

- **Market Risk:** A reduction in funds under management owing to market shocks, poor market performance or currency and exchange rate movements would reduce future annual management charges, and hence future profits.
- **Lapse Risk:** Similarly, a reduction in funds under management owing to higher withdrawal rates would reduce future annual management charges. This may arise from factors such as changes in the economic climate, poor investment performance, competitor activity, or reputational damage to the Group.
- **Expense Risk:** Higher expenses would reduce future profits.

Although these risks may impact on the future profitability of the Group, they do not have a significant impact on our ability to meet payments to clients. Our investment business is managed on a 'unit-linked' basis, where we hold assets which match our clients' investments, ensuring that we are always able to meet clients' withdrawal requests.

The low risk nature of our business also means that our Solvency Ratio remains resilient to changes in the business.

More information about the risks that the business faces, and how we manage them, can be found in Section C of this report.

Our solvency position and capital management

We continue to manage our balance sheet prudently to ensure the Group's solvency, and that of its subsidiary entities, is maintained safely through the business cycle. We hold assets which match our clients' unit liabilities, and the remaining assets in the insurance companies are invested in high quality, liquid assets – typically AAA rated money market funds.

Each subsidiary company holds capital which is sufficient to cover any regulatory requirements together with an additional margin which can absorb adverse future changes. The Group's solvency position assessed on the UK and EU regulatory basis, known as 'Solvency II', is shown in the following table:

	SJP Group		SJPUK		SJPI	
Solvency (£'Million)	2017	**2018**	2017	**2018**	2017	**2018**
Solvency II Own Funds (A)	3,393	**3,507**	2,828	**2,820**	171	**156**
Solvency Capital Requirement (B)	2,449	**2,447**	2,285	**2,259**	107	**111**
Solvency II Free Assets (A – B)	944	**1,060**	543	**561**	64	**45**
Solvency ratio (A/B)	139%	**143%**	124%	**125%**	160%	**141%**
Foreseeable dividend (C)	145	**157**	315	**210**	25	**–**
Post-dividend solvency ratio (A – C)/B	133%	**137%**	110%	**116%**	136%	**141%**

More information about our approach to the solvency valuation and capital management can be found in Sections D and E of this report.

Our system of governance

The Group Board is collectively responsible for the long-term success of our business, and a number of key governance, strategy, planning and risk management processes operate at a Group level. However, key matters must also be considered directly by the relevant entity Board(s).

From 10 December 2018 SJPUK has been subject to the Senior Manager & Certification Regime for dual-regulated insurers. During the year Iain Cornish was appointed as a Non-Executive Director of SJPUK and took over the Chair's role on appointment. There have been no other material changes in the system of governance during the year.

More information about our system of governance, can be found in Section B of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report & Accounts are satisfied that:

(a) Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue so to comply, and will continue so to comply in future.

By Order of the Board

CRAIG GENTLE
Chief Financial Officer
26 February 2019

Report of the external independent auditors to the Directors of St. James's Place plc (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 Single Group-Wide Solvency and Financial Condition Report.

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018, (the Narrative Disclosures subject to audit);
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 (the Group Templates subject to audit); and
- Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of St. James's Place UK plc and St. James's Place International plc (the Company Templates subject to audit).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the 'relevant elements of the Single Group-Wide Solvency and Financial Condition Report'.

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

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02 and Company templates S.05.01.02 and S.05.02.01;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report (the Responsibility Statement); and
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations (the sectoral information) as identified in the Appendix to this report.

To the extent the information subject to audit in the relevant elements of the Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018 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) (ISAs (UK)) including ISA (UK) 800 and ISA (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 Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and, in common with other companies, it is difficult to evaluate all of the potential implications on the company's business, clients, suppliers and the wider economy, in general terms.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' section of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide 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 Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. 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.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide 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 modification made by the PRA under section 138A of FSMA, as detailed below:

a) Permission to publish a Single Group-Wide Solvency and Financial Condition Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide 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 Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide 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.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

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

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit 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.

The engagement partner on the audit resulting in this independent auditor's report is Jeremy Jensen.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
London

26 February 2019

Appendix – relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors
- The following elements of Group template S.25.01.22
  - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements) (forming part of the sectoral information)
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A) BUSINESS AND PERFORMANCE

A.1 Business

NAME AND LEGAL FORM OF THE UNDERTAKINGS

St. James's Place plc (SJP PLC) is a public limited company incorporated and domiciled in England and Wales (No. 03183415). SJP PLC's registered address is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

St. James's Place UK plc (SJPUK) is a public limited company incorporated and domiciled in England and Wales (No. 02628062). SJPUK's registered address is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

St. James's Place International plc (SJPI) is a public limited company incorporated and domiciled in the Republic of Ireland (No. 185345). SJPI's registered address is Fleming Court, Flemings Place, Dublin 4, Ireland.

SUPERVISION

The Group is regulated as an Insurance Group, subject to the Solvency II Directive (2009/138/EC) of the European Parliament and of the Council (on the supplementary supervision of insurance undertakings in an insurance group), with the Prudential Regulation Authority (PRA) as its lead regulator.

SJPUK is also regulated by the PRA.

SJPI is regulated by the Central Bank of Ireland (CBoI).

The PRA may be contacted through their website at **www.bankofengland.co.uk/contact** or at 20 Moorgate, London, EC2R 6DA.

The CBoI may be contacted through their website at **www.centralbank.ie/contact-us** or at PO Box 559, New Wapping St, North Wall Quay, Dublin 1, D01 F7X3.

A summary of the regulated entities in the Group, and their supervision, is provided in Note 17 on pages 194 and 195 in the Report & Accounts.

AUDITOR

As reported in the Report & Accounts, the Group's external auditor is PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

GROUP OWNERSHIP AND STRUCTURE

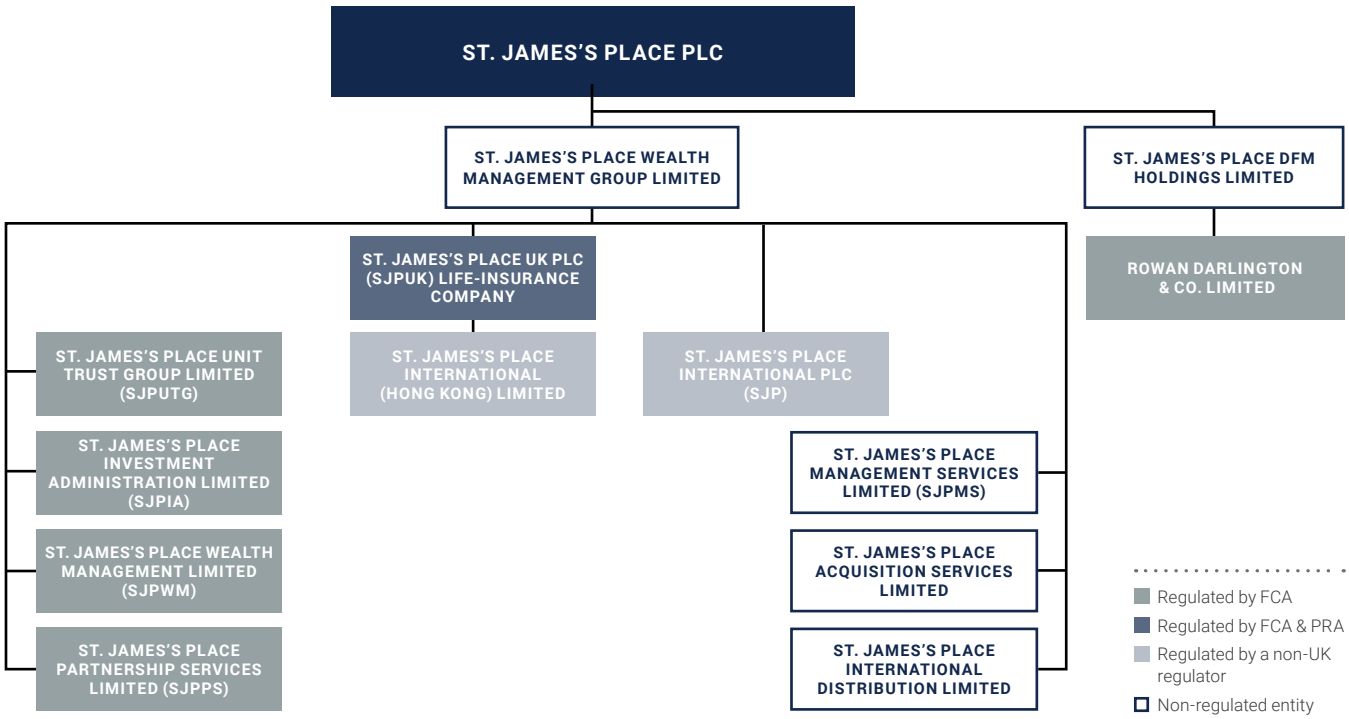
More information about the Group is included in the Report & Accounts in Note 21 on pages 201 to 204.

All significant operating companies based in the UK and Ireland, including SJPUK and SJPI, are held as subsidiaries of St. James's Place Wealth Management Group Limited (SJPWMG), which is a wholly owned subsidiary of SJP PLC.

The entire issued ordinary share capital of SJP PLC is listed on the London Stock Exchange and there are no holders of qualifying holdings in the Company. Details of the holders of material holdings are announced to the London Stock Exchange in accordance with the requirements of the Financial Conduct Authority's Disclosure Guidance & Transparency Rules. The Report & Accounts also includes information about the ownership structure and related undertakings, as well as information about distributions to shareholders.

There is no difference between the scope of the Consolidated Financial Statements in the Report & Accounts, and this SFCR.

A simplified Group structure diagram is included below:



BUSINESS

A description of the whole business of the Group is set out in the Report & Accounts on pages 14 to 27. The business of each of the insurance subsidiaries is predominantly provision of unit-linked savings contracts to retail clients.

A.2 Underwriting performance

Our business model is focussed on wealth management, and so the overwhelming majority of our insurance business is unit-linked investment and pensions business. This business has very low levels of insurance risk. Further, we have fully reassured, with external reassurers, the legacy protection business in SJPUK, and the level of reassurance in SJPI exceeds 50%. As a result the IFRS net insurance liability exposure for the Group at 31 December 2018 (excluding the unit-linked element and reassurance) was only £4.1 million (2017: £2.9 million). Underwriting performance is therefore not a significant driver of the Group's (or the insurance subsidiaries') long-term profitability.

More information about the Group's underwritten business can be found in Note 13 on pages 180 and 181 of the Report & Accounts.

A.3 Investment performance

The wealth management nature of our business means that delivering investment performance for clients is a key performance criterion. However the unit-linked nature of our insurance business in both SJPUK and SJPI means that the impact of investment performance on profit is second order. In general, positive investment performance of our assets is passed on to clients through an equivalent increase in their benefits. An increase in benefits results in a proportionate increase in Annual Management Charges (AMCs), which contributes to improved business performance, but our matching policy ensures that at all times we have assets to meet our liability to clients.

Excess assets held by the insurance companies (and the Group), above those required to match client unit-liabilities, are used as working capital and also as a prudential buffer. The Group's investment policy requires that these prudential assets should be invested in high credit quality and high liquidity assets, typically AAA rated money-market funds. As a consequence the investment performance of these assets is low, because we are focussing on security not yield.

More information about the investment performance of the assets held to cover our unit liabilities and our shareholder assets is presented in Note 6 on page 170 of our Report & Accounts.

A.4 Performance of other activities

As described above, due to the unit-linked nature of our business, underwriting performance is not a significant driver of business performance at Group level or in the subsidiaries. Instead the Group's performance is primarily dependent on levels of FUM and the resulting level of annual management charges. FUM grows with new business inflows, but is reduced by client encashments. As noted above, investment performance can also impact the level of FUM, either positively or negatively.

Insurance FUM for the Group, as well as for SJPUK, have increased during the year, due to positive net inflows (partially offset by negative investment performance in the unit-linked funds over 2018). FUM in SJPI are broadly in line with the start of the year, with the positive contribution from net inflows having been offset by adverse market movements. This has resulted in increased levels of AMC income compared to the prior year.

Detailed information about the development of FUM in the Group can be found on page 31 of the Report & Accounts, and analysis of how this translates into the performance of the business is expounded on pages 31 to 33 of the same document. Information about the Group's leasing arrangements, which are not in either of the insurance subsidiaries, can be found in Note 15 on pages 182 and 183 of the Report & Accounts.

B.1 General information on the system of governance

THE GROUP

The Group is vertically integrated, allowing it to benefit from the synergies of combining funds management with the provision of advice.

The Group is classified as an insurance group for regulatory purposes. The business performance of each of the regulated entities within the Group is ultimately linked with that of the Group as a whole and the majority of risks impact more than one of the regulated entities. The governance structure is designed to reflect this high level of integration, with the business of the Group being governed by a unified Group board committee structure at holding company level (SJP PLC).

The Board of directors of SJP PLC (the Board), in conjunction with its Executive Board Committee (ExBo), sets the strategic direction for, and risk appetite of, the Group. The Board has delegated certain responsibilities to board committees, whose members are non-executive. The Board reserves certain matters to itself but delegates other matters to ExBo, which is responsible for the Group's operational matters. Each member of ExBo has individual responsibility for a number of divisions within the Group, providing smooth and effective reporting structures and delegations of authority.

Further information on the Board, the Group's System of Governance, Remuneration policies and material transactions with shareholders, is provided in the Corporate Governance Report on pages 82 to 93 and the Report of the Remuneration Committee on pages 117 to 141 in the Report & Accounts.

In line with the centralised governance structure, the key functions are organised as Group functions (recognising specific local requirements as appropriate – see SJPI below), ensuring consistent implementation of systems and procedures across the Group. The Chief Actuary and Chief Risk Officer report into the Chief Financial Officer, who is a member of the Board. The Compliance function holders report into the Chief Risk Officer, except for those entities where the Chief Risk Officer is also the Compliance function holder (including SJPUK). All are required to report regularly to the Risk and/or Audit Committees, and have unfettered access to the respective committee chairs, ensuring the necessary authority, resources and operational independence to carry out their tasks. The Director – Group Audit reports into the Chief Executive Officer, but, in line with best practice, has direct access to the Audit Committee and the Audit Committee chair.

SJPUK

SJPUK is managed as a Group subsidiary company with a number of key governance, strategy, planning and risk management processes, and, to a large extent, senior operational management, operating at a Group level. However, certain decisions and key matters must be considered directly by the board of SJPUK. Such matters include:

- Those required by law (e.g. matters under the Companies Act 2006 (such as dividend payments) and accounting and auditing legislation (such as approving annual accounts));
- Those required by regulators (e.g. approval of the SII disclosures); and
- Other commercial matters that the directors of SJPUK deem, in view of their fiduciary duties, that they should consider directly (e.g. entering into key agreements).

On 10/12/2018, SJPUK transitioned to the Senior Managers & Certification Regime (SM&CR), which required the identification of senior management function holders (with requirements specific to SJPUK). During the year Iain Cornish was appointed as a Non-Executive Director of SJPUK and took over the Chair's role on appointment.

SJPI

SJPI is similarly managed as a Group subsidiary, with local management supplemented and complemented by support from the Group. As with SJPUK, certain decisions and key matters are reserved to the SJPI board, which comprises both non-executive and executive directors. Overall the board of SJPI aligns the company with the strategic direction and risk appetite set by the Group.

There are, however, specific governance requirements associated with operating an insurance company in Ireland, and as a consequence the company is required to maintain additional distinct 'standalone' governance arrangements, including dedicated audit and risk committees. The Group Board and ExBo interact regularly, as appropriate, with the board of SJPI and its sub-committees.

A number of the key functions are also undertaken locally, with the Chief Risk Officer being one of the local Executive Directors of the subsidiary, giving good access to the Board to ensure operational independence. As with the Group, the Compliance function holder is also local and reports into the Chief Risk Officer and the Board. The Actuarial Function is outsourced to Milliman, Dublin, and the Group's Director of Audit also fulfils the Internal Audit function for SJPI.

ASSESSMENT OF ADEQUACY

Other than the transition for SJPUK to the Senior Managers & Certification Regime (SM&CR) and the appointment of Iain Cornish as a Non-Executive Director and Chair of SJPUK , there have been no material changes in the system of governance during the year, and the Group believes it remains appropriate taking into account the nature, scale and complexity of the risks inherent in the business. In particular, the centralised approach reflects the highly integrated and inter-dependent nature of the Group's activities.

B.2 Fit and proper requirements

The Group is committed to ensuring that all members of its Boards, key function holders and other senior individuals within the Group (including all Senior Management Function holders and Certified Staff), behave with integrity, honesty and skill, and this commitment is documented in the Fitness and Propriety Policy. The Group has processes in place to ensure appropriate standards of fitness and propriety are met and maintained, both prior to appointment and on an ongoing basis thereafter.

The key elements within the fitness and propriety framework, which apply to each individual, are:

- A Pre-appointment assessment, including: assessment of the individual's knowledge; technical capability; business conduct; behavioural competencies; professional experience and qualifications; receipt of a regulatory reference; and receipt of satisfactory criminal record and credit checks.
- A skills gap analysis, including the transference of any gaps in ability to perform role to a learning and development plan.
- A probationary period and an appropriate induction programme.
- A job description, setting out the significant requirements of their role.
- For Senior Manager Function holders, the maintenance of a Statement of Responsibilities document, listing the core governance and key functions applicable to the role.
- An annual assessment of the fitness and propriety of Senior Manager Function and Certified Function holders, accompanied by a signed confirmation of the individual's understanding of their core governance responsibilities, their fitness and propriety requirements, and an understanding of their ongoing compliance.
- An annual review of performance against objectives and assessment of behaviour against regulatory conduct standards.
- A review of their fitness and propriety, whenever they are impacted by a significant business change or there is a significant change in their responsibilities.

Where a key function is outsourced, the Group ensures that the outsourcing firm carries out appropriate assessments of fitness and propriety for those responsible for the provision of the function and provides evidence of this.

In addition, the Board's Nomination Committee regularly reviews the structure, size and composition of the Board, including skills, knowledge and experience, and makes recommendations to the Board with regard to any changes. When a new appointment is required, the Nomination Committee evaluates the balance of knowledge, skills and experience of the Board members and uses this evaluation to inform the selection of a suitable candidate. Appointments to the role of director in SJPI are subject to approval by the SJPI board and the CBoI.

Records are maintained, and notifications made to the regulators, as and when required.

Further information about the effectiveness and performance of the Group Board is included on pages 91 to 93 of the Report & Accounts.

B.3 Risk management system including the ORSA

Information about the Risk Management System that applies consistently across the Group is included on pages 47 to 55 of the Report & Accounts. Additional information about the position in the organisation of the Group Risk Executive Committee (GRE) can be found on page 87, and the activity of the Board's Risk Committee on pages 106 to 110.

The Board and the boards of the insurance entities have responsibility for assessing their main risks and these are monitored on a regular basis by the Board's Risk Committee, ExBo, the boards of SJPUK and SJPI, and SJPI's Risk Committee.

The Own Risk and Solvency Assessment (ORSA) process is described on pages 48 to 50 of the Report & Accounts, including how the ORSA is integrated into the strategic planning, capital management and risk management processes of the Group. The ORSA was performed simultaneously at the level of the Group and its material individual insurers and recorded in a single document. The ORSA has proven to be a useful process for making consideration of risk appetite more prominent in management decisions. The ORSA continues to evolve and strengthen risk management processes throughout the Group.

The ORSA is an annual assessment cycle supporting strategic planning and capital management activities. It uses outputs from the Risk Management processes to inform and agree risk tolerance and own solvency requirements for each insurance entity and at the wider Group level. The ORSA framework consists of:

- Identifying and assessing risks in accordance with the Risk Management Framework;
- Establishing the risk appetite and agreed tolerances with the Board;
- Projecting the capital requirements based on the risk profile and risk appetite and the expected own funds based on the strategic business plan;
- Assessing the own solvency requirements within each of the regulated insurance entities and for the Group to remain solvent under reasonably foreseeable conditions;
- Monitoring compliance with the SCR and Technical provisions monthly; and
- Reporting conclusions and findings from ORSA processes to the Board and regulators.

The ORSA process is directed by the Board, with active engagement from the boards of SJPUK and SJPI, and comprises a comprehensive risk assessment, providing understanding of the risks each of the business units face, how those risks are managed and how those risks might change, in the context of the strategic plan. The process incorporates a quantitative analysis of the capital required to protect the sustainability of the company, and how it might develop over our planning period (five years).

Where on-going risk monitoring identifies a material change with a notable impact across the Group's operations or confirmation of a fundamental change to our business model which renders the existing assessments invalid, an adhoc ORSA Summary Report will be produced.

B.3 Risk management system including the ORSA continued

The risk profiles of SJPUK and SJPI are consistent with the key risk exposures described in the Report & Accounts, although risks relating to the provision of advice have only an indirect impact on the insurance companies. Solvency requirements for each insurance company are calculated separately and monitored by their respective boards, which are also overseen by the Board. The appropriateness of solvency needs is validated through the following activities:

- Subjecting the financial projections to a series of stresses and scenario tests to measure the sensitivity of our financial position to changes in key modelling assumptions;
- Analysing the impact of material and emerging risks under both reasonably foreseeable and extreme conditions to validate the appropriateness of the control environment and capital buffers.
- Reviewing the assumptions underlying the SCR to assess whether the Standard Formula remains appropriate based on the risk profile of the solo entities.
- Validating the outcome of ORSA processes over time by back-testing historic scenarios and forecasts to actual comparisons. The outcome of this testing is reported in the control documentation prior to the approval of the ORSA report.

B.4 Internal control system

Information about the Internal Control System, including the Control Self-Assessment process that operates consistently across the Group is provided in the Risk Management section of the Report & Accounts on pages 50 and 51, with an evaluation of the system included in the Report of the Audit Committee on pages 104 and 105.

For the Group subsidiaries, oversight of SJPUK internal controls is delegated to the Board's Audit Committee. In line with the stand-alone governance that is required, SJPI has a separate audit committee reporting to its board, which maintains oversight of SJPI internal controls.

The System of Internal Control is underpinned by the Internal Control Model which is designed to ensure the Group meets the key objectives of the business model. This is achieved by adopting the '3 Lines of Defence' model for internal control providing a structured approach for defining risk and control responsibilities, as set out below:

ST. JAMES'S PLACE PLC

Establish three lines of defence to ensure the appropriate management of the Group's risks

First Line: Operational Management

- Responsible for ensuring that controls are in place to address risks such that the Group meets the aims of its internal control model (including activities undertaken by outsourced relationships).

Second Line: Risk and Compliance Functions

- The Risk Management team facilitates, monitors and reports on the implementation by operational management of the risk policies and processes;
- The Compliance teams monitor the specific risks associated with non-compliance with applicable laws and regulations.

Third Line: Internal Audit and Internal Controls

- The Internal Audit team, which is independent of executive management and the first and second lines of defence, provides independent and objective assurance on the internal control model to the Audit Committee through its programme of audit reviews which includes an annual internal control evaluation.
- On-going monitoring of controls and reporting this through regular Control Effectiveness Reviews and the annual CSA process facilitated by the Internal Controls team.

The Group maintains the following permanent and effective teams which collectively comprise the Compliance Function across the Group:

- **Regulatory Guidance** to monitor regulatory developments and business impact; to provide guidance in the compliant development of new products and services and provide guidance during any change to existing products and services;
- **Group Legal** to monitor legislative change;
- **Compliance Assurance** to conduct themed reviews and checks across all divisions to ensure compliant implementation has been maintained;
- **Financial Crime Prevention** to oversee the compliance with the regulatory requirements for financial crime prevention including fraud, anti-money laundering, anti-bribery and anti-corruption;
- **Financial Promotions** to check the adherence of all financial promotions to the relevant regulatory requirements; and
- **Information and Data Security** who oversee data protection.

In addition, Business Assurance and Field Risk monitor advice and Partner activity as part of the first line of defence.

B.4 Internal control system continued

The activities performed by these functions fall under the oversight of the Group Risk Executive Committee. They operate independently to the business and are responsible for:

- Ensuring adequate policies and procedures are in place to detect any risk of failure to comply with the Group's regulatory obligations;
- Monitoring, and on a regular basis assessing, the adequacy and effectiveness of the measures and procedures noted above; and
- Advising and assisting those responsible for carrying out services and activities to ensure they remain in compliance with all relevant laws, regulations and directives.

Each Group company has a nominated individual responsible for all compliance matters, including responsibility for compliance with all relevant regulations and directives. In addition, the Regulatory Control Function Holders are responsible for reporting on compliance matters to senior management, and for indicating whether appropriate remedial measures have been taken in the event of any deficiencies.

A Group Compliance Policy is maintained to identify the compliance structure and systems and controls. The Group Compliance Policy is reviewed bi-annually unless structure or legislative changes require it sooner. Annually the Group Compliance Policy is submitted to ExBo for approval and is made available to the Board's Risk Committee. It is supported by an annual Compliance Plan which involves a risk-based review of the business to ensure activities within the Group Compliance Policy are being conducted as stated.

B.5 Internal audit function

The Internal Audit Department is structured as a Group level function with responsibility for providing third line assurance on all entities within the Group. In this respect it supports the Board's Audit Committee and SJPI's audit committee. The function operates in accordance with the standards of the Institute of Internal Auditors and, in the UK, complies with the provisions of the Code of Conduct for Effective Internal Audit in the Financial Services Sector (2017). The Director of Audit reports to the Group Chief Executive and has direct access to the Chairman of the Board's Audit Committee. The powers of the Internal Audit Department are formally outlined in the Audit Charter which is reviewed annually by both audit committees and constitutes the Audit Policy of the Group.

Information about the performance of the Internal Audit Department can be found in the Report of the Audit Committee on pages 102 and 103 of the Report & Accounts.

B.6 Actuarial function

Most of the actuarial work for the Group is undertaken by a centralised team, which produces results for all entities. However the regulatory responsibility is fulfilled by a particular named individual for each of the relevant jurisdictions.

The Chief Actuary for the Group and SJPUK is directly employed and reports to the Chief Financial Officer, but has direct access to the Group Board, reporting regularly to the Group Board's Audit and Risk Committees. He is also a Director of SJPUK and SJPI.

The Head of Actuarial Function role for SJPI is outsourced to Milliman, an actuarial consultancy firm based locally in Dublin. This also provides access to local professional knowledge and experience.

In all jurisdictions, the Actuarial Function is linked with the Risk Function, providing support and advice, as well as assistance in generating quantitative analysis to support investigations of financial sensitivities, projections and scenarios.

B.7 Outsourcing

The Group outsources the majority of its fund management, back office and administration processes to reputable third parties in order to focus on its core competencies, and will continue to do so provided that the arrangements do not:

a) materially impair the quality of the system of governance of the Group;

b) unduly increase operational risk;

c) impair the ability of the supervisory authorities to monitor the compliance of the Group with its obligations; and/or

d) undermine continuous and satisfactory service to clients.

The group's Material Outsourcing Policy sets out our minimum standards in relation to the selection, due diligence and on-going management of outsourcing relationships.

Outsourcing of fund management is managed through our Investment Management Approach (IMA). More information about the IMA and the process of selecting fund managers is provided on page 22 of the Report & Accounts and also in the Report of the Investment Committee that can be found here **www.sjp.co.uk/investment-management-approach**.

The details of our key external outsourcing arrangements as at 31 December 2018 are listed in the tables below:

BACK-OFFICE AND ADMINISTRATION SERVICE PROVIDERS

Service provider	Nature of outsourced service	Jurisdiction
Amazon Web Services, Inc.	IT Hosting Services	USA
Capita Life and Pensions Services Ireland Ltd	Administration Services	Ireland
Citibank	Custodian and Dealing Services	UK
DST Financial Services International[1] Limited	Administration Services	UK
Intellect Design Arena Ltd	IT Development Services	UK
National Westminster Bank plc	Trustee Services	UK
State Street Bank and Trust Company	Custodian, Trustee Services and Fund Administration Services	UK

1 During 2018, DST Financial Services International was acquired by SS&C Technologies Inc, based in the US. The UK operation has retained the DST branding. There were no significant changes to the administration services provided to the Group as a result of this transaction.

B.7 Outsourcing continued

FUND MANAGEMENT (IMA)

Service provider	Nature of outsourced service	Jurisdiction
Aristotle Capital Management LLC	Fund Management	USA
Artemis Investment Management LLP	Fund Management	UK
Artisan Partners Limited Partnership	Fund Management	USA
AXA Investment Managers UK Ltd	Fund Management	UK
BlackRock Investment Management (UK) Ltd	Fund Management	UK
BlueBay Asset Management LLP	Fund Management	UK
Brigade Capital Management, LP	Fund Management	USA
Burgundy Asset Management Ltd	Fund Management	Canada
Capital Four Management Fondsmæglerselskab A/S	Fund Management	Denmark
EdgePoint Investment Group, Inc.	Fund Management	Canada
First State Investments (Hong Kong) Limited	Fund Management	Hong Kong
Grantham, Mayo, Van Otterloo & Co. LLC	Fund Management	USA
Henderson Global Investors Limited	Fund Management	UK
Impax Asset Management Limited	Fund Management	UK
Invesco Asset Management Ltd	Fund Management	UK
Investec Asset Management	Fund Management	UK
J O Hambro Capital Management Limited	Fund Management	UK
Jennison Associates LLC	Fund Management	USA
Kohlberg Kravis Roberts & Co. L.P.	Fund Management	USA
Loomis, Sayles & Company, LP	Fund Management	USA
Magellan Asset Management Ltd	Fund Management	Australia
Majedie Asset Management Limited	Fund Management	UK
Manulife Asset Management (US) LLC	Fund Management	USA
MidOcean Credit Fund Management LP	Fund Management	USA
Nippon Value Investors	Fund Management	Japan
Oaktree Capital Management, LP	Fund Management	USA
Orchard Street Investment Management LLP	Fund Management	UK
Paradice Investment Management Pty Ltd	Fund Management	USA
Payden & Rygel	Fund Management	USA
RWC Partners Ltd	Fund Management	UK
Sands Capital Management LLC	Fund Management	USA
Schroder Investment Management Ltd	Fund Management	UK
Select Equity Group, Inc.	Fund Management	USA
State Street Global Advisors	Fund Management	UK
Threadneedle Asset Management Ltd	Fund Management	UK
TwentyFour Asset Management LLP	Fund Management	UK
Wasatch Advisors, Inc.	Fund Management	USA
Wellington Management Company LLP	Fund Management	USA
Woodford Investment Management LLP	Fund Management	UK

C) RISK PROFILE

Information about the risk profile of the business, and the principal risks and uncertainties that are inherent within both the Group's business model and the market in which we operate, is included on pages 47 to 54 of the Report & Accounts, in the Risk Management section. These are the risks which could have a material impact on the key strategic outcomes.

Against each of the principal risks, consideration is given to the level of exposure (likelihood and impact) and the extent to which the risk can be mitigated. This is recorded through local level risk registers and aggregated into a Group-level 'Current Risk Priorities'. The tables in the Report & Accounts set out the principal risks, the business outcomes on which they impact, and the high-level controls and processes through which we aim to mitigate them.

The principal risks to our business largely remain the same, but the controls and mitigations are under constant review. However, the political environment is an area of increasing uncertainty to our business and the wider economy.

We are focussed on understanding how different Brexit outcomes might impact our business in order to consider appropriate methods of mitigating downside risks. Our analysis and scenario testing has considered worse case scenarios to ensure we are adequately capitalised to severe but plausible impacts from Brexit or otherwise.

The design of the Group's product offering on a unit-linked basis was conceived from outset as an attractive client proposition, but also a risk management opportunity. In combination with the corporate investment strategy of fully matching all client liabilities with the relevant assets, all material risks are effectively removed from this business, apart from operational risk. More information about our Investment Management Approach can be found here **www.sjp.co.uk/investment-management-approach**.

The governance framework we have implemented is designed to mitigate risk and ensure that assets held within each fund are appropriate for the risk profile and scope of the investment mandate. We also ensure that our investment proposition remains appropriately positioned to meet the requirements of our clients. The comprehensive governance framework includes, amongst other components:

- an Investment Committee comprising both executive and non-executive expertise,
- an internal Investment Risk Committee which provides oversight of fund operations,
- an internal team dedicated to the monitoring of the investment risk aspects of our third-party fund managers, and
- the retained services of a range of specialist independent investment consultants.

Outside the unit-linked funds, the vast majority of shareholder assets above those required to meet client liabilities are invested in highly rated and highly liquid sterling denominated cash-type investments, such as short-dated Government Bonds, Money Market Liquidity Funds and Bank Deposits. Minimum credit ratings and diversification requirements are managed through a Group Credit Risk Policy.

Collectively, this oversight and governance also gives the Group comfort in continued adherence to the prudent person principle.

More information about the Financial Risks in our business can be found in Note 16 on pages 183 to 193 of the Report & Accounts.

C.1 Underwriting risk

The unit-linked nature of our products in both SJPUK and SJPI is designed to mitigate the impact of underwriting risks on the business.

A) RETENTION

The Group's ability to retain funds under management may be impacted by changes in the economic climate, poor investment performance, competitor activity, or reputational damage to the Group. Higher levels of lapses, whether from a one-off event or from an increase to our assumptions of long-term experience, would reduce the Group's future profitability. However, the unit-linked nature of our business means that the impact on the Group's solvency position is limited, since technical provisions, own funds and capital requirements would all move broadly in line with the lower level of business.

The following table shows the impact of a 10% increase in the assumed level of future lapses:

	SJPUK		SJPI		Group	
10% increase in lapses	2017	**2018**	2017	**2018**	2017	**2018**
Percentage change in:						
Solvency Capital Requirement (SCR)	(6)%	**(6)%**	(8)%	**(8)%**	(6)%	**(6)%**
Own Funds	(4)%	**(4)%**	1%	**1%**	(3)%	**(3)%**
Base Solvency Ratio	124%	**125%**	160%	**141%**	139%	**143%**
Scenario Solvency Ratio	127%	**127%**	174%	**155%**	143%	**147%**

The table shows that increasing the assumed level of future lapses (normally considered a negative result) would counterintuitively lead to a small increase in the Group's current solvency ratio. A similar effect is seen in both SJPUK and SJPI, although the effect is more pronounced in SJPI (reflecting differences in the emergence of profits from the underlying products).

C.1 Underwriting risk continued

B) EXPENSES

Changes in expenses, particularly administration costs, would impact on the Group's future profits. Increasing our long-term assumption of expense levels would increase both our technical provisions and our capital requirements.

The following table shows the impact of a 10% increase in the assumed level of per policy expenses:

	SJPUK		SJPI		Group	
10% increase in per-policy expenses	2017	**2018**	2017	**2018**	2017	**2018**
Percentage change in:						
Solvency Capital Requirement (SCR)	0%	**0%**	1%	**3%**	0%	**0%**
Own Funds	(1)%	**(1)%**	(8)%	**(9)%**	(1)%	**(2)%**
Base Solvency Ratio	124%	**125%**	160%	**141%**	139%	**143%**
Scenario Solvency Ratio	123%	**123%**	146%	**124%**	137%	**141%**

The table shows that an increase in per-policy expenses would lead to a small reduction in the Group's solvency ratio. A similar effect is seen in both SJPUK and SJPI, although the effect is more pronounced in SJPI (again reflecting differences in the emergence of profits from the underlying products).

C) MORTALITY AND MORBIDITY

The insurance subsidiaries have only small legacy portfolios of protection business which are substantially (or wholly in the case of SJPUK) reassured. The level of mortality and morbidity risk relating to this business is therefore immaterial.

Information about insurance risks in our Group, including underwriting and reinsurance, is included in Note 13 on pages 180 to 183 of the Report & Accounts.

C.2 Market risk

The unit-linked nature of the Group's products, and our matching strategy, means our corporate exposure to market risk is small and second-order. Similarly, our investment policy for shareholder assets also substantially mitigates market risk.

A) FUNDS UNDER MANAGEMENT

Adverse market movements would reduce the Group's future profitability through lower levels of annual management charges. However the impact on the Group's current solvency position (and that of SJPUK and SJPI) would be limited, since technical provisions, own funds and capital requirements would all move broadly in line with the lower funds under management.

The following table shows the impact of a 10% reduction in current funds under management:

	SJPUK		SJPI		Group	
10% decrease in FUM	2017	**2018**	2017	**2018**	2017	**2018**
Percentage change in:						
SCR	(11)%	**(11)%**	(9)%	**(7)%**	(10)%	**(10)%**
Own Funds	(10)%	**(11)%**	(8)%	**(9)%**	(9)%	**(9)%**
Base Solvency Ratio	124%	**125%**	160%	**141%**	139%	**143%**
Scenario Solvency Ratio	124%	**124%**	160%	**137%**	141%	**145%**

Note: This table ignores any knock-on effect of lower markets on EIOPA's symmetric equity adjustment.

B) RISK-FREE RATE

Given the nature of the Group's business, changes to the risk-free rate have only a second-order impact on our client liabilities. However, a reduction in the risk-free rate would place more value on future expenses, leading to an increase in technical provisions and capital requirements.

The following table shows the impact of a 1% reduction in the risk-free rate:

	SJPUK		SJPI		Group	
1% reduction in risk-free rates	2017	**2018**	2017	**2018**	2017	**2018**
Percentage change in:						
SCR	0%	**0%**	1%	**6%**	0%	**0%**
Own Funds	(2)%	**(3)%**	(13)%	**(16)%**	(2)%	**(3)%**
Base Solvency Ratio	124%	**125%**	160%	**141%**	139%	**143%**
Scenario Solvency Ratio	122%	**122%**	136%	**111%**	136%	**139%**

Note: This table ignores any knock-on effect of lower market rates on the Group's Funds Under Management.

C.3 Credit risk

In relation to our unit-linked funds credit risk exposure also sits with individual clients, with our oversight functions ensuring that exposures remain within the parameters of the relevant investment mandates. Our investment policy for shareholder assets also means credit risk is minimised (through investing in highly rated money-market funds and government bonds).

C.4 Liquidity risk

Typically our unit-linked funds are invested in deep and liquid markets, meaning client encashments can easily be matched by underlying asset realisation. However in stressed scenarios some asset types can become illiquid and there can be some risk of not being able to meet client encashments immediately. In these circumstances, policy terms and conditions typically include clauses allowing deferral of the encashment, providing a window for the Group to be able to manage a more orderly solution to clients' encashment requests. However such circumstances are rare and so the level of liquidity risk in relation to the unit-linked business is typically very low.

Our investment policy for shareholder assets also means liquidity risk is minimised.

The level of expected profit included in the future premiums within the valuation of technical provisions is zero.

C.5 Operational risk

Many of the principal risks for the Group, identified on pages 51 to 54 of the Report & Accounts are operational risks, reflecting the inherently low risk nature of our unit-linked insurance business, particularly in relation to typical insurance and economic risks.

In relation to our operations, a key feature of our business model is outsourcing of a number of important elements. Whilst outsourcing changes the characteristics of the 'gross' operational risk, our robust governance framework for oversight of material outsourcing arrangements mitigates this exposure, bringing the 'net' exposure in line with our corporate risk appetite.

C.6 Other material risks

All other material risks are described on pages 51 to 54 of the Report & Accounts.

C.7 Any other information

As part of the Group's ongoing risk management approach we perform a range of stress and scenario tests, reporting on the output as part of the Group ORSA. The Group's stress and scenario testing comprises two elements:

- Sensitivity and stress testing of the financial and capital position to changes in key modelling assumptions – for the most part these changes have limited impact on solvency ratios as the insurance assets and liabilities move in line with each other.
- Exploration of plausible adverse scenarios that may arise in the normal course of business – these are derived from the key drivers of business and the schedule of significant risks to the Group. Where possible the Group undertakes quantitative analysis of solvency and profit and loss impacts, augmented with qualitative analysis if modelling is not appropriate. This scenario testing also includes analysis of new risks emerging in the business and our programme of reverse stress testing.

D) VALUATION FOR SOLVENCY PURPOSES

Under the definition set out in Article 212 1(f) of Directive 2009/138/EC (the Directive), SJP plc is an 'insurance holding company', at the head of an insurance group. The Group valuation exercise therefore reflects the following assessments:

- Valuations for each of the 'solo' insurance entities, SJPUK and SJPI, using the SII methodology and basis in line with the SII Regulations; and
- Valuations of other regulated Group companies in line with the appropriate sectoral rules for Own Funds and capital requirement.

The Group result has been prepared using the Accounting Consolidation-based method – Method 1 – as set out in Article 230 of the Directive which means the consolidated balance sheet of the Group has been prepared in accordance with SII Regulations.

In general, the valuation method is aligned with IFRS and so the basis of preparation aligns with the accounting policies outlined in Notes 1 and 2 on pages 158 to 166 of the Report & Accounts. Exceptions to these methods are outlined in the relevant sections below.

D.1 Assets

GROUP

Assets	Statutory accounts value IFRS £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Goodwill	15.6	–	–	(15.6)	**–**	–
Deferred acquisition costs	558.5	–	(2.2)	(556.3)	**–**	–
Intangible assets	25.4	–	–	(25.4)	**–**	–
Deferred tax assets	147.1	(147.1)	–	–	**–**	–
Property, plant & equipment held for own use	28.5	–	(28.4)	(0.1)	**–**	–
Property (other than for own use)	1,820.7	(1,820.7)	–	–	**–**	–
Participations	–	–	191.2	17.1	**208.3**	140.6
Equities – listed	56,077.9	(56,077.9)	–	–	**–**	–
Government bonds	6,327.6	(6,322.1)	–	(2.9)	**2.6**	43.6
Corporate bonds	15,638.4	(15,638.4)	–	–	**–**	–
Collective Investments Undertakings	4,756.1	(3,353.1)	(282.1)	–	**1,120.9**	1,173.2
Derivatives	508.8	(508.8)	–	–	**–**	–
Assets held for index-linked and unit-linked contracts	–	68,492.2	(247.3)	–	**68,244.9**	64,836.9
Reinsurance recoverables on technical provisions	82.8	–	–	(42.8)	**40.0**	36.9
Insurance and intermediaries receivables	77.1	–	–	–	**77.1**	115.4
Reinsurance receivables	6.3	–	–	–	**6.3**	7.1
Receivables (trade, not insurance)	1,878.6	(1,059.2)	39.1	(2.4)	**856.1**	768.6
Cash and cash equivalents	6,877.6	(6,629.1)	(128.0)	–	**120.5**	135.0
Total assets	**94,827.0**	**(23,064.2)**	**(457.7)**	**(628.4)**	**70,676.7**	67,257.3

SJPUK

Assets	Statutory accounts value FRS 101 £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Deferred acquisition costs	377.7	–	–	(377.7)	**–**	–
Participations	17.1	–	–	–	**17.1**	16.5
Collective Investments Undertakings	886.4	106.0	–	–	**992.4**	1,079.9
Assets held for index-linked and unit-linked contracts	60,972.7	261.1	–	–	**61,233.8**	57,820.1
Reinsurance recoverables on technical provisions	82.8	–	–	(27.4)	**55.4**	52.2
Insurance and intermediaries receivables	74.1	–	–	–	**74.1**	107.7
Reinsurance receivables	3.4	–	–	–	**3.4**	2.4
Receivables (trade, not insurance)	60.0	–	–	–	**60.0**	158.8
Cash and cash equivalents	104.2	–	–	–	**104.2**	116.3
Total assets	**62,578.4**	**367.1**	**–**	**(405.1)**	**62,540.4**	59,353.9

D.1 Assets continued

SJPI

Assets	Statutory accounts value FRS 101 £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Deferred acquisition costs	56.2	–	–	(56.2)	**–**	–
Government bonds	5.4	0.1	–	(2.9)	**2.6**	43.6
Collective Investments Undertakings	128.5	–	–	–	**128.5**	93.3
Assets held for index-linked and unit-linked contracts	6,997.4	13.7	–	–	**7,011.1**	7,016.7
Reinsurance recoverables on technical provisions	–	–	–	(15.4)	**(15.4)**	(15.2)
Insurance and intermediaries receivables	3.0	–	–	–	**3.0**	7.7
Reinsurance receivables	2.9	–	–	–	**2.9**	4.7
Receivables (trade, not insurance)	1.7	(0.1)	–	–	**1.6**	1.7
Cash and cash equivalents	15.6	–	–	–	**15.6**	18.0
Total assets	**7,210.7**	**13.7**	**–**	**(74.5)**	**7,149.9**	7,170.5

VALUATION METHODOLOGY

Assets are valued in line with the accounting policies set out in the Report & Accounts in Note 1 on pages 158 to 165, with the following exceptions:

(A) Participations

Subsidiaries have to be valued with the equity method, valuing all assets and liabilities of the subsidiary company in accordance with the valuation principles of the Directive.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the company's share of the subsidiary's net assets. The company's profit or loss and other comprehensive income includes its share of the subsidiary's profit. Distributions received from a subsidiary reduce the carrying amount of the investment.

When valuing the asset and liabilities of a subsidiary the SII valuation methods described in this document are followed. The value of goodwill and other intangible assets valued at zero are deducted from the value of the subsidiary.

(B) Intangible assets

Deferred acquisition costs (DAC) balances and goodwill are valued at zero under SII Regulations and are effectively removed in the preparation of the SII balance sheet.

Intangible assets, other than goodwill, are recognised in the SII balance sheet at a value other than zero only if they can be sold separately and it can be demonstrated that there is a value for the same or similar assets that has been derived from quoted market prices in active markets.

Bespoke computer software tailored to the needs of the company and 'off the shelf' software licences that cannot be sold to another user are valued at zero.

(C) Deferred tax

Deferred taxes are recognised for SII purposes following the recognition principles in IAS 12. This means that for temporary differences the deferred taxes are based on the difference between the value of assets and liabilities on the SII balance sheet and the value of assets and liabilities for tax purposes (tax base).

Deferred taxes that arise from carry-forwards of unused tax credits or tax losses are valued at the value as measured in the IFRS balance sheet and not the SII basis. Further details are included in Note 7 of the Report and Accounts on pages 171 to 173.

(D) Ineligible assets

In certain circumstances assets may be deemed ineligible under SII, for example due to asset inadmissibility rules under the respective entity sectoral regulatory regimes, and are assessed at zero value.

(E) Reassurance assets

The reassurance asset reflects any beneficial impact of reassurance in reducing the technical provisions. The SII valuation reflects the methods used to value the underlying technical provisions. More detail is provided in section D2.

There has been no change to the recognition of assets compared to the previous valuation.

ASSUMPTIONS AND JUDGEMENTS

The uncertainty of asset valuations and judgements are as set out in Note 2 of the Report & Accounts on page 166. More information about the financial risk of these assets including estimation and uncertainty can be found in Note 16 of the Report & Accounts on pages 183 to 193. Identification of assets fair value measurement by level can also be found in the same Note.

D.1 Assets continued

RECONCILIATION OF STATUTORY VALUATION OF ASSETS TO SII VALUATION

The following points are the key differences between the statutory and SII valuations:

- **Consolidation of presentation of assets backing unit-linked contracts:** The IFRS basis of preparation adopted in our Group accounts requires detailed analysis on the balance sheet of assets backing unit-linked contracts between different asset types. This approach is not required in the local GAAP methodologies used for the subsidiary companies, nor for SII. The impact is simply a re-presentation of the net assets (i.e. overall impact is neutral), mainly affecting the presentation of the assets with offsetting adjustments to other liabilities.
- **Reassessment of participations (including consolidated unit-trusts):** As noted in (A) above, SII requires that subsidiaries are valued using the equity method. In practice this results in a consolidation of more detailed information presented under IFRS. The overall impact is slightly positive principally as a result of recognition of deferred income in one of the non-insurance subsidiary companies.
- **Accounting policy differences:** As noted in (B) and (C) above, Goodwill, DAC, Deferred Tax Assets and other Intangible Assets are reassessed at zero value under SII. The associated impact on Deferred Tax is reflected in other liabilities.

  As noted in (D) above, certain assets may be treated as ineligible under SII and assessed at zero.

  As noted in (E) above, the valuation of the reinsurance asset is aligned with the SII valuation of the technical provisions.

There has been no change to the recognition and valuation bases used for assets compared to the previous valuation.

D.2 Technical provisions

Under SII the investment contract benefits and insurance contract liabilities required by IFRS are replaced by an assessment of the technical provisions, comprising the Best Estimate Liability (BEL) and the Risk Margin. This is further split into separate provisions for Unit-linked business and Life and Health. The approach to assessing the technical provisions on a SII basis, together with information about the key sensitivities, is set out below:

GROUP

Technical provisions	Statutory accounts value IFRS £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Unit-linked technical provisions	68,325.0	(107.6)	(66.6)	(68,150.8)	**–**	–
– BEL	–	–	–	64,456.9	**64,456.9**	60,916.1
– Risk Margin	–	–	–	987.7	**987.7**	944.6
Life & health technical provisions	92.6	(5.7)	–	(86.9)	**–**	–
– BEL	–	–	–	82.6	**82.6**	82.8
– Risk Margin	–	–	–	1.6	**1.6**	1.6
Total technical provisions	**68,417.6**	**(113.3)**	**(66.6)**	**(2,708.9)**	**65,528.8**	61,945.1

SJPUK

Technical provisions	Statutory accounts value FRS 101 £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Unit-linked technical provisions	61,272.5	(107.6)	–	(61,164.9)	**–**	–
– BEL	–	–	–	57,578.5	**57,578.5**	54,052.1
– Risk Margin	–	–	–	931.3	**931.3**	893.2
Life & health technical provisions	96.2	(5.7)	–	(90.5)	**–**	–
– BEL	–	–	–	78.6	**78.6**	78.6
– Risk Margin	–	–	–	1.3	**1.3**	1.3
Total technical provisions	**61,368.7**	**(113.3)**	**–**	**(2,665.7)**	**58,589.7**	55,025.2

SJPI

Technical provisions	Statutory accounts value FRS 101 £'Million	Reallocations £'Million	Reassessment of participations £'Million	Accounting policy differences £'Million	Solvency II value 31/12/2018 £'Million	Solvency II value 31/12/2017 £'Million
Unit-linked technical provisions	6,985.9	–	–	(6,985.9)	**–**	–
– BEL	–	–	–	6,878.4	**6,878.4**	6,864.0
– Risk Margin	–	–	–	56.4	**56.4**	51.4
Life & health technical provisions	(3.6)	–	–	3.6	**–**	–
– BEL	–	–	–	4.0	**4.0**	4.2
– Risk Margin	–	–	–	0.3	**0.3**	0.3
Total technical provisions	**6,982.3**	**–**	**–**	**(43.2)**	**6,939.1**	6,919.9

The Technical Provisions have increased over 2018, mainly due to the addition of new business (partially offset by client withdrawals and negative investment returns in the unit-linked funds over 2018).

D.2 Technical provisions continued

VALUATION METHODOLOGY

Under SII, the technical provisions comprise a Best Estimate Liability (BEL) and a Risk Margin (RM). The valuation methodology is outlined below, and is followed by commentary on the key judgements and assumptions, and on the sensitivity of the valuation to changes in these assumptions.

BEL

The BEL is determined as the discounted value of the projected monthly cashflows involved in fulfilling the liabilities under the in-force business. Broadly, these cashflows comprise:

- **Benefit outgo:** Projected gross of reassurance payments to clients on death, illness, surrender, withdrawal or maturity (including unit-related payments, net of client charges).
- **Expense outgo:** The expenses incurred in fulfilling the contracts, including investment advice fees and policy commission.
- **Taxation payments:** Allowance is included within the BEL for tax paid on behalf of clients, e.g. for client tax in the Life Fund in SJPUK, but not for shareholder tax on profits (which is included on the balance sheet as a deferred tax liability instead).
- **Premium payments:** Future premiums (and the additional obligations that they generate) are included in the projected cashflows only if they fall within the 'boundary' of the existing business. Future premiums have only been included within the valuation for the Group's protection business; premiums on investment business, including pensions and the International Regular Investment Plan, are assumed to cease immediately.

Projected cashflows are determined at plan level, or at the more detailed tranche level where this is necessary to capture the policy charges correctly; there is no grouping or aggregation of the input files. No significant simplifications have been used.

The BEL is determined gross of amounts recoverable from reassurance contracts. The projected amounts recoverable from reinsurance (net of reinsurance premiums) are valued separately, using the same methodology and assumptions as for the BEL, and are held separately on the balance sheet (Reinsurance recoverables on technical provisions). Allowance is included in the valuation of the reinsurance recoverables for the risk of default of the Group's reinsurers.

There is no minimum restriction on the amount of the BEL; policy level liabilities may be less than the current surrender value and in some cases may be negative (where future charges are expected to exceed outgo).

No allowance has been included in the BEL for any of the transitional adjustments set out in the Delegated Acts (i.e. matching or volatility adjustments to the risk-free rate, or transitional adjustments to the overall technical provisions).

Risk Margin

The Risk Margin is determined as the cost of holding the Solvency Capital Requirement (SCR) over the lifetime of the insured portfolio. This cost is determined by applying a prescribed cost of capital rate of 6% p.a. to each year's projected SCR, and then discounting these amounts at the risk-free rate.

The projected SCR figures have been determined using the 'Standard Formula' basis, consistent with the calculation of the initial SCR, but only allowing for risks that are deemed to be non-hedgeable. The Group views the market risk arising from fluctuations in the value of its linked funds as being hedgeable, and therefore no allowance has been made for market risk within the projection of the SCR.

There has been no change to the recognition of liabilities in the Best Estimate Liabilities or Risk Margin compared to the previous valuation.

JUDGEMENTS

The projection of the monthly cashflows used in the assessment of the technical provisions and risk margin requires management to make judgements. The key judgements are:

Contract Boundaries

The Group's product range includes some products where premiums are paid on a regular basis. Where the purpose of a product is predominantly savings-related, future premiums would typically increase the Own Funds available to meet the SCR. They are treated as being outside the boundary of the existing plans and are not reflected in the valuation. Where the product offers more significant insurance benefits, future premiums, and associated benefits, are assumed to be within the boundary of the existing plans.

Projection of SCR for Risk Margin

Calculation of the Risk Margin requires projection of the SCR. Reflecting the relatively simple nature of the business and risks, a simplified method has been adopted in line with 'Method 1' outlined in Guideline 62 of EIOPA's guidelines on the valuation of technical provisions (i.e. the methodology involving the least simplifications). This uses a series of 'risk drivers' to project how each component of the initial SCR runs off over the lifetime of the portfolio. Separate drivers are used for each risk, selected in each case such that they reflect the expected movement in the underlying capital requirement, as follows:

RISK MODULE	RISK DRIVER	RATIONALE
LAPSE RISK	SUM AT RISK ON SURRENDER	MIMICS THE IMPACT OF THE 'MASS LAPSE' SCENARIO, WHICH IS THE MOST ONEROUS LAPSE SCENARIO
EXPENSE RISK	DISCOUNTED FUTURE MAINTENANCE EXPENSES	EXPENSE RISK CAPITAL RELATES TO INCREASED MAINTENANCE EXPENSES
OPERATIONAL RISK	ANNUALISED NON-ACQUISITION EXPENSES	OPERATIONAL RISK CAPITAL IS BROADLY EQUAL TO 25% OF THE ANNUALISED NON-ACQUISITION EXPENSES

D.2 Technical provisions continued

ASSUMPTIONS AND UNCERTAINTY

The projection of the monthly cashflows used in the assessment of the technical provisions and risk margin requires management to make assumptions. In general assumptions are based on historical experience, expected future experience, and various other factors that are believed to be reasonable under the circumstances. The assumptions are reviewed on an ongoing basis. The key assumptions are as follows:

Economic assumptions

The assumptions about the risk-free interest rate for all durations are prescribed by the European Insurance and Occupational Pensions Authority (EIOPA). Full detail of the Sterling interest rate curve prescribed for use at 31 December 2018 can be found at **eiopa.europa.eu/regulation-supervision/insurance/solvency-ii-technical-information/risk-free-interest-rate-term-structures**. This is used throughout our valuation.

The inflation assumption is required to be consistent with the risk-free rate and to use market data where it is available. We therefore use the implicit price inflation curve published by the Bank of England, available here **www.bankofengland.co.uk/statistics/yield-curves**. This curve is then increased to reflect our own expectation of higher increases in earnings related expenses.

Sample spot rates for key terms are set out below:

	Rate 2018	Rate 2017
Risk free rate (10 yrs.)	**1.34%**	1.19%
Inflation rate (10 yrs.)	**3.35%**	3.18%
Expense inflation SJPUK	**3.74%**	3.55%
Expense inflation SJPI	**4.13%**	3.97%

A 1% decrease in the risk-free curve used at all durations would increase the Group technical provisions by £113.8 million (2017: £88.2 million) as there is a higher value placed on future expenses. Group excess of SII assets over technical provisions and SCR (SII free assets) would reduce by £101.0 million (2017: £72.9 million). The sensitivities in each of the insurance entities is shown in the table below:

	Sensitivities (£'M) 31/12/2018			Sensitivities (£'M) 31/12/2017		
1% reduction in discount rate	**SJPUK**	**SJPI**	**Group**	SJPUK	SJPI	Group
Technical provisions	**85.3**	**28.5**	**113.8**	62.6	25.6	88.2
Solvency II free assets	**(68.8)**	**(32.2)**	**(101.0)**	(48.4)	(24.6)	(72.9)

Persistency (and other Decrement) assumptions

The principal decrement assumptions are for persistency experience. Mortality and morbidity assumptions do not materially impact the valuation, not least due to the high level of reassurance.

The persistency assumptions are derived from the Group's own experience and reflect our best estimate of experience over the long-term. Where sufficient data does not exist, external industry may be used.

The persistency assumptions are unchanged from the previous year. Sample rates for key terms are set out below:

Products (duration-based)	**10 year (ultimate) full lapse rate**	**10 year (ultimate) partial lapse rate**
Unit-linked insurance bonds	4.3%	1.5%
Unit-linked offshore insurance bonds	4.5%	4.0%

Product (age-based)	**Age 40 transfer rate**	**Age 60 transfer and crystallisation rate**	**Age 80 transfer and crystallisation rate**
Unit-linked pensions – pre crystallisation	3.0%	12.5%	15.0%
Unit-linked pensions – post crystallisation	7.5%	5.0%	25.0%

In addition to these assumptions about client 'occasional' behaviour, regular withdrawals are also modelled, based on the amount shown on the policy record. It is also assumed that the whole of the projected investment income is paid out where a client has selected to receive distributions from underlying funds.

A 10% increase in the lapse assumptions used would increase the Group technical provisions by £127.8 million (2017: £126.3 million). However the Group SII free assets would increase by £31.3 million (2017: £34.6 million) due to reduced capital requirements as the business runs-off more quickly. The sensitivities in each of the insurance entities is shown in the table below:

	Sensitivities (£'M) 31/12/2018			Sensitivities (£'M) 31/12/2017		
10% increase in lapses	**SJPUK**	**SJPI**	**Group**	SJPUK	SJPI	Group
Technical provisions	**128.4**	**(0.6)**	**127.8**	126.6	(0.2)	126.3
Solvency II free assets	**21.2**	**10.1**	**31.3**	25.6	9.0	34.6

Expense assumptions

The expense assumptions include allowance for both third-party administration costs and corporate overhead costs incurred in respect of covered business. The corporate costs have been apportioned so that the total maintenance cost represents the anticipated ongoing expenses, including systems development costs, which are expected to arise in future years in meeting the policy servicing requirements of the in-force business.

Sample rates per plan are set out below:

Product	**Renewal expense £ p.a. 2018**	Renewal expense £ p.a. 2017
Unit-linked bonds	**54.16**	48.36
Unit-linked pensions – pre crystallisation	**55.36 – 67.20**	48.36 – 57.76
Unit-linked pensions – post crystallisation	**72.48**	59.67
Unit-linked offshore insurance bonds	**140.08**	135.27

During 2018 a substantial proportion of the Group's pensions business was successfully migrated onto a new administration platform. As part of this exercise some pension holdings were consolidated at client level, leading to a reduction in the total number of plans in-force. Although underlying expenses were unaffected by this exercise, and hence the impact on technical provisions is not material, the impact of spreading the fixed element of future maintenance expenses over a smaller number of plans has led to an increase in the quoted 'per-policy' expenses.

A 10% increase in the maintenance expense assumptions used would increase the Group technical provisions by £61.4 million (2017: £47.5 million) and Group SII free assets would reduce by £56.0 million (2017: £40.6 million). The sensitivities in each of the insurance entities is shown in the table below:

	Sensitivities (£'M) 31/12/2018			Sensitivities (£'M) 31/12/2017		
10% increase in maintenance expenses	**SJPUK**	**SJPI**	**Group**	SJPUK	SJPI	Group
Technical provisions	**45.0**	**16.4**	**61.4**	32.6	14.9	47.5
Solvency II free assets	**(37.8)**	**(18.2)**	**(56.0)**	(26.6)	(14.0)	(40.6)

D.3 Other liabilities

GROUP

	Statutory accounts value IFRS	Reallocations	Reassessment of participations	Accounting policy differences	Solvency II value 31/12/2018	Solvency II value 31/12/2017
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Provisions other than technical provisions	671.0	–	(40.0)	(631.0)	**–**	–
Deferred tax liabilities	172.9	(147.1)	–	209.8	**235.6**	540.3
Derivatives	517.4	(517.4)	–	–	**–**	–
Debts owed to credit institutions	348.6	–	(348.6)	–	**–**	–
Financial liabilities other than debts owed to credit institutions	0.1	–	(0.1)	–	**–**	–
Insurance & intermediaries payables	124.6	494.1	–	–	**618.7**	840.7
Reinsurance payables	12.9	–	–	–	**12.9**	15.5
Payables (trade, not insurance)	1,040.0	(277.7)	(2.5)	–	**759.8**	517.6
Any other liabilities, not elsewhere shown	22,502.8	(22,502.8)	–	–	**–**	–
Total other liabilities	**25,390.3**	**(22,950.9)**	**(391.2)**	**(421.2)**	**1,627.0**	1,914.1

SJPUK

	Statutory accounts value FRS 101	Reallocations	Reassessment of participations	Accounting policy differences	Solvency II value 31/12/2018	Solvency II value 31/12/2017
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Provisions other than technical provisions	321.6	–	–	(321.6)	**–**	–
Deferred tax liabilities	37.8	–	–	184.8	**222.6**	528.4
Insurance & intermediaries payables	100.6	480.4	–	–	**581.0**	778.2
Reinsurance payables	11.8	–	–	–	**11.8**	13.2
Payables (trade, not insurance)	302.7	–	–	–	**302.7**	177.0
Total other liabilities	**774.5**	**480.4**	**–**	**(136.8)**	**1,118.1**	1,496.8

SJPI

	Statutory accounts value FRS 101	Reallocations	Reassessment of participations	Accounting policy differences	Solvency II value 31/12/2018	Solvency II value 31/12/2017
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Provisions other than technical provisions	117.0	–	–	(117.0)	**–**	–
Deferred tax liabilities	–	–	–	13.0	**13.0**	11.9
Insurance & intermediaries payables	24.0	13.7	–	–	**37.7**	62.4
Reinsurance payables	1.1	–	–	–	**1.1**	2.4
Payables (trade, not insurance)	2.4	–	–	–	**2.4**	2.8
Total other liabilities	**144.5**	**13.7**	**–**	**(104.0)**	**54.2**	79.5

VALUATION METHODOLOGY

Other liabilities are valued in line with the accounting policies set out in Note 1 on pages 158 to 165 of the Report & Accounts, with the following exceptions:

(F) Deferred income reserve

Deferred income reserve (DIR) balances have a value of zero in the SII balance sheet.

ASSUMPTIONS AND JUDGEMENTS

The uncertainty of liability valuations and judgements are as set out in Note 2 of the Report & Accounts on page 166. More information about the financial risk of these liabilities including estimation and uncertainty can be found in Note 16 of the Report & Accounts on pages 183 to 193.

D.3 Other liabilities continued

RECONCILIATION OF STATUTORY VALUATION TO SII VALUATION

The following points are the key differences between the statutory and SII valuations:

- **Consolidation of presentation of assets backing unit-linked contracts:** As in the valuation of assets, the IFRS basis requires detailed analysis of assets backing unit-linked contracts between different asset types. This approach is not required in the local GAAP methodologies used for the subsidiary companies, nor for SII and the overall impact on the net assets across both assets and liabilities is neutral.
- **Reassessment of participations (including consolidated unit-trusts):** As noted in (A) in the valuation of the assets, the IFRS basis requires consolidation of subsidiaries and unit trusts where the Group has a 'controlling interest'. This is not required under SII. The overall impact is slightly positive principally as a result of recognition of deferred income in two of the non-insurance subsidiary companies.
- **Accounting policy differences:** As noted in (F) above, the DIR balance included in the statutory valuation is reassessed at zero value under SII (the associated impact on deferred tax is reflected in the net deferred tax movement below).
- **Deferred tax:** As noted in (C) in the valuation of assets, whilst the deferred tax policy is unchanged between the statutory valuation and SII, the impact of accounting policy differences on the valuation, not least the revaluation of the technical provisions, feeds through into a revised deferred tax assessment. In general, in moving to SII there is an increase in the level of net assets, and therefore there is an increase in the deferred tax liability.

There has been no change to the recognition and valuation bases used for Other Liabilities compared to the previous valuation.

D.4 Alternative methods of valuation

Investment properties are stated at fair value, based upon open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. Details of the assumptions used in arriving at the valuations and their sensitivities, are set out in detail in Note 16 of the Report & Accounts on page 193.

There are no other valuation methods used.

D.5 Any other information

There are no differences between the valuation bases, methods and assumptions applied at the group level, and those applied at the solo level.

E) CAPITAL MANAGEMENT

E.1 Own funds

Our Group Capital Management policy requires that each regulated entity should hold Own Funds at least equal to the following:

Company type	Capital requirement
EU Insurance companies	SJPUK – 110% of Standard Formula SCR SJPI – 130% of Standard Formula SCR (subject also to holding assets of £225 million (SJPUK), £130 million (SJPI) in excess of current unit-linked liabilities, and an underpin of 100% of the capital identified under the Group's Own Solvency Assessment).
Other regulated companies	A multiple of the regulated capital requirement in a range from 150% to 400%

This capital management approach reflects the wealth management nature of our business, and our strategy of matching unit-linked liabilities. The capital requirements set out above have been assessed through our ORSA process, as being sufficient to meet the management risk appetite, which is to hold a margin above the minimum regulatory requirement at all times. The simple nature of the capital requirement means it can be monitored regularly.

The composition of the Own Funds across the three entities is as follows:

	31/12/2018			31/12/2017		
	SJPUK	**SJPI**	**Group**	SJPUK	SJPI	Group
	£'Million	**£'Million**	**£'Million**	£'Million	£'Million	£'Million
Ordinary share capital	**110.0**	**15.6**	**79.4**	110.0	15.6	79.4
Share premium accounts	**–**	**–**	**174.5**	–	–	171.8
Surplus funds	**–**	**–**	**–**	–	–	–
Reconciliation reserve	**2,512.6**	**140.4**	**3,108.8**	2,407.0	130.0	3,001.2
Other financial sectors (unaudited)	**–**	**–**	**(95.7)**	–	–	(70.9)
Net deferred tax assets	**–**	**–**	**–**	–	–	–
Adjustment for ineligible assets	**(12.7)**	**–**	**(12.7)**	(4.3)	–	(4.3)
Basic Own Funds	**2,609.9**	**156.0**	**3,254.3**	2,512.7	145.6	3,177.2
Foreseeable dividend	**210.0**	**–**	**157.4**	315.0	25.0	145.2
Other financial sectors (unaudited)	**–**	**–**	**95.7**	–	–	70.9
Solvency II Own Funds	**2,819.9**	**156.0**	**3,507.4**	2,827.7	170.6	3,393.3
Adjustment for ineligible assets	**12.7**	**0.6**	**13.4**	4.3	0.6	4.9
Solvency II excess of assets over liabilities	**2,832.6**	**156.6**	**3,520.8**	2,832.0	171.2	3,398.2

The reconciliation reserve in each entity is mostly comprised of the value of future profits expected to emerge from the in-force business.

The table below reconciles the equity in the financial statements and the SII excess over liabilities:

	31/12/2018			31/12/2017		
	SJPUK	**SJPI**	**Group**	SJPUK	SJPI	Group
	£'Million	**£'Million**	**£'Million**	£'Million	£'Million	£'Million
Statutory accounts excess of assets over liabilities	**435.2**	**83.9**	**1,019.1**	595.6	98.4	1,058.2
Reassessment of participations	**–**	**–**	**–**	(0.6)	–	36.7
Accounting policy differences:						
– Assets	**(405.1)**	**(74.5)**	**(628.4)**	(457.1)	(79.8)	(557.3)
– Technical Provisions	**2,665.7**	**43.2**	**2,708.9**	2,539.0	47.2	2,586.1
– Other Liabilities	**136.8**	**104.0**	**421.2**	155.1	105.4	274.5
Solvency II excess of assets over liabilities	**2,832.6**	**156.6**	**3,520.8**	2,832.0	171.2	3,398.2

Further information on these differences is in sections D.1, D.2 and D.3 of this report.

The only changes in the insurance entities' Own Funds were due to emergence of profit, offset by a dividend of £315 million (2017: £280 million) settled from SJPUK and £25 million (2017: £0) settled from SJPI to the Group during the year.

The Own Funds of the Group were impacted by the emergence of profit from Group companies during the year and also by the payment of dividends totalling £243.0 million (2017: £190.0 million) during the year and exercise of share options.

Our insurance entities hold only Tier 1 funds and so there are no restrictions on the availability or fungibility of the Own Funds to meet liabilities, and there is no reliance on related undertakings. The Group Own Funds also comprises only Tier 1.

E.1 Own funds continued

For the non-insurance companies in the Group that are also subject to financial regulation, only surplus assets above the regulatory capital requirement will be fungible. However, as noted above, management has established an additional capital requirement which acts as a further constraint on distribution of capital from these entities. There are no other restrictions on fungibility or transferability of assets between Group companies.

The whole amount of the Own Funds, which is all Tier 1, is eligible to cover the SCR and the MCR.

There are no amounts within the Own Funds that arise from transitional arrangements, and no ancillary Own Funds.

E.2 Solvency Capital Requirement & Minimum Capital Requirement

The SCRs and Minimum Capital Requirements (MCRs) for the regulated insurance undertakings (SJPUK and SJPI) have been determined using the 'standard formula' approach set out in the Directive. No material simplified methods or undertaking specific parameters have been used in this assessment.

The Group result has been prepared using the Accounting Consolidation-based method – Method 1 – as set out in Article 230 of the Directive which means the consolidated capital requirement of the Group has been prepared in accordance with SII Regulations.

The assessment of equity risk has been based on the change in the net asset value arising from the prescribed stress test, with no credit taken for the transitional provisions applying to equities purchased before 1 January 2016.

The resulting capital requirements at 31 December 2018 are summarised in the following table:

	Capital requirements (£'Million)				
	SJPUK	SJPI	Other	Group diversification	Group
Market risks					
Interest rate risk	**58.9**	**1.5**	**–**	**(10.5)**	**49.9**
Spread risk	**225.9**	**10.4**	**–**	**–**	**236.3**
Equity risk	**958.4**	**48.1**	**–**	**(0.1)**	**1,006.4**
Property risk	**29.0**	**0.2**	**–**	**–**	**29.2**
Currency risk	**695.2**	**39.5**	**–**	**–**	**734.7**
Diversification	**(460.0)**	**(22.1)**	**–**	**8.3**	**(473.8)**
Total market risk capital	**1,507.4**	**77.6**	**–**	**(2.3)**	**1,582.7**
Counterparty default risk capital	**7.6**	**0.6**	**–**	**–**	**8.2**
Life & heath underwriting risk					
Mortality risk	**40.8**	**5.5**	**–**	**–**	**46.3**
Disability-morbidity risk	**0.9**	**1.2**	**–**	**–**	**2.1**
Lapse risk	**1,486.4**	**49.5**	**–**	**–**	**1,535.9**
Expenses risk	**130.1**	**35.5**	**–**	**–**	**165.6**
Catastrophe risk	**8.2**	**0.8**	**–**	**–**	**9.0**
Diversification	**(106.4)**	**(16.9)**	**–**	**(5.2)**	**(128.5)**
Total life & heath underwriting risk capital	**1,560.0**	**75.6**	**–**	**(5.2)**	**1,630.4**
Diversification	**(648.1)**	**(32.7)**	**–**	**1.6**	**(679.2)**
Basic SCR	**2,426.9**	**121.1**	**–**	**(5.9)**	**2,542.1**
Operational risk	**27.6**	**2.6**	**–**	**–**	**30.2**
Loss absorbing capacity of deferred taxes	**(195.1)**	**(13.0)**	**–**	**0.5**	**(207.6)**
Sectoral requirement for non-insurance (unaudited)	**–**	**–**	**82.6**	**–**	**82.6**
Total SCR	**2,259.4**	**110.7**	**82.6**	**(5.4)**	**2,447.3**
Total MCR	**564.9**	**48.3**	**–**	**–**	**613.2**
MCR as % of SCR	**25%**	**44%**			**25%**

E.2 Solvency Capital Requirement & Minimum Capital Requirement continued

For comparison, the capital requirements at 31 December 2017 were as follows:

	Capital requirements (£'Million)				
	SJPUK	SJPI	Other	Group diversification	Group
Market risks					
Interest rate risk	73.7	1.9	–	(10.2)	65.4
Spread risk	215.0	8.4	–	–	223.4
Equity risk	1,149.2	58.6	–	(0.3)	1,207.5
Property risk	29.0	–	–	–	29.0
Currency risk	605.6	34.8	–	–	640.4
Diversification	(456.7)	(21.4)	–	8.0	(470.1)
Total market risk capital	1,615.8	82.3	–	(2.5)	1,695.6
Counterparty default risk capital	11.2	1.5	–	–	12.7
Life & heath underwriting risk					
Mortality risk	39.4	5.4	–	–	44.8
Disability-morbidity risk	1.0	1.1	–	–	2.1
Lapse risk	1,420.3	44.8	–	–	1,465.1
Expenses risk	101.6	32.2	–	–	133.8
Catastrophe risk	8.0	0.8	–	–	8.8
Diversification	(92.4)	(15.7)	–	(5.1)	(113.2)
Total life & heath underwriting risk capital	1,477.9	68.6	–	(5.1)	1,541.4
Diversification	(654.8)	(32.5)	–	1.6	(685.7)
Basic SCR	2,450.1	119.9	–	(6.0)	2,564.0
Operational risk	22.9	2.0	–	–	24.9
Loss absorbing capacity of deferred taxes	(188.3)	(15.2)	–	0.5	(203.0)
Sectoral requirement for non-insurance (unaudited)	–	–	63.3	–	63.3
Total SCR	2,284.7	106.7	63.3	(5.5)	2,449.2
Total MCR	571.2	48.0	–	–	619.2
MCR as % of SCR	25%	45%			25%

The Group SCR has a floor equal to the sum of the MCR of the 2 insurance entities of £613.2 million (2017: £619.2 million).

The inputs used to calculate the MCR and the floor of the MCR for the solo entities can be found in the QRTs in the appendix.

There are no material diversification effects at Group level as SJPUK dominates the consolidated result and the risk profiles of SJPUK and SJPI are similar. Neither the Group nor either of the EU insurance subsidiaries is subject to any level of supervisory capital add-on.

Growth in the capital requirement generally moves in line with FUM. However, the Group's total SCR is broadly unchanged over 2018, despite growth in the underlying Funds Under Management. This reflects a reduction in the equity risk capital requirements in SJPUK and SJPI, which has arisen due to a reduction in the level of the 'symmetric adjustment' included in EIOPA's prescribed stress at 31 December 2018.

The final amount of the SCR is subject to supervisory assessment.

E.3 Use of duration based equity risk sub-module in the calculation of SCR

The duration based equity risk sub module has not been used in the calculation of the SCR for either the Group or the individual subsidiaries.

E.4 Difference between Standard Formula and any internal model used

No internal or partial internal model has been used in the calculation of the SCR.

E.5 Non-compliance with the MCR and non-compliance with the SCR

The Group and the individual subsidiaries have maintained Own Funds in excess of the MCR and SCR throughout the period.

APPENDIX: QUANTITATIVE REPORTING TEMPLATES

The following pages contain QRTs for the Group, SJPUK and SJPI.

All figures are presented in thousands of Pounds with the exception of ratios that are in decimal. Please note that totals may differ from the component parts due to rounding. All items disclosed are consistent with the information provided to the regulators privately.

The following Group QRTs are provided:

(a) S.02.01.02, balance sheet information

(b) S.05.01.02, information on premiums, claims and expenses, using the valuation and recognition principles used in the consolidated financial statements

(c) S.23.01.22, information on Own Funds, including basic Own Funds

(d) S.25.01.22, specifying information on the SCR, calculated using the standard formula

(e) S.32.01.22, information on the undertakings in the scope of the Group

S.05.02.01, information on premiums, claims and expenses by country is not required as more 90% is written in the UK.

The following Solo QRTs are provided:

(f) S.02.01.02, balance sheet information

(g) S.05.01.02, information on premiums, claims and expenses, using the valuation and recognition principles used in the consolidated financial statements

(h) S.05.02.01, information on premiums, claims and expenses by country for SJPI only

(i) S.12.01.02, information on the technical provisions relating to life insurance and health insurance

(j) S.23.01.22, information on Own Funds, including basic Own Funds

(k) S.25.01.22, information on the SCR, calculated using the standard formula

(l) S.28.01.01, specifying the MCR for insurance

SJP GROUP – BALANCE SHEET
S.02.01.02

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	31
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,331,796
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	208,282
Equities	R0100	0
Equities – listed	R0110	0
Equities – unlisted	R0120	0
Bonds	R0130	2,604
Government Bonds	R0140	2,604
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	1,120,910
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	68,244,899
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	40,095
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	61,130
Health similar to life	R0320	22,948
Life excluding health and index-linked and unit-linked	R0330	38,181
Life index-linked and unit-linked	R0340	(21,035)
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	77,144
Reinsurance receivables	R0370	6,246
Receivables (trade, not insurance)	R0380	856,088
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	120,447
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	70,676,746

SJP GROUP – BALANCE SHEET CONTINUED
S.02.01.02

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions – health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions – life (excluding index-linked and unit-linked)	R0600	84,277
Technical provisions – health (similar to life)	R0610	37,057
TP calculated as a whole	R0620	7,395
Best Estimate	R0630	28,457
Risk margin	R0640	1,205
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	47,220
TP calculated as a whole	R0660	0
Best Estimate	R0670	46,770
Risk margin	R0680	450
Technical provisions – index-linked and unit-linked	R0690	65,444,567
TP calculated as a whole	R0700	68,143,363
Best Estimate	R0710	(3,686,534)
Risk margin	R0720	987,738
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	235,639
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	618,671
Reinsurance payables	R0830	12,915
Payables (trade, not insurance)	R0840	759,824
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	67,155,893
Excess of assets over liabilities	R1000	3,520,853

SJP GROUP – PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS
S.05.01.02

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	9,340	0	11,296,069	5,118	0	0	0	0	11,310,527
Reinsurers' share	R1420	7,991	0	18,363	3,207	0	0	0	0	29,560
Net	R1500	1,349	0	11,277,707	1,912	0	0	0	0	11,280,967
Premiums earned										
Gross	R1510	9,340	0	11,296,069	5,118	0	0	0	0	11,310,527
Reinsurers' share	R1520	7,991	0	18,363	3,207	0	0	0	0	29,560
Net	R1600	1,349	0	11,277,707	1,912	0	0	0	0	11,280,967
Claims incurred										
Gross	R1610	7,110	0	4,207,764	3,874	0	0	0	0	4,218,748
Reinsurers' share	R1620	5,644	0	9,988	4,009	0	0	0	0	19,641
Net	R1700	1,466	0	4,197,777	(135)	0	0	0	0	4,199,108
Changes in other technical provisions										
Gross	R1710	1,193	0	35,246	75	0	0	0	0	36,514
Reinsurers' share	R1720	200	0	(215)	41	0	0	0	0	26
Net	R1800	992	0	35,461	34	0	0	0	0	36,487
Expenses incurred	R1900	1,396	0	472,149	1,791	0	0	0	0	475,336
Other expenses	R2500									21,286
Total expenses	R2600									496,623

SJP GROUP – OWN FUNDS
S.23.01.22

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	79,417	79,417		0	
Non-available called but not paid in ordinary share capital at group level	R0020	0	0		0	
Share premium account related to ordinary share capital	R0030	174,501	174,501		0	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Non-available subordinated mutual member accounts at group level	R0060	0		0	0	0
Surplus funds	R0070	0	0			
Non-available surplus funds at group level	R0080	0	0			
Preference shares	R0090	0		0	0	0
Non-available preference shares at group level	R0100	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Non-available share premium account related to preference shares at group level	R0120	0		0	0	0
Reconciliation reserve	R0130	3,108,895	3,108,895			
Subordinated liabilities	R0140	0		0	0	0
Non-available subordinated liabilities at group level	R0150	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	R0190	0	0	0	0	0
Minority interests (if not reported as part of a specific own fund item)	R0200	0	0	0	0	0
Non-available minority interests at group level	R0210	0	0	0	0	0
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	12,695				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	95,740	95,740	0	0	
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	0	0	0	0	0
Deductions for participations where there is non-availability of information (Article 229)	R0250	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	R0260	0	0	0	0	0
Total of non-available own fund items	R0270	0	0	0	0	0
Total deductions	R0280	95,740	95,740	0	0	0
Total basic own funds after deductions	R0290	3,254,378	3,254,378	0	0	0

SJP GROUP – OWN FUNDS CONTINUED
S.23.01.22

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Non available ancillary own funds at group level	R0380	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Own funds of other financial sectors						
Reconciliation reserve	R0410	217,846	217,846	0	0	
Institutions for occupational retirement provision	R0420	0	0	0	0	0
Non regulated entities carrying out financial activities	R0430	(122,106)	(122,106)	0	0	
Total own funds of other financial sectors	R0440	95,740	95,740	0	0	
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460	0	0	0	0	0
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	3,254,378	3,254,378	0	0	0
Total available own funds to meet the minimum consolidated group SCR	R0530	3,254,378	3,254,378	0	0	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	3,254,378	3,254,378	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	R0570	3,254,378	3,254,378	0	0	
Minimum consolidated group SCR (Article 230)	R0610	613,203				
Ratio of eligible own funds to minimum consolidated group SCR	R0650	5.31				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	3,350,118	3,350,118	0	0	0
Group SCR	R0680	2,447,317				
Ratio of eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.37				

SJP GROUP – OWN FUNDS CONTINUED
S.23.01.22

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	3,520,853
Own shares (included as assets on the balance sheet)	R0710	0
Forseeable dividends, distributions and charges	R0720	157,406
Other basic own fund items	R0730	253,918
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	634
Other non available own funds	R0750	0
Reconciliation reserve before deduction for participations in other financial sector	R0760	3,108,895
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	0
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	0
Total EPIFP	R0790	0

SJP GROUP – SOLVENCY CAPITAL REQUIREMENT – FOR GROUPS ON STANDARD FORMULA
S.25.01.22

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,582,631		0
Counterparty default risk	R0020	8,193		
Life underwriting risk	R0030	1,628,781	None	0
Health underwriting risk	R0040	1,801	None	0
Non-life underwriting risk	R0050	0	None	0
Diversification	R0060	(679,231)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	2,542,176		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	30,179
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(207,662)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	2,364,692
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	2,447,317
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	613,203
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	82,624
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	82,624
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	0
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency capital requirement	R0570	2,447,317

SJP GROUP – UNDERTAKINGS IN THE SCOPE OF THE GROUP
S.32.01.22

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of accounting consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800M993ICXOMBCP87	1	St. James's Place plc	5	Company limited by shares	2								1		3
GB	2138007RJEYMIRQUPU71	1	St. James's Place DFM Holdings Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800E4P2X6XP3EDH05	1	St. James's Place Wealth Management Group Limited	5	Company limited by shares	2		100	100	100		1	100	1		3
GB	5493000HHTSNKGSUQ052	1	St. James's Place Unit Trust Group Limited	14	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	213800G78Z1OPO6ZG620	1	SJP AESOP Trustees Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800ZSX8888YLFDT35	1	St. James's Place Management Services Limited	11	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800Z89PD9785M2507	1	St. James's Place (PCP) Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800SE354FHWHSU658	1	St. James's Place Wealth Management plc	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	213800M1PGB8YLABMJ23	1	St. James's Place Wealth Management (PCIS) Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	213800F2JSQE4INK8U17	1	St. James's Place Partnership Services Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	2138001NN2FJ6B5QHK30	1	St. James's Place Investment Administration Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	2138007OM14NYJVPJP98	1	St. James's Place Nominees Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	2138003VFM6NBR3QYX84	1	St. James's Place International Distribution Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
SG	21380082WXRIU8F8HQ39	1	St. James's Place Wealth Management International Private Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
HK	213800ZCMQSD73ZNU996	1	St. James's Place (Hong Kong) Limited	8	Company limited by shares	2	Securities & Futures Commission (Hong Kong)	100	100	100		1	100	1		4
HK	2138005ZP85CZ7VP8D44	1	St. James's Place Wealth Management (Shanghai) Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
CN	21380034K7ADDNL8L847	1	St. James's Place (Shanghai) Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
SG	213800EJRZMJNPPPPO19	1	St. James's Place (Singapore) Private Limited	8	Company limited by shares	2	Monetary Authority Singapore	100	100	100		1	100	1		4
HK	213800FFMSWE5MRAV272	1	St. James's Place International (Hong Kong) Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800L98SQXRLVQG933	1	St. James's Place Corporate Secretary Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	2138001Y9D3PSWSOTY57	1	M.H.S. (Holdings) Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800I5L9L35Q55YA83	1	St. James's Place UK plc	1	Company limited by shares	2	Financial Conduct Authority & Prudential Regulation Authority	100	100	100		1	100	1		1
GB	213800KGHALYNXVBCZ92	1	St. James's Place International Assurance Group Limited	5	Company limited by shares	2		100	100	100		1	100	1		3

SJP GROUP – UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED
S.32.01.22

								Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of accounting consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IE	635400ZM7HW3CXPHA583	1	St. James's Place International plc	1	Company limited by shares	2	Central Bank of Ireland	100	100	100		1	100	1		1
GB	213800RMAYTO31ALZM30	1	St. James's Place Acquisition Services Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800ZZGN6RLGBOC848	1	St. James's Place Client Solutions Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800SWJTLN4L478F37	1	BFS Financial Services Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	2138004PUC3NMM69CZ71	1	LP Holdco Limited	99	Company limited by shares	2		43.14	100	52.83		1	100	1		3
GB	213800IZ9AAWQ8UO8F93	1	Lansdown Place Group Holdings Limited	99	Company limited by shares	2		39.86	100	48.81		1	100	1		3
GB	2138009TDJZP1JFDB769	1	Lansdown Place Wealth Management Limited	99	Company limited by shares	2		39.86	100	48.81		1	100	1		3
GB	213800WO7W1YNLTXYB08	1	LP Financial Management Limited	99	Company limited by shares	2		39.86	100	48.81		1	100	1		4
GB	21380096MSFV6PK4J804	1	LP Auto Enrolment Solutions Limited	99	Company limited by shares	2		39.86	100	48.81		1	100	1		3
GB	213800FV2IP7JQ5Y3A21	1	Cirenco Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800HUWSKQDC9DMB36	1	SJPC Corporate Investments Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	21380033PI5ZKUMI2139	1	Technical Connection Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800DCAW5B2YSG4I24	1	Hale Financial Solutions Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	213800634G6XYRXBYD32	1	Rowan Dartington Holdings Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800NBLW23U8EIO650	1	Stafford House Investments Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800W3IZHLDE8G3K71	1	Dartington Portfolio Nominees Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800GNWV78RLQIDZ94	1	Cabot Portfolio Nominees Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GG	213800QAGVXJ2VNTJE58	2	The SJPC Employees' Share Trust	99	Trust	2			100	100		1	100	1		3
GB	213800LW4J68M4B3GR20	1	Rowan Dartington & Co. Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	213800KNP8KEB7FWDC62	1	Linden House Group Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800C3DJKZ6DQA1407	1	Linden House Financial Services Limited	8	Company limited by shares	2	Financial Conduct Authority	100	100	100		1	100	1		4
GB	21380035924AWLF4BV78	1	M. S. Estates and Financial Services Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800UMGJVNZYB3OX71	1	Future Proof Limited	99	Company limited by shares	2		100	100	100		1	100	1		3
GB	213800Z3PWSEGEILCH67	1	SJP Partner Loans No.1 Limited	99	Company limited by shares	2		0	100	100		1	100	1		3

SJPUK – BALANCE SHEET
S.02.01.02

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,009,533
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	17,102
Equities	R0100	0
Equities – listed	R0110	0
Equities – unlisted	R0120	0
Bonds	R0130	0
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	992,431
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	61,233,837
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	55,446
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	61,399
Health similar to life	R0320	23,218
Life excluding health and index-linked and unit-linked	R0330	38,181
Life index-linked and unit-linked	R0340	(5,952)
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	74,118
Reinsurance receivables	R0370	3,392
Receivables (trade, not insurance)	R0380	59,959
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	104,207
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	62,540,492

SJPUK – BALANCE SHEET CONTINUED
S.02.01.02

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions – health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions – life (excluding index-linked and unit-linked)	R0600	79,960
Technical provisions – health (similar to life)	R0610	32,740
TP calculated as a whole	R0620	3,108
Best Estimate	R0630	28,741
Risk margin	R0640	891
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	47,220
TP calculated as a whole	R0660	0
Best Estimate	R0670	46,770
Risk margin	R0680	450
Technical provisions – index-linked and unit-linked	R0690	58,509,796
TP calculated as a whole	R0700	61,161,783
Best Estimate	R0710	(3,583,324)
Risk margin	R0720	931,337
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	222,637
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	580,980
Reinsurance payables	R0830	11,813
Payables (trade, not insurance)	R0840	302,741
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	59,707,928
Excess of assets over liabilities	R1000	2,832,564

SJPUK – PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS
S.05.01.02

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	8,674	0	10,583,643	5,118	0	0	0	0	10,597,436
Reinsurers' share	R1420	7,527	0	9,956	3,207	0	0	0	0	20,690
Net	R1500	1,147	0	10,573,687	1,912	0	0	0	0	10,576,746
Premiums earned										
Gross	R1510	8,674	0	10,583,643	5,118	0	0	0	0	10,597,436
Reinsurers' share	R1520	7,527	0	9,956	3,207	0	0	0	0	20,690
Net	R1600	1,147	0	10,573,687	1,912	0	0	0	0	10,576,7 46
Claims incurred										
Gross	R1610	7,072	0	3,835,736	3,874	0	0	0	0	3,846,682
Reinsurers' share	R1620	5,762	0	6,128	4,009	0	0	0	0	15,899
Net	R1700	1,310	0	3,829,608	(135)	0	0	0	0	3,830,783
Changes in other technical provisions										
Gross	R1710	1,039	0	24,893	75	0	0	0	0	26,007
Reinsurers' share	R1720	200	0	(215)	41	0	0	0	0	26
Net	R1800	838	0	25,108	34	0	0	0	0	25,981
Expenses incurred	R1900	1,206	0	415,826	1,791	0	0	0	0	418,823
Other expenses	R2500									21,286
Total expenses	R2600									440,109

SJPUK – LIFE AND HEALTH SLT TECHNICAL PROVISIONS
S.12.01.02

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		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	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	61,161,783			0			0	0	61,161,783	3,108			0	0	3,108
Total recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0			0	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	0		(3,583,324)	0		0	46,770	0	0	(3,536,554)		0	28,741	0	0	28,741
Total recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		(5,952)	0		0	38,181	0	0	32,229		0	23,218	0	0	23,218
Best Estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	0		(3,577,371)	0		0	8,589	0	0	(3,568,783)		0	5,524	0	0	5,524
Risk Margin	R0100	0	931,337			450			0	0	931,787	891			0	0	891
Amount of the transitional on technical provisions																	
Technical provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0
Best Estimate	R0120	0		0	0		0	0	0	0	0		0	0	0	0	0
Risk Margin	R0130	0	0			0			0	0	0	0			0	0	0
Technical provisions – total	R0200	0	58,509,796			47,220			0	0	58,557,016	32,740			0	0	32,740

SJPUK – OWN FUNDS
S.23.01.01

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	110,000	110,000		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	2,512,564	2,512,564			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
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	12,695				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	2,609,869	2,609,869	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2,609,869	2,609,869	0	0	0
Total available own funds to meet the MCR	R0510	2,609,869	2,609,869	0	0	
Total eligible own funds to meet the SCR	R0540	2,609,869	2,609,869	0	0	0
Total eligible own funds to meet the MCR	R0550	2,609,869	2,609,869	0	0	
SCR	R0580	2,259,434				
MCR	R0600	564,858				
Ratio of eligible own funds to SCR	R0620	1.16				
Ratio of eligible own funds to MCR	R0640	4.62				

SJPUK – OWN FUNDS CONTINUED
S.23.01.01

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,832,564
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	210,000
Other basic own fund items	R0730	110,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	2,512,564
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	0
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	0
Total expected profits included in future premiums (EPIFP)	R0790	0

SJPUK – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON STANDARD FORMULAS S.25.01.21

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,507,394		0
Counterparty default risk	R0020	7,575		
Life underwriting risk	R0030	1,558,602	None	0
Health underwriting risk	R0040	1,511	None	0
Non-life underwriting risk	R0050	0	None	0
Diversification	R0060	(648,112)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	2,426,971		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	27,599
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(195,137)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	2,259,434
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	2,259,434
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

SJPUK – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY S.28.01.01

LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

		C0040
MCRL Result	R0200	406,994

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	57,584,412	
Other life (re)insurance and health (re)insurance obligations	R0240	17,220	
Total capital at risk for all life (re)insurance obligations	R0250		5,059,540

OVERALL MCR CALCULATION

		C0070
Linear MCR	R0300	406,994
SCR	R0310	2,259,434
MCR cap	R0320	1,016,745
MCR floor	R0330	564,858
Combined MCR	R0340	564,858
Absolute floor of the MCR	R0350	3,288
Minimum Capital Requirement	R0400	564,858

SJPI – BALANCE SHEET
S.02.01.02

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	31
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	131,082
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities – listed	R0110	0
Equities – unlisted	R0120	0
Bonds	R0130	2,604
Government Bonds	R0140	2,604
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	128,478
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	7,011,063
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	(15,351)
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	(269)
Health similar to life	R0320	(269)
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	(15,082)
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	3,026
Reinsurance receivables	R0370	2,853
Receivables (trade, not insurance)	R0380	1,632
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	15,561
Any other assets, not elsewhere shown	R0420	0
Total assets	R0500	7,149,897

SJPI – BALANCE SHEET CONTINUED
S.02.01.02

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	0
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
TP calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	4,317
Technical provisions - health (similar to life)	R0610	4,317
TP calculated as a whole	R0620	4,287
Best Estimate	R0630	(284)
Risk margin	R0640	314
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
TP calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	6,934,771
TP calculated as a whole	R0700	6,981,580
Best Estimate	R0710	(103,210)
Risk margin	R0720	56,402
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	13,002
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	37,690
Reinsurance payables	R0830	1,102
Payables (trade, not insurance)	R0840	2,368
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	R0900	6,993,250
Excess of assets over liabilities	R1000	156,646

SJPI – PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS
S.05.01.02

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	665	0	712,426	0	0	0	0	0	713,091
Reinsurers' share	R1420	463	0	8,407	0	0	0	0	0	8,870
Net	R1500	202	0	704,019	0	0	0	0	0	704,221
Premiums earned										
Gross	R1510	665	0	712,426	0	0	0	0	0	713,091
Reinsurers' share	R1520	463	0	8,407	0	0	0	0	0	8,870
Net	R1600	202	0	704,019	0	0	0	0	0	704,221
Claims incurred										
Gross	R1610	38	0	372,028	0	0	0	0	0	372,066
Reinsurers' share	R1620	(118)	0	3,860	0	0	0	0	0	3,741
Net	R1700	156	0	368,168	0	0	0	0	0	368,325
Changes in other technical provisions										
Gross	R1710	154	0	10,353	0	0	0	0	0	10,507
Reinsurers' share	R1720	0	0	0	0	0	0	0	0	0
Net	R1800	154	0	10,353	0	0	0	0	0	10,507
Expenses incurred	R1900	190	0	56,323	0	0	0	0	0	56,513
Other expenses	R2500									0
Total expenses	R2600									56,513

SJPI – PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY S.05.02.01

		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		GB	SG	–	–	–	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	0	578,199	82,296	0	0	0	660,495
Reinsurers' share	R1420	0	8,848	0	0	0	0	8,848
Net	R1500	0	569,351	82,296	0	0	0	651,647
Premiums earned								
Gross	R1510	0	578,199	82,296	0	0	0	660,495
Reinsurers' share	R1520	0	8,848	0	0	0	0	8,848
Net	R1600	0	569,351	82,296	0	0	0	651,647
Claims incurred								
Gross	R1610	0	348,173	5,165	0	0	0	353,338
Reinsurers' share	R1620	0	3,741	0	0	0	0	3,741
Net	R1700	0	344,431	5,165	0	0	0	349,596
Changes in other technical provisions								
Gross	R1710	0	9,799	0	0	0	0	9,799
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	9,799	0	0	0	0	9,799
Expenses incurred	R1900	0	47,794	4,158	0	0	0	51,952
Other expenses	R2500							0
Total expenses	R2600							51,952

SJPI – LIFE AND HEALTH SLT TECHNICAL PROVISIONS
S.12.01.02

		Index-linked and unit-linked insurance			Other life insurance					Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	6,981,580			0			0	0	6,981,580	4,287			0	0	4,287
Total recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0			0	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	0		(103,210)	0		0	0	0	0	(103,210)		(284)	0	0	0	(284)
Total recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		(15,082)	0		0	0	0	0	(15,082)		(269)	0	0	0	(269)
Best Estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	0		(88,128)	0		0	0	0	0	(88,128)		(15)	0	0	0	(15)
Risk Margin	R0100	0	56,402			0			0	0	56,402	314			0	0	314
Amount of the transitional on technical provisions																	
Technical provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0
Best Estimate	R0120	0		0	0		0	0	0	0	0		0	0	0	0	0
Risk Margin	R0130	0	0			0			0	0	0	0			0	0	0
Technical provisions – total	R0200	0	6,934,771			0			0	0	6,934,771	4,317			0	0	4,317

SJPI – OWN FUNDS
S.23.01.01

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	15,585	15,585		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	140,428	140,428			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
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	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	156,013	156,013	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	156,013	156,013	0	0	0
Total available own funds to meet the MCR	R0510	156,013	156,013	0	0	
Total eligible own funds to meet the SCR	R0540	156,013	156,013	0	0	0
Total eligible own funds to meet the MCR	R0550	156,013	156,013	0	0	
SCR	R0580	110,680				
MCR	R0600	48,344				
Ratio of eligible own funds to SCR	R0620	1.41				
Ratio of eligible own funds to MCR	R0640	3.23				

SJPI – OWN FUNDS CONTINUED
S.23.01.01

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	156,646
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	15,585
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	634
Reconciliation reserve	R0760	140,428
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	0
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	0
Total expected profits included in future premiums (EPIFP)	R0790	0

SJPI – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON STANDARD FORMULA S.25.01.21

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	77,552		0
Counterparty default risk	R0020	619		
Life underwriting risk	R0030	75,200	None	0
Health underwriting risk	R0040	428	None	0
Non-life underwriting risk	R0050	0	None	0
Diversification	R0060	(32,695)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	121,103		

Calculation of Solvency Capital Requirement		D0100
Operational risk	R0130	2,580
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(13,002)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	110,680
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	110,680
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

SJPI – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY S.28.01.01

LINEAR FORMULA COMPONENT FOR LIFE INSURANCE AND REINSURANCE OBLIGATIONS

		C0040
MCRL Result	R0200	48,344

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	6,893,452	
Other life (re)insurance and health (re)insurance obligations	R0240	4,272	
Total capital at risk for all life (re)insurance obligations	R0250		564

OVERALL MCR CALCULATION

		C0070
Linear MCR	R0300	48,344
SCR	R0310	110,680
MCR cap	R0320	49,806
MCR floor	R0330	27,670
Combined MCR	R0340	48,344
Absolute floor of the MCR	R0350	3,288
Minimum Capital Requirement	R0400	48,344

GLOSSARY OF TERMS

Best estimate liabilities (BEL)
The expected, or 'best estimate', value of the Group's obligations to clients under the Solvency II regulations.

Central Bank of Ireland (CBoI)
The CBoI is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms registered in Ireland, including St. James's Place International plc.

Deferred Acquisition Costs (DAC)
An intangible asset required to be established through the application of IFRS to our long-term business. Under the SII regulations, intangible assets such as the DAC asset are removed.

Deferred Income (DIR)
Deferred income which arises from the requirement that initial charges on long-term financial instruments should only be recognised over the lifetime of the business. Under the SII regulations, intangible liabilities such as the DIR asset are removed.

Funds Under Management (FUM)
Represents all assets actively managed or administered by or on behalf of the Group.

Group
The Group refers to St. James's Place plc, together with its subsidiaries as listed in Note 21 of the Report and Accounts (on pages 201 to 204).

International Financial Reporting Standards (IFRS)
These are the accounting regulations designed to ensure comparable preparation and disclosure of statements of financial position, and are the standards that all publicly listed companies in the European Union are required to use.

Investment Management Approach (IMA)
The IMA is how the Group manages clients' investments. It is managed by the St. James's Place Investment Committee, which in turn is advised by respected independent investment research consultancies. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around the world. They are also responsible for monitoring the performance of our fund managers and, if circumstances should change and it becomes necessary, then they are responsible for changing the fund manager as well.

Minimum Capital Requirement (MCR)
The MCR is the minimum level of security required under the Solvency II regulations for EU insurance entities.

Own Risk and Solvency Assessment (ORSA)
The ORSA is a comprehensive risk assessment, bringing together an understanding of the risks that the Group faces, and how these risks may change in the future. It also includes quantitative analysis of the capital required, and how it might develop over our planning period (five years).

Prudential Regulatory Authority (PRA)
The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

The PRA is the lead supervisor for the Group under the Solvency II regulations.

Quantitative Reporting Templates (QRT)
Standardised templates providing data relating to the Group's business and to the Solvency II valuation, including data relating to the assessment of technical provisions and capital requirements as well as the Solvency II Balance Sheet.

Risk Margin
The Risk Margin is determined as the cost of holding the Solvency Capital Requirement (SCR) over the lifetime of the insured portfolio.

Senior Managers and Certification Regime (SM&CR)
The SM&CR applies from 10/12/2018 to all insurance and reinsurance firms regulated by the FCA and the PRA (replacing the Senior Insurance Managers Regime (SIMR) and the Revised Approved Persons Regime).

This regime sets out minimum standards of individual behaviour that apply in the financial services sector, as well as more specific requirements for senior managers and other employees who have key roles within the organisation.

Solvency Capital Requirement (SCR)
The SCR is the amount of risk-based capital required under the Solvency II regulations to ensure that the insurance entities can meet their obligations over the next 12 months with a probability of at least 99.5% (i.e. a 1 in 200-year scenario).

Solvency II (SII)
Insurance regulations designed to harmonise EU insurance regulation, which became effective on 1 January 2016. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios.

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