

Sun Life Assurance Society Plc

**Annual FSA Insurance Returns for the year ended
31st December 2008**



(Appendices 9.1, 9.3, 9.4, 9.6)

Statement of solvency - long-term insurance business
Form 2

Printed 31/03/2009 10:05:23

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	776273	GL	31	12	2008	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	715117	1682498
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	224883	163521
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	940000	1846019

Guarantee fund

Guarantee Fund requirement	21	128432	139469
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	811568	1706550

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	385296	418407
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	385296	418407
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	385296	418407
Excess (deficiency) of available capital resources to cover 50% of MCR	37	747352	1636815
Excess (deficiency) of available capital resources to cover 75% of MCR	38	651028	1532214

Enhanced capital requirement

With-profits insurance capital component	39	149912	354051
Enhanced capital requirement	40	535208	772458

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	535208	772458
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	404792	1073561

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resources
**Form 3
(Sheet 1)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
R3	776273	GL	31	12	2008	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		2973	2973	2973
Profit and loss account and other reserves	12		314598	314598	275834
Share premium account	13		4023	4023	4023
Positive valuation differences	14		315397	315397	793964
Fund for future appropriations	15		874003	874003	1369224
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1510994	1510994	2446018

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1510994	1510994	2446018
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		1510994	1510994	2446018

Components of capital resources

**Form 3
(Sheet 2)**

Name of insurer **Sun Life Assurance Society Plc**

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Global business

Financial year ended **31st December 2008**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	776273	GL	31	12	2008	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources
**Form 3
(Sheet 3)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	776273	GL	31	12	2008	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		1510994	1510994	2446018	
Inadmissible assets other than intangibles and own shares	73		460343	460343	480659	
Assets in excess of market risk and counterparty limits	74		110626	110626	119310	
Deductions for related ancillary services undertakings	75		25	25	30	
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		940000	940000	1846019	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		940000	940000	1846019	
Available capital resources for 50% MCR requirement	82		940000	940000	1846019	
Available capital resources for 75% MCR requirement	83		940000	940000	1846019	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance – ceded	92					
Financial reinsurance – accepted	93		94024	94024	105447	
Outstanding contingent loans	94					
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92-93+94+95)	96		(94024)	(94024)	(105447)	

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

 Category of assets **Total other than Long-Term Insurance Business Assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	1
						As at end of this financial year		As at end of the previous year
						1		2
Land and buildings			11					

Investments in group undertakings and participating interests

UK insurance dependants	shares	21			
	debts and loans	22			
Other insurance dependants	shares	23			
	debts and loans	24			
Non-insurance dependants	shares	25		111	108
	debts and loans	26			
Other group undertakings	shares	27			
	debts and loans	28		179163	137900
Participating interests	shares	29			
	debts and loans	30			

Other financial investments

Equity shares	41	47	84
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	16543
	More than one month withdrawal	55	17221
Other financial investments	56		

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

 Category of assets **Total other than Long-Term Insurance Business Assets**

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings							57	
Assets held to match linked liabilities	Index linked						58	
	Property linked						59	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	Due in 12 months or less	76		
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	4909	7162
	Due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	27778	2993
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		6

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	228551	165474
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Analysis of admissible assets

**Form 13
(Sheet 3)**

Name of insurer **Sun Life Assurance Society Plc**

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Global business

Financial year ended **31st December 2008**

Category of assets **Total other than Long-Term Insurance Business Assets**

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	228551	165474
Admissible assets in excess of market and counterparty limits	92	96712	119310
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	325263	284784
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

 Category of assets **Total Long-Term Insurance Business Assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11		324945		450952

Investments in group undertakings and participating interests

UK insurance dependants	shares	21				
	debts and loans	22				
Other insurance dependants	shares	23				
	debts and loans	24				
Non-insurance dependants	shares	25			92783	90684
	debts and loans	26				
Other group undertakings	shares	27				
	debts and loans	28				
Participating interests	shares	29				
	debts and loans	30				

Other financial investments

Equity shares	41		1410499	2216968
Other shares and other variable yield participations	42		51258	38097
Holdings in collective investment schemes	43		106592	151359
Rights under derivative contracts	44		99938	5489
Fixed interest securities	Approved	45	2678069	2352257
	Other	46	3712035	3352451
Variable interest securities	Approved	47	118566	90942
	Other	48	27345	1199771
Participation in investment pools	49			
Loans secured by mortgages	50		230497	274240
Loans to public or local authorities and nationalised industries or undertakings	51		734	785
Loans secured by policies of insurance issued by the company	52		3383	5252
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	106695	339591
	More than one month withdrawal	55		
Other financial investments	56			

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Sun Life Assurance Society Plc**

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Global business

 Financial year ended **31st December 2008**

 Category of assets **Total Long-Term Insurance Business Assets**

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		775210		887075	
	Property linked		59		19880		26223	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		10903	13577
	Intermediaries	72			212
Salvage and subrogation recoveries		73			
Reinsurance	Accepted	74			
	Ceded	75		1568	5603
Dependants	Due in 12 months or less	76			
	Due in more than 12 months	77			
Other	Due in 12 months or less	78		69417	152175
	Due in more than 12 months	79			

Other assets

Tangible assets	80			
Deposits not subject to time restriction on withdrawal with approved institutions	81		32257	54791
Cash in hand	82			
Other assets (particulars to be specified by way of supplementary note)	83			
Accrued interest and rent	84		143008	145231
Deferred acquisition costs (general business only)	85			
Other prepayments and accrued income	86		678	9200

Deductions from the aggregate value of assets	87			
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89		10016260	11862925
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Analysis of admissible assets
**Form 13
(Sheet 3)**

 Name of insurer **Sun Life Assurance Society Plc**

Printed 31/03/2009 10:05:25

Global business

 Financial year ended **31st December 2008**

 Category of assets **Total Long-Term Insurance Business Assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	10016260	11862925
Admissible assets in excess of market and counterparty limits	92	13914	
Inadmissible assets directly held	93	460343	480659
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97	25	30
Other differences in the valuation of assets (other than for assets not valued above)	98	94024	105447
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	7702958	9952112
Other asset adjustments (may be negative)	101		(234)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	18287524	22400939
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long-term insurance business liabilities and margins
Form 14

Printed 31/03/2009 10:05:26

Name of insurer **Sun Life Assurance Society Plc**
 Global business
 Financial year ended **31st December 2008**
 Fund **Total Long-Term Insurance Business**
 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	9095635	9841285
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13	25000	
Long term insurance business fund carried forward (11 to 13)	14	9120635	9841285
Claims outstanding	Gross amount	15	78466
	Reinsurers' share	16	
	Net (15-16)	17	78466
Provisions	Taxation	21	28392
	Other risks and charges	22	3439
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	677
	Reinsurance accepted	32	1682
	Reinsurance ceded	33	2017
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	9295
	Other	38	104013
Accruals and deferred income	39	5919	5705
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	205508	339141
Excess of the value of net admissible assets	51	690117	1682499
Total liabilities and margins	59	10016260	11862925
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	99104	94577
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	19880	26223
Total liabilities (11+12+49)	71	9301143	10180426
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73	7702958	9952112
Other adjustments to liabilities (may be negative)	74	409420	899177
Capital and reserves and fund for future appropriations	75	874003	1369224
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	18287524	22400939

Liabilities (other than long-term insurance business)
Form 15

Printed 31/03/2009 10:05:26

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/UK/CM	day	month	year	units	
	R15	776273	GL	31	12	2008	£000
						As at the end of this financial year	As at the end of the previous year
						1	2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22		133	133
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47			
	Foreseeable dividend	48			
	Other	49		3535	1820
Accruals and deferred income		51			
Total (19 to 51)		59		3668	1953
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		3668	1953

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				
Capital and reserves	84			321595	282831
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85			325263	284784

Profit and loss account (non-technical account)
Form 16

Printed 31/03/2009 10:05:26

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	units
		R16	776273	GL	31	12	2008
				This financial year		Previous year	
				1		2	
Transfer (to) / from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13			22784		24323
Investment income	Income	14			18862		13727
	Value re-adjustments on investments	15			62		1117
	Gains on the realisation of investments	16			284		
Investment charges	Investment management charges, including interest	17			9		29
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					1453
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29			41983		37685
Tax on profit or loss on ordinary activities		31			3219		2885
Profit or loss on ordinary activities after tax (29-31)		39			38764		34800
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41					
Tax on extraordinary profit or loss		42					
Other taxes not shown under the preceding items		43					
Profit or loss for the financial year (39+41-(42+43))		49			38764		34800
Dividends (paid or foreseeable)		51					77000
Profit or loss retained for the financial year (49-51)		59			38764		(42200)

Analysis of derivative contracts
Form 17

Printed 31/03/2009 10:05:27

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

 Category of assets **Total Long-Term Insurance Business Assets**

		Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
		R17	776273	GL	31	12	2008	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	963				186964	20324	
	Interest rates	12	67800				335000		
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	3187		166		5000	25000	
	Equity index	16	12926				24579		
	Equity stock	17							
	Land	18							
	Currencies	19			297			8205	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	16051				85646		
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	100927		463		637189	53529	
Adjustments for variation margin		52	(989)						
Total (51 + 52)		53	99938		463				

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

With-profits insurance capital component for the fund
Form 18

Printed 31/03/2009 10:05:27

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

 With-profits fund **Ordinary Long Term 1**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	10016261	11862925
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	5579870	5950896
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	244618	261942
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	4191773	5650087
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	3515765	3890389
	Regulatory current liabilities of the fund	22	205508	339142
	Total (21+22)	29	3721273	4229531
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	140678	156465	
Resilience capital requirement in respect of the fund's with-profits insurance contracts	32			
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)	39	3861951	4385996	
Regulatory excess capital (19-39)	49	329822	1264091	

Realistic excess capital

Realistic excess capital	51	102789	729874
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	227033	534217
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	77121	180166
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero; else greater of 61-64-65 and zero)	66	149912	354051

Realistic balance sheet
**Form 19
(Sheet 1)**

 Name of insurer **Sun Life Assurance Society Plc**

Printed 31/03/2009 10:05:27

Global business

 Financial year ended **31st December 2008**

 With-profits fund **Ordinary Long Term 1**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic value of assets available to the fund

Regulatory value of assets	11	4191773	5650087
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21	13914	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	679539	734717
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23	1332	443
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	4886558	6385247
Support arrangement assets	27		
Assets available to the fund (26+27)	29	4886558	6385247

Realistic value of liabilities of fund

With-profits benefits reserve	31	3398630	4487757	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	77099	193189
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	454708	322439
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	159769	168975
	Future costs of smoothing (possibly negative)	44	23724	(114885)
	Financing costs	45	(94024)	(105447)
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	10692	20230
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	631968	484501	
Realistic current liabilities of the fund	51	234440	389977	
Realistic value of liabilities of the fund (31+49+51)	59	4265038	5362235	

Realistic balance sheet**Form 19
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**

Printed 31/03/2009 10:05:27

Global business

Financial year ended **31st December 2008**With-profits fund **Ordinary Long Term 1**Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	4783769	5655373
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+ 63)	64	4783769	5655373
Risk capital margin for fund (62-59)	65	518731	293138
Realistic excess capital for fund (26-(59+65))	66	102789	729874
Realistic excess available capital for fund (29-(59+65))	67	102789	729874
Working capital for for fund (29-59)	68	621520	1023012
Working capital ratio for fund (68/29)	69	12.72	16.02

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

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

Long-term insurance business: Revenue account

Form 40

Printed 31/03/2009 10:05:27

Name of insurer **Sun Life Assurance Society Plc**
 Name and number of fund/Summary **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	112640	249992
Investment income receivable before deduction of tax	12	556023	583258
Increase (decrease) in the value of non-linked assets brought into account	13	(215389)	348266
Increase (decrease) in the value of linked assets	14	(38098)	41495
Other income	15	415	1849
Total income	19	415591	1224860

Expenditure

Claims incurred	21	1087575	1177539
Expenses payable	22	47059	62043
Interest payable before deduction of tax	23	8325	8639
Taxation	24	(29502)	12159
Other expenditure	25		
Transfer to (from) non technical account	26	22784	24323
Total expenditure	29	1136241	1284703

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(720650)	(59843)
Fund brought forward	49	9841285	9901128
Fund carried forward (39+49)	59	9120635	9841285

Long-term insurance business: Analysis of premiums

Form 41

Printed 31/03/2009 10:05:28

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Gross

Regular premiums	11	121785	167735	3709	293229	326195
Single premiums	12	19550	190882	143	210575	241552

Reinsurance - external

Regular premiums	13	2742	216		2958	60
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	22974	117026		140000	159414
Single premiums	16	114138	134068		248206	158281

Net of reinsurance

Regular premiums	17	96069	50493	3709	150271	166721
Single premiums	18	(94588)	56814	143	(37631)	83271

Total

Gross	19	141335	358617	3852	503804	567747
Reinsurance	20	139854	251310		391164	317755
Net	21	1481	107307	3852	112640	249992

Long-term insurance business: Analysis of claims

Form 42

Printed 31/03/2009 10:05:28

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Gross

Death or disability lump sums	11	138319	21651	7	159977	167222
Disability periodic payments	12	1754			1754	2025
Surrender or partial surrender	13	474137	865232	15125	1354494	1750385
Annuity payments	14	11176	334249		345425	343582
Lump sums on maturity	15	132173	126664		258837	224598
Total	16	757559	1347796	15132	2120487	2487812

Reinsurance - external

Death or disability lump sums	21	1004			1004	3979
Disability periodic payments	22	148			148	179
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1152			1152	4158

Reinsurance - intra-group

Death or disability lump sums	31	66835	11089		77924	81630
Disability periodic payments	32					
Surrender or partial surrender	33	351439	516880		868319	1125127
Annuity payments	34					
Lump sums on maturity	35		85517		85517	99358
Total	36	418274	613486		1031760	1306115

Net of reinsurance

Death or disability lump sums	41	70480	10562	7	81049	81613
Disability periodic payments	42	1606			1606	1846
Surrender or partial surrender	43	122698	348352	15125	486175	625258
Annuity payments	44	11176	334249		345425	343582
Lump sums on maturity	45	132173	41147		173320	125240
Total	46	338133	734310	15132	1087575	1177539

Long-term insurance business: Analysis of expenses

Form 43

Printed 31/03/2009 10:05:28

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Gross

Commission - acquisition	11	2606	2156	409	5171	6862
Commission - other	12	8178	4794	25	12997	15716
Management - acquisition	13	1300	9201	14	10515	60954
Management - maintenance	14	20786	49347	266	70399	84253
Management - other	15					
Total	16	32870	65498	714	99082	167785

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	3	10		13	10
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	3	10		13	10

Reinsurance - intra-group

Commission - acquisition	31	1037	2816		3853	4862
Commission - other	32	6044	3854		9898	12056
Management - acquisition	33	795	7921		8716	58654
Management - maintenance	34	8714	20717	112	29543	30160
Management - other	35					
Total	36	16590	35308	112	52010	105732

Net of reinsurance

Commission - acquisition	41	1569	(660)	409	1318	2000
Commission - other	42	2131	930	25	3086	3650
Management - acquisition	43	505	1280	14	1799	2300
Management - maintenance	44	12072	28630	154	40856	54093
Management - other	45					
Total	46	16277	30180	602	47059	62043

Long-term insurance business: Linked funds balance sheet

Form 44

Printed 31/03/2009 10:05:29

Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2008**

Units **£000**

	Financial year	Previous year
	1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18		

Directly held linked assets

Value of directly held linked assets	21	20030	26293
--------------------------------------	----	-------	-------

Total

Value of directly held linked assets and units held (18+21)	31	20030	26293
Surplus units	32	150	70
Deficit units	33		
Net unit liability (31-32+33)	34	19880	26223

Long-term insurance business: Summary of new business

Form 46

Printed 31/03/2009 10:05:29

Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2008**

Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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Number of new policyholders / scheme members for direct insurance business

Regular premium business	11	518	2181		2699	2180
Single premium business	12	3	2221		2224	2994
Total	13	521	4402		4923	5174

Amount of new regular premiums

Direct insurance business	21	936	12195		13131	16578
External reinsurance	22	5			5	7
Intra-group reinsurance	23					
Total	24	941	12195		13136	16585

Amount of new single premiums

Direct insurance business	25	19466	190299		209765	238873
External reinsurance	26		584		584	492
Intra-group reinsurance	27	84		143	227	2187
Total	28	19550	190883	143	210576	241552

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 1)**

Name of insurer **Sun Life Assurance Society Plc**

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Total business

Financial year ended **31st December 2008**

Units **£000**

UK Life / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
395	Annuity non-profit (PLA)			3	116
410	Group Life	3	1		
420	Group income protection	4			
500	Life UWP single premium				1653
505	Life UWP whole life regular premium	89	196		
515	Life UWP endowment regular premium – target cash	119	81		
700	Life property linked single premium				17697
710	Life property linked whole life regular premium	303	658		

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 2)**

Name of insurer **Sun Life Assurance Society Plc**

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Total business

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
505	Life UWP whole life regular premium		2		
710	Life property linked whole life regular premium		3		

Long-term insurance business: Analysis of new business**Form 47
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**

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Total business

Financial year ended **31st December 2008**Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				84

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 4)**

Name of insurer **Sun Life Assurance Society Plc**

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Total business

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
160	Conventional pensions endowment with-profits - increments		61		88
400	Annuity non-profit (CPA)			1066	3472
410	Group Life	214	30		
411	Group death in service dependants' annuities	25	4		
525	Individual pensions UWP	7	5	283	6510
530	Individual pensions UWP - increments		264		5146
535	Group money purchase pensions UWP	203	348	36	810
540	Group money purchase pensions UWP - increments		719		7087
565	DWP National Insurance rebates UWP				14584
570	Income drawdown UWP				285
571	Trustee investment plan UWP		2		1
575	Miscellaneous UWP		5	5	430
725	Individual pensions property linked	9	38	528	36622
730	Individual pensions property linked - increments		1307		31420
735	Group money purchase pensions property linked	1721	4337	194	1107
740	Group money purchase pensions property linked - increments		4932		28339
745	DWP National Insurance rebates property linked				44065
750	Income drawdown property linked				896
755	Trustee investment plan			1	971
760	Small self administered schemes	2	143	31	8193
905	Index linked annuity			77	273

Long-term insurance business: Analysis of new business**Form 47
(Sheet 5)**Name of insurer **Sun Life Assurance Society Plc**

Printed 31/03/2009 10:05:30

Total business

Financial year ended **31st December 2008**Units **£000**

UK Pension / Reinsurance accepted external

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
525	Individual pensions UWP				34
530	Individual pensions UWP - increments				14
565	DWP National Insurance rebates UWP				120
730	Individual pensions property linked - increments				14
745	DWP National Insurance rebates property linked				402

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 6)**

Name of insurer **Sun Life Assurance Society Plc**

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Total business

Financial year ended **31st December 2008**

Units **£000**

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				143

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

Form 48

Printed 31/03/2009 10:05:30

Name of insurer **Sun Life Assurance Society Plc**
 Financial year ended **31st December 2008**
 Category of assets **Total Long-Term Insurance Business Assets**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	1980696	1981443	94508	3.36	
Other fixed interest securities	13	2673070	2907083	201409	7.64	
Variable interest securities	14	140880	140880	19909	2.80	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	234760				
Total	19	5029406	5029406	315826	5.82	

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

Land and buildings	21	324945	351166	25637	7.30	(18.88)
Approved fixed interest securities	22	730355	730355	34836	3.36	9.89
Other fixed interest securities	23	1139815	1168210	80936	7.64	(11.77)
Variable interest securities	24	10674	10674	1508	2.80	(2.61)
UK listed equity shares	25	1036396	1046898	58058	9.75	(28.66)
Non-UK listed equity shares	26	371472	375274	15818	8.07	(26.71)
Unlisted equity shares	27	95414	191104			(12.70)
Other assets	28	482694	318084	9125	2.75	6.61
Total	29	4191765	4191765	225918	6.70	(12.77)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(12.59)
Return allocated to non taxable 'asset shares'	32					(12.59)
Return allocated to taxable 'asset shares'	33					(10.74)

Long-term insurance business: Fixed and variable interest assets

Form 49

Printed 31/03/2009 10:05:30

Name of insurer **Sun Life Assurance Society Plc**
 Financial year ended **31st December 2008**
 Category of assets **Total Long-Term Insurance Business Assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	1836462	9.90	3.05	3.05
Other approved fixed interest securities	21	875336	8.79	4.01	3.75
Other fixed interest securities					
AAA/Aaa	31	402914	8.40	6.04	5.83
AA/Aa	32	1003350	8.96	6.26	5.55
A/A	33	1612155	8.86	7.70	6.44
BBB/Baa	34	791179	8.36	8.93	7.01
BB/Ba	35	18750	6.29	17.74	3.54
B/B	36	4033	2.97	52.74	3.70
CCC/Caa	37	28775	10.79	9.11	3.78
Other (including unrated)	38	214137	7.44	9.88	3.03
Total other fixed interest securities	39	4075293	8.66	7.64	6.06
Approved variable interest securities	41	122174	12.10	1.47	1.46
Other variable interest securities	51	29380	13.36	3.84	2.94
Total (11+21+39+41+51)	61	6938645	9.09	5.84	4.88

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Form 51 - with-profits	11	428405	543255		971660	1092423
Form 51 - non-profit	12	298491	4517981	707	4817179	5009011
Form 52	13	590228	1838356	32726	2461310	2690631
Form 53 - linked	14	3504047	4030253	19880	7554180	9918924
Form 53 - non-linked	15	14776	12737	9940	37453	44543
Form 54 - linked	16	94217	774369		868586	924695
Form 54 - non-linked	17	178	5177		5355	5769
Total	18	4930342	11722128	63253	16715723	19685996

Reinsurance - external

Form 51 - with-profits	21	94			94	95
Form 51 - non-profit	22	2062	3574		5636	6366
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	37329	467		37796	37619
Form 54 - non-linked	27	(1280)			(1280)	
Total	28	38205	4041		42246	44080

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	57649			57649	
Form 52	33					
Form 53 - linked	34	3504047	4030253		7534300	9892701
Form 53 - non-linked	35	1470	11543		13013	15334
Form 54 - linked	36	55580			55580	
Form 54 - non-linked	37	169			169	
Total	38	3618915	4041796		7660711	9908035

Net of reinsurance

Form 51 - with-profits	41	428311	543255		971566	1092328
Form 51 - non-profit	42	238780	4514407	707	4753894	5002645
Form 52	43	590228	1838356	32726	2461310	2690631
Form 53 - linked	44			19880	19880	26223
Form 53 - non-linked	45	13306	1194	9940	24440	29209
Form 54 - linked	46	1308	773902		775210	887076
Form 54 - non-linked	47	1289	5177		6466	5769
Total	48	1273222	7676291	63253	9012766	9733881

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 1)**

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	20474	109073	2689	n/a	n/a	n/a	62201
120	Conventional endowment with-profits OB savings	60737	290032	15653	n/a	n/a	n/a	222587
125	Conventional endowment with-profits OB target cash	6731	114540	2453	n/a	n/a	n/a	101611
155	Conventional pensions endowment with-profits	8	1919	2	n/a	n/a	n/a	2351
205	Miscellaneous conventional with-profits	57913	48752	5959	n/a	n/a	n/a	39052
210	Additional reserves with-profits OB				n/a	n/a	n/a	603
300	Regular premium non-profit WL/EA OB	286197	487855	27041	n/a	n/a	n/a	196353
390	Deferred annuity non-profit	1467	1125		n/a	n/a	n/a	7750
395	Annuity non-profit (PLA)	4993	8520		n/a	n/a	n/a	60093
410	Group Life	74	1071016	5809	n/a	n/a	n/a	11388
435	Miscellaneous non-profit	13755	302868	2160	n/a	n/a	n/a	21402
440	Additional reserves non-profit OB				n/a	n/a	n/a	1505

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 2)**

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		122		n/a	n/a	n/a	94
300	Regular premium non-profit WL/EA OB		3		n/a	n/a	n/a	1
336	Mortality risk premium reinsurance		2650	128	n/a	n/a	n/a	351
395	Annuity non-profit (PLA)		12		n/a	n/a	n/a	655
410	Group Life		2002	10	n/a	n/a	n/a	3
435	Miscellaneous non-profit		15303	121	n/a	n/a	n/a	1052

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 3)**

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		22		n/a	n/a	n/a	6
395	Annuity non-profit (PLA)		8506		n/a	n/a	n/a	59393
440	Additional reserves non-profit OB				n/a	n/a	n/a	(1750)

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 4)**

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
155	Conventional pensions endowment with-profits	9225	329731	1309	n/a	n/a	n/a	467853
200	Annuity with-profits (CPA)	638	5084		n/a	n/a	n/a	69905
205	Miscellaneous conventional with-profits	395	3095	22	n/a	n/a	n/a	5497
300	Regular premium non-profit WL/EA OB	7	146	1	n/a	n/a	n/a	50
390	Deferred annuity non-profit	29203	45619	37	n/a	n/a	n/a	563048
400	Annuity non-profit (CPA)	104662	281105		n/a	n/a	n/a	3797191
405	Annuity non-profit (CPA impaired life)	1487	8904		n/a	n/a	n/a	105095
410	Group Life	4765	745629	1620	n/a	n/a	n/a	1889
435	Miscellaneous non-profit	6802	131928	905	n/a	n/a	n/a	50425
440	Additional reserves non-profit OB				n/a	n/a	n/a	283

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 5)**

Printed 31/03/2009 10:05:31

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
336	Mortality risk premium reinsurance		714	6	n/a	n/a	n/a	16
405	Annuity non-profit (CPA impaired life)		392		n/a	n/a	n/a	3492
410	Group Life		11543	53	n/a	n/a	n/a	13
435	Miscellaneous non-profit		1435	6	n/a	n/a	n/a	53

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

**Form 51
(Sheet 6)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
410	Group Life		14667	127	n/a	n/a	n/a	707

Long-term insurance business: Valuation summary of accumulating with-profits contracts

**Form 52
(Sheet 1)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	17518	424824		412459	409103	125	409229
505	Life UWP whole life regular premium	4952	655841	5896	38066	36645	737	37382
510	Life UWP endowment regular premium - savings	2717	67828	2516	37741	37071	1545	38616
515	Life UWP endowment regular premium – target cash	4192	117546	3268	43375	41696	48	41743
555	Group deposit administration with-profits	28	1603	12	1603	1603	12	1615
574	UWP investment only reinsurance		61643		61643	61643		61643

Long-term insurance business: Valuation summary of accumulating with-profits contracts

**Form 52
(Sheet 2)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	33722	1072109	12655	988206	956889	185863	1142752
535	Group money purchase pensions UWP	19505	412716	13283	348600	333070	628	333698
555	Group deposit administration with-profits	5145	301402	11286	301402	301402	3010	304412
570	Income drawdown UWP	44	10473		10473	10473	2	10475
571	Trustee investment plan UWP	92	12766	52	12766	12636	628	13264
575	Miscellaneous UWP	280	43203	914	35528	33489	236	33725
610	Additional reserves UWP						30	30

Long-term insurance business: Valuation summary of accumulating with-profits contracts

**Form 52
(Sheet 3)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
574	UWP investment only reinsurance		32726		32726	32726		32726

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 1)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	124979	3187593		3140564	3140560	3179	3143739
710	Life property linked whole life regular premium	33959	2597797	22343	141934	141934	5242	147176
715	Life property linked endowment regular premium - savings	18165	289404	11312	142270	142270	3285	145555
720	Life property linked endowment regular premium – target cash	8400	288412	6197	78582	78582	647	79229
795	Miscellaneous property linked	75	701		701	701	68	769
800	Additional reserves property linked						2355	2355

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 2)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		1713	50				
710	Life property linked whole life regular premium		511025	2444				
715	Life property linked endowment regular premium - savings		19245	96				

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 3)**

Printed 31/03/2009 10:05:32

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		3146207		3140564	3140560	2857	3143417
710	Life property linked whole life regular premium		168141	22343	141934	141934	(4141)	137793
715	Life property linked endowment regular premium - savings		148760	11312	142270	142270	3038	145308
720	Life property linked endowment regular premium – target cash		85795	6187	78582	78582	(284)	78298
795	Miscellaneous property linked		701		701	701		701

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 4)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	178930	3288132	51797	3190754	3100214	5884	3106098
735	Group money purchase pensions property linked	52953	863297	63411	720534	705764	6574	712338
750	Income drawdown property linked	388	63278		63278	63278	110	63388
755	Trustee investment plan	270	19228	156	18038	17724	27	17751
760	Small self administered schemes	2771	180244	5350	151118	143273	106	143379
800	Additional reserves property linked						36	36

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 5)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		1921	8				

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 6)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		3087791	51662	3190754	3100214	4952	3105166
735	Group money purchase pensions property linked		720534	63411	720534	705764	6407	712171
750	Income drawdown property linked		63278		63278	63278	110	63388
755	Trustee investment plan		18038	156	18038	17724	23	17747
760	Small self administered schemes		151118	5350	151118	143273	51	143324

Long-term insurance business: Valuation summary of property linked contracts

**Form 53
(Sheet 7)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
715	Life property linked endowment regular premium - savings	4690	78812	3708	19880	19880	9940	29820

Long-term insurance business: Valuation summary of index linked contracts

**Form 54
(Sheet 1)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	240	4829		116719	93723	170	93893
910	Miscellaneous index linked	3	144		542	494	8	502

Long-term insurance business: Valuation summary of index linked contracts

**Form 54
(Sheet 2)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1730		46753	37329		37329
915	Additional reserves index linked						(1280)	(1280)

Long-term insurance business: Valuation summary of index linked contracts

**Form 54
(Sheet 3)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		2898		69012	55580	169	55749

Long-term insurance business: Valuation summary of index linked contracts

**Form 54
(Sheet 4)**

Printed 31/03/2009 10:05:33

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	3691	46867		827385	688538	2984	691522
910	Miscellaneous index linked	350	5176		123550	85831	2193	88024

Long-term insurance business: Valuation summary of index linked contracts

**Form 54
(Sheet 5)**

Printed 31/03/2009 10:05:34

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		53		513	467		467

Long-term insurance business: index linked business

Form 56

Printed 31/03/2009 10:05:34

Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2008**

Units **£000**

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	554266	12.10
Other variable interest securities	12	220933	14.23
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18	11	
Variation margin	19		
Total (11 to 19)	20	775210	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31	31258	21.68
AA/Aa	32	30189	14.33
A/A	33	118992	13.66
BBB/Baa	34	29740	10.67
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	10754	8.46
Total other fixed interest and other variable interest securities	39	220933	14.23

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 1)**

Name of insurer **Sun Life Assurance Society Plc**

Printed 31/03/2009 10:05:34

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	208147	3.75		5.06
UK Pens NP Form 51	4510033		4.70	5.05
UK L&GA WP Form 51	434620	3.00		5.42
UK Pens WP Form 51	543257		4.00	5.42
UK L&GA WP Form 52	606833	3.00		5.42
UK Pens WP Form 52	1895912		3.00	5.42
Misc	101743			4.79
TOTAL	8300545	n/a	n/a	n/a

Long-term insurance business: distribution of surplus

Form 58

Printed 31/03/2009 10:05:34

Name of insurer **Sun Life Assurance Society Plc**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Valuation result

Fund carried forward	11	9120635	9841285
Bonus payments in anticipation of a surplus	12	122186	111500
Transfer to non-technical account	13	22784	24323
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9265605	9977108
Mathematical reserves	21	9012766	9733881
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	252839	243227

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	252839	243227
Total	39	252839	243227

Distribution of surplus

Bonus paid in anticipation of a surplus	41	122186	111500
Cash bonuses	42		
Reversionary bonuses	43	82869	107404
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	205055	218904
Net transfer out of fund / part of fund	47	22784	24323
Total distributed surplus (46+47)	48	227839	243227
Surplus carried forward	49	25000	
Total (48+49)	59	252839	243227

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business: With-profits payouts on maturity (normal retirement)

Form 59A

Printed 31/03/2009 10:05:35

Name of insurer **Sun Life Assurance Society Plc**

Original insurer **Sun Life Assurance Society plc**

Date of maturity value/open market option

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11615			CWP	N	11615
Endowment assurance	20	20398	1253		CWP	N	20398
Endowment assurance	25	33310	3326		CWP	N	33310
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	47838	1904		UWP	N	47838
Regular premium pension	20	85556	6599		UWP	N	85556
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	24465	3855		UWP	N	24465
Single premium pension	20	39388	3886		UWP	N	39388

Long-term insurance business: With-profits payouts on surrender

Form 59B

Printed 31/03/2009 10:05:35

Name of insurer **Sun Life Assurance Society Plc**

Original insurer **Sun Life Assurance Society plc**

Date of surrender value

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	8888			CWP	N	13246
Endowment assurance	20	16630			CWP	N	13246
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirement
Form 60

Printed 31/03/2009 10:05:36

 Name of insurer **Sun Life Assurance Society Plc**

Global business

 Financial year ended **31st December 2008**

 Units **£000**

	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
	1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	1818117	1807315	0.98	1791
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%	2440553	2387365		7212
Classes III, VII and VIII	15	0.3%	3762094	3574678	0.95	10724
Total	16		8020764	7769358		19727

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					382
						434

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	7551124	7489399	0.99	74894
Classes III, VII and VIII (investment risk)	33	1%	1833876	1506231	0.85	15588
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				53
Class IV (other)	36	1%	11028	10168	0.92	102
Class V	37	1%				
Class VI	38	1%	69956	69956	1.00	700
Total	39					91337

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	7551124	7489399	0.99	224682
Classes III, VII and VIII (investment risk)	43	3%	1833876	1506231	0.85	46764
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%	7332608	19880		
Class IV (other)	46	3%	11028	10168	0.92	305
Class V	47	0%				
Class VI	48	3%	69956	69956	1.00	2099
Total	49		16798592	9095634		273850

Long term insurance capital requirement	51					385296
						418407

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***0301* - Reconciliation of net admissible assets to total capital resources after deductions**

	2008	2007
	£000	£000
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business	228,552	165,474
Grand total of admissible assets after deductions of market risk and counterparty limits – long term business	10,016,260	11,862,925
Mathematical reserves, after distribution of surplus	(9,095,635)	(9,841,285)
Total other insurance and non-insurance liabilities	(205,508)	(339,142)
Total liabilities – other than long term business	(3,669)	(1,953)
Total capital resources after deductions	940,000	1,846,019

***0307* - Reinsurance arrangement contributing to Form 3 Line 93**

The Society historically provided new business financing for Sun Life Pensions Management Ltd. This business has now been transferred to AXA Sun Life Plc, which reinsures the Society's unit linked pensions business. Although the financing is in connection with reinsurance ceded, with the agreement of the FSA the relevant amount, reflecting the financing element of this arrangement, has been shown under line 93 (Financial Reinsurance – accepted) for clarity.

As at the valuation date:

- No allowance is made for this arrangement in determining the mathematical reserves, as repayments are contingent on future profits of AXA Sun Life Plc. Thus the reinsurance liability (i.e. the amount of the difference between the mathematical reserves at the valuation date allowing for the arrangement and the amount of the mathematical reserves were this arrangement to be ignored) was zero.
- The amount of the contingent asset for payment from AXA Sun Life Plc under this arrangement at the valuation date was £94.0m.
- There is no formal provision to terminate this agreement for existing business, so there is no commutation value.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***0310* – Valuation Differences**

	2008	2007
	£000	£000
Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	409,421	899,411
Amount outstanding under reinsurance contract with AXA Sun Life Plc (see note 0307)	(94,024)	(105,447)
	<u>315,397</u>	<u>793,964</u>

***0313* - Reconciliation of profit and loss account and other reserves to profit or loss retained**

	2008	2007
	£000	£000
Profit and loss account and other reserves brought forward	275,834	318,034
Profit/(loss) retained for the year	38,764	(42,200)
Profit and loss account and other reserves carried forward	<u>314,598</u>	<u>275,834</u>

1304

&

***1310* – Amounts set off**

Certain amounts shown in Form 13 have been set off to the extent permitted by generally accepted accounting principles.

1305

&

***1319* - Maximum counterparty limits**

Under the Insurer's Investment Guidelines, the maximum exposure of individual portfolios to a single counterparty for cash and fixed income securities depends on the rating of the counterparty. The maximum exposure is calculated by multiplying the relevant rating limit expressed as a percentage by the portfolio base.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

The relevant rating limits expressed as a percentage are as follows:

AXA RATING	Corporate	Supra National and Government Related	Non Domestic Sovereign	Domestic Sovereign
AAA	4.0%	No Limit	No Limit	No Limit
AA+	3.3%			
AA	3.0%			
AA-	2.5%			
A+	2.0%	2.0%	2.0%	
A	1.6%	1.6%	1.6%	
A-	1.2%	1.2%	1.2%	
BBB+	1.0%	1.0%	1.0%	
BBB	0.7%	0.7%	0.7%	
BBB-	0.4%	0.4%	0.4%	
BB+	0.2%			
BB	0.1%			
BB-	0.05%			
Below BB-	0.05%			

The portfolio base is the total fixed income (excluding private loans) and cash portfolio for sovereign issuers and the greater of the cash and corporate bonds portfolio (excluding mortgage backed securities) or 50% of the total fixed income and cash portfolio for corporate and supranational issuers.

Limits set out in the Financial Services Authority Handbook must also be applied.

A 4.5% FTSE All Share capped benchmark ('benchmark') is adopted for equities. Within a single portfolio the UK equity concentration limit for the largest 250 FTSE stocks is set at 1.5% above benchmark (2% for investments managed by AXA Rosenberg) and is subject to an absolute maximum of 6%. The limit for other FTSE All Share stocks is set at 1% above benchmark (2% for investments managed by AXA Rosenberg) and is subject to an absolute maximum of 5.5%. For overseas equities the equity concentration limit is set at 1.5% above benchmark.

Limits are also imposed at a group level. The maximum permitted aggregate holding across all relevant portfolios of UK equity must not exceed 10% of the free float market capitalisation ('free float') and for overseas equity must not exceed 4% of total market capitalisation. The maximum permitted exposure in respect of UK equities for the With Profits portfolios is 7% of the free float.

For portfolios managed by the Investment Manager, Alliance Capital, the equity concentration limit has been set so that the absolute holding must not be more than 5% above benchmark. For portfolios managed by the Investment Manager, AXA Rosenberg, the maximum aggregate holding across the portfolio must not exceed more than 1.5% of the free float.

The maximum risk adjusted exposure to a single counterparty arising from either of derivative and securities lending activity is limited to 1% of the market value of each of the individual portfolios within the Society but subject to an overall limit of 0.5% of the market value of the sum of all the individual portfolios within the Society.

During 2008 the maximum permitted aggregate holding across all the relevant portfolios of UK equity exceeded the limit of 10% of the free float in respect of three counterparties.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

Funds within this Society held investments with two of these counterparties when the limits were breached. Approximately 99% of the aggregate holding with one of these counterparties, across all relevant portfolios of UK equity, was held by the Society. The maximum aggregate holding with this counterparty was 0.75% of the total equity portfolio. The fund manager has been instructed to sell the relevant investments when feasible in order to resolve the breach.

The other counterparty is in liquidation and the Society held approximately 61% of the aggregate holding across all relevant portfolios of UK equity.

Breaches in respect of cash and fixed income are monitored at a total UK group level. During the year the maximum exposure limits to a single counterparty for fixed income were breached in respect of nine counterparties for portfolios within the Society. The breaches occurred due to the ratings downgrade of several debt instruments during the year. Breaches, in respect of eight of the counterparties, were dealt with by selling the relevant investments. There was one outstanding breach as at 31 December 2008.

1306

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***1312* - Exposure at year end to large counterparties**

At the year end there were no exposures, of types subject to market risk and counterparty exposure limits, which exceed 5% of the sum of the Society's base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1307

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***1313* – Aggregate value of certain fully secured rights**

The aggregate value of fully secured rights on 31 December 2008 was £154.9m (2007: £3,117.8m).

***1308* – Aggregate value of assets**

	2008	2007
	£000	£000
The aggregate value of:		
Unlisted investments	287,905	177,541
Listed investments which are not readily realisable	19,751	23,113
Units in collective investment schemes that are not schemes falling within the UCITS Directive	47,721	131,550
	<u>355,377</u>	<u>332,204</u>

***1309* - Aggregate value of hybrid securities**

The aggregate value of hybrid securities included at line 46 and line 48 is £950.0m (2007: £1,681.0m).

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***1318* - Other asset adjustments**

The amounts included at line 101 on Form 13 are as follows:

Long term	2008	2007
	£000	£000
Gross Up	-	(234)

1401

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***1501* – Provision for reasonably foreseeable adverse variations**

The Society identified and reviewed all assets which are valued by marking to model, which are subject to restrictions or agreements relating to transactions or which could potentially be subject to less liquid positions. It was determined, following consultation with the investment managers, that none of these assets required an adjustment pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

The Society reviewed its investments to identify whether any provisions were required pursuant to INSPRU 3.2.17R and INSPRU 3.2.18R. It was determined that in each case, sufficient cover is held and no such provisions were required.

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***1502* - Long term and other than long term insurance business assets / liabilities**

a) Charges on assets

No charge has been made on the assets of the Society to secure the liabilities of any other person.

b) Provision for capital gains tax

A capital gains tax liability of £779k (2007: £30,420k) would arise if the Society were to dispose of all of its assets. This liability has been included within the overall net deferred tax asset which is deemed inadmissible for FSA purposes.

c) Contingent liabilities

The Society had no contingent liabilities.

d) Guarantees, indemnities or other contractual commitments

The Society has provided indemnity to a fellow subsidiary, AXA Sun Life Services Plc (ASLS), which acts as a distributor and third party administrator for the Society's products and services. This indemnity is provided in the event of ASLS becoming insolvent, to meet and deal with any civil liability which ASLS has incurred to investors (i.e. policyholders) in the course of its marketing of investments which the Society is party to. Any liability arising from the indemnity would be met with other than long term fund assets.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

e) Other uncertainties

Levies are made under the Financial Services Compensation Scheme (FSCS) to compensate consumers in the event of the failure of any firm authorised under the Financial Services and Markets Act 2000. At the end of the financial year, no amounts had been provided for such levies.

Provision has been made for the best estimate of the potential redress to policyholders in respect of endowment mortgage product flaws.

***1405* - Other liability adjustments**

The amount included at line 74 of Form 14 is as follows:

	2008	2007
	£000	£000
Valuation difference (see note 0310)		
- Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	409,421	899,411
Gross up	-	(234)
	<u>409,421</u>	<u>899,177</u>

***1406* - Increase or decrease in the value of non-linked assets**

The value of non-linked assets decreased during the year by £215.4m (2007: increase of £348.3m).

1601

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***4005* - Basis of foreign currency conversion**

Income and expenditure in foreign currencies are translated to Sterling at the rate of exchange current at the transaction date.

***1700* - Submission of blank form**

The Society held no derivative contracts as other than long term insurance business assets at any time during the year and so no Form 17 relating to other than long term insurance business assets is required.

***1701* - Variation margin**

No excess variation margin has been received. No variation margin is included in respect of the long term business fund or the other than long term business fund.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

1702 – Use of quasi derivatives

- a) The aggregate value of rights in respect of assets which have the effect of derivative contracts at the end of the financial year was £1,753.4m (2007: £977.9m). The amounts contributed to each line in Form 13 in respect of quasi derivatives is as follows:

	2008	2007
	£000	£000
Line 45	135,146	68,197
Line 46	844,268	610,167
Line 47	7,735	21,596
Line 48	766,211	277,952
	<u>1,753,360</u>	<u>977,912</u>

- b) The aggregate amount of liabilities under contracts which have the effect of derivative contracts did not exceed 2.5% per cent of the aggregate amounts shown in Form 14 lines 15 to 39 or Form 15 lines 31 to 51.

1901 - Financing costs

The entry at line 45 of Form 19 includes the impact of the arrangements with AXA Sun Life Plc as described in note 0307.

4002 - Particulars of other income and other expenditure

	2008	2007
	£000	£000
Other income from subsidiaries	79	93
Other	336	1,756
	<u>415</u>	<u>1,849</u>

4008 - Management services

During the financial year ended 31 December 2008, investment management services have been provided to the Society by subsidiaries of AXA Investment Managers UK Limited. Various other management services have been provided by AXA Sun Life Services Plc, a fellow subsidiary company.

4009 - Material connected party transactions

During the financial year ended 31 December 2008 the Society carried out the following transactions with other companies in the group, which exceed 5% of the Society's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Transacting Party	Relationship	Type of Transaction	Amount
			£000
AXA Sun Life Plc	Group Undertaking	Reassurance premiums ceded	388,701
AXA Sun Life Plc	Group Undertaking	Reassurance claims received	1,033,341

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***4010* - Investment income relating to linked assets**

The amount of investment income relating to linked assets in Line 12 of Form 40 is £49.3m (2007: £50.4m).

***4201* - Analysis of claims**

The majority of the claims reported in Form 42 are paid under reinsurance arrangements to AXA Sun Life Plc which is another insurance company. The analysis of claims shown reflects the nature of the claim from the perspective of the initial insurer.

***4401* - Basis for valuation of assets**

Invested assets are included at market value in accordance with the policy terms.

***4703* - Approximations used in determining column 3 and 5**

The following approximations were used in determining the split of policy holders between single and regular premium business:

UK Pension / Direct insurance business:

400	Annuity non-profit (CPA)	an average case size was assumed to apply across all annuities (400 and 905)
905	Index linked annuity	an average case size was assumed to apply across all annuities (400 and 905)

***4803* - Yields not determined by reference to the final redemption date**

In the case of a fixed interest security that may be redeemed at different dates at the option of the issuer, the yield is initially determined with reference to the final redemption date. For a security where the resulting yield is significantly different from that expected based on market yields, the yield is adjusted to equal that determined by reference to the relevant earlier date. The total value included in Form 49 line 61 in respect of securities that may be redeemed at different dates at the option of the issuer is £1,082m.

***4804* - Yields of 'other assets'**

The assets included in lines 18 and 28 of Form 48 break down as follows:

	Market Value	Yield
	£m	%
Cash	107	8.42%
Derivative exposure (assumed to receive the cash return)	-7	8.42%
Policy loans	3	9.87%
Miscellaneous assets bearing little or no income	215	0.00%

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***4806* - Assets used to determine investment returns in column 5**

The assets included in the calculation of investment returns shown in column 5 are the assets underlying the calculation of asset shares. The asset categories used for asset share return calculations are not in all cases the same as the categories in lines 21-29 of column 2, and have been defined as follows:

Line	Assets included
21	Properties including investments in property through collective investment schemes and limited partnerships.
22 & 23	Non-index-linked gilts and corporate bonds (including non-index-linked variable interest bonds, which are included in column 2 line 24). An approximate basis has been used to split the return between the two lines.
24	Index-linked gilts and bonds.
25-27	Equities and collective investment schemes investing in equities. An approximate method has been used to split the return on all equities (used in asset share calculations) between these three lines.
28	All assets included in the calculation of asset shares but not included in lines 21-27, consequentially this is mostly cash.

The weighted average in line 29 of column 5 is that applicable to asset shares of policies denominated in sterling other than with profits annuities. Other policies have a different asset mix.

*** 4807* - Reconciliation with Form 50**

The amount of assets in line 19 of Form 48 cannot be reconciled with the sum of lines 42, 45 and 47 of Form 50 and the non-profit part of the LTICR, because Form 50 line 47 (Form 54 – non-linked) includes a small amount of linked with profits business, with non-linked mathematical reserves of £7,700.

***4901* - Source of credit ratings**

Credit ratings from Standard & Poor's and Moody's are used. If both are available, the lower rating is used. In the absence of either, a prudent internal rating is used.

***5102* - Approximations in estimating the number of policyholders**

In the case of Ten Plus Plans (included within product codes 100 and 120), plans were issued in clusters of identical policies, but each policy is valued individually. The number of policyholders has been estimated by dividing the number of policies by the assumed average number of policies per plan, which was determined by analysis of policy data.

***5103* - Products classified as miscellaneous**

The following product with reserves in excess of £10m has been classified under miscellaneous product code 205:

- Moneyback (level term assurance with a small with profits maturity benefit)

The following product with reserves in excess of £10m has been classified under miscellaneous product code 435:

- Postponed retirements and other deferred maturities where the benefit is expressed in cash form

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***5104* - Approximations in apportionments between product codes**

Conventional with profits endowment assurances have been allocated to product code 125 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product type 120 (savings) otherwise.

With the exception of one clearly identified group scheme, with profits Pension Builders have been allocated to product code 155. It is possible that some of these policies form part of small group schemes, which should be allocated to product code 185, but it is not possible to identify such policies reliably.

***5203* - Details of policies included in the miscellaneous product code.**

The following product with gross mathematical reserves in excess of £10m has been classified under miscellaneous product code 575:

- Unitised with profits partly-insured Flexible Suntrust Plans (pensions policies issued in conjunction with small self-administered schemes)

***5204* - Approximations used to apportion between product codes.**

Unitised with profits endowment assurances have been allocated to product code 515 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product code type 510 (savings) otherwise.

***5304* - Approximations used to apportion between product codes.**

Unit-linked endowment assurances have been allocated to product code 720 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product code type 715 (savings) otherwise.

***5403* - Products classified as miscellaneous**

The following product with reserves in excess of £10m has been classified under miscellaneous product code 910:

- Index-linked deferred annuity

***5601* - Source of credit ratings**

Credit ratings from Standard & Poor's and Moody's are used. If both are available, the lower rating is used. In the absence of either, a prudent internal rating is used.

***5812* - Surplus carried forward**

Surplus assets of £25m are shown as carried forward and unappropriated within the long term fund on Form 58 Line 49. The excess has not been allocated and is not available for transfer to the other than long term fund or for bonus declaration until such allocation has been undertaken.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2008**

NOTES TO THE RETURN

***6001* - Insurance health risk and life protection reinsurance capital component**

The entry in line 21 of Form 60 is at least as large as the amount that would be obtained if Forms 11 and 12 were to be completed. The method used to estimate the entry in line 21 has followed the requirements for Form 11 and Form 12, with use of prudent estimates where data items are not available.

The gross annual premiums in force at 31 December 2008 in respect of Class IV business, life protection reinsurance business and supplementary accident and sickness insurance amount to £0.9m.

Name of Insurer: **Sun Life Assurance Society Plc**

IPRU(INS) Rule 9.31(a) and Appendix 9.4

VALUATION REPORT

Throughout this report the following notation is used:

the Society denotes Sun Life Assurance Society Plc
ASL denotes AXA Sun Life Plc

Internal reinsurance arrangements as at 31 December 2008

On 31 December 2008, a reinsurance arrangement was put in place to cede 100% of the Non Profit Life Annuities in Payment from SLAS to ASL.

The reinsurance of unit linked business to ASL (from 1 January 2007) remains in force. This reinsurance includes the unit liabilities and most policy charges, but excludes most mortality risk and all morbidity risk. Expenses in respect of reinsured policies are charged to ASL.

1. Valuation date

- (1) The actuarial investigation relates to a valuation date of 31 December 2008.
- (2) The valuation date of the previous investigation was 31 December 2007.
- (3) There have been no interim valuations (for the purpose of IPRU(INS) rule 9.4) since the previous valuation date.

2. Changes to product range in 2008

There were no significant changes to products during 2008.

Statement relating to with profits business

The Society is open to new with profits business.

Although most of the main products are closed to new business other than increments to existing policies, the Society is actively marketing with profits and unit-linked policies to new entrants to group personal and occupational pension schemes. A few other with profits, unit-linked and non-profit products remain open either generally or through particular sales channels.

3. Discretionary charges and benefits

(1) Application of Market Value Reduction

During 2008, a Market Value Reduction (MVR) was applied on discontinuance (where permitted, and subject to relevant minima) in respect of the following unitised with profits products effected in the policy years set out below.

Product Description	Period That MVR Applied		Policy Dates of Entry
	From	To	
Onshore Bonds	20/10/2008	31/12/2008	1998 - 2001

(2) Changes to premiums on reviewable non-linked protection policies

No reviewable non-linked protection policies were eligible for a premium review during 2008.

(3) Non-profit deposit administration benefits

The rate of growth added to non-profit deposit administration benefits during 2008 was 4.25%, less the rate of annual fund management charge relevant to the policy.

(4) Service charges on linked policies

Service charges for unit-linked policies changed as follows during 2008 or with effect from 1 January 2009:

No change:

Unit-linked pensions (except where described below)

Increase of approximately 5.0% (in line with Retail Prices Index to July 2008):

Flexible Pensions (except paid-up pensions)

Increase of approximately 5.0% (in line with Retail Prices Index to September 2008):

Flexible Cover Plan

Flexible Mortgage Plan

Increase of approximately 3.5% (in line with National Average Earnings Index to July 2008):

Private pension funds

(5) Benefit charges on linked policies

No changes to mortality or morbidity charges for unit-linked policies took place during 2008.

(6) Fund management charges

During 2008, there were no changes affecting existing policies to fund management charges for internal unit-linked funds. There are no notional charges to accumulating with profits policies.

(7) Unit pricing methods

The Society does not operate internal linked funds. As indicated in the note at the start of this report, all investments in such funds are reinsured to ASL.

Gross unit linked business in SLAS adopts the unit pricing methodology as in ASL.

(8) Tax deductions from unit-linked funds

See 3.(7).

(9) Tax provisions for unit-linked funds

See 3.(7).

(10) Discounts on purchases of units

See 3.(7).

4. Valuation basis (other than for special reserves)

The valuation bases set out in section 4 relate to groups of products where the gross mathematical reserves or the gross annual premiums exceed £10m. The grouping of products is that relevant to the particular method or assumption.

(1) Valuation methods

Conventional Business

A gross premium method of valuation has been used. No allowance for future bonuses has been made for with profits business.

For products where the reserves otherwise calculated are less than the discontinuance value for a material proportion of policies, the reserve for each policy has been increased where necessary to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future.

It is assumed that discontinuance values are payable only in circumstances where the policyholder might reasonably expect a discontinuance value to be paid. The assumed amount of discontinuance value is determined using bases currently in force, excluding amounts arising from future bonus distributions.

For the main classes of life with profits business, an allowance for future voluntary discontinuance has been made; discontinuance values are determined in the same way as described above. No allowance has been made for voluntary discontinuance of with profits pensions business (where almost all policies have attaching Guaranteed Annuity Rates).

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

For conventional pensions policies in postponed retirement where the benefit at normal retirement date is expressed in the form of a cash sum, the reserves are equal to the value of benefit that would be payable on immediate retirement. This is equal to the cash sum payable at normal retirement date plus interest added in respect of the period of postponement.

Unit-linked Business

For each unit-linked policy the gross reserve is the sum of:

- (i) the value of units allocated at the valuation date, discounted, in the case of capital units and certain accumulation units subject to a discontinuance charge, at a rate not exceeding the rate of future annual management charge or other periodic charges; and
- (ii) a non-unit reserve.

For most unit-linked business, unit liabilities are reassured to ASL, and the net unit reserve is zero.

For each individual policy the non-unit reserve is determined by discounting the expected future net cash flow determined on a set of assumptions relating to mortality, interest, expenses and future unit prices. Unit prices are assumed to grow from the prices calculated on the valuation date. Regard is had in the calculations to present and future discontinuance values under each policy so that the total reserve for each policy is adequate for the discontinuance value to be met at any time.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve.

Unitised With Profits and Deposit Administration Business

The reserve for each plan is calculated using a gross premium valuation method, with no allowance for future bonuses except where guaranteed. Allowance is made for guaranteed minimum annual rates of return for deposit administration business.

The reserve is subject to a minimum to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future. In determining the assumed current and future discontinuance values, allowance is made for Market Value Reductions (MVR) where they were actively being applied at the valuation date (Section 3(1)).

For most classes, the calculation of the reserves makes an allowance for future voluntary discontinuance. The assumed amount payable on discontinuance is the same as is used to determine the minimum reserves, as described above.

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

(2) Valuation interest rates

	31 December 2008	31 December 2007
	%	%
Unitised with profits and deposit administration	3.00	2.75
Conventional with profits life	3.00	2.75
Conventional with profits pensions and with profits annuities	4.00	3.75
Non-profit life	3.75	3.75
Non-profit pensions and other annuities (in-payment and deferred)	4.70	4.75
RPI-linked benefits	1.50	1.20
Unit-linked life	3.75	3.75
Unit-linked pensions	4.70	4.75
Annuity guarantees in payment (except where valued using stochastic methods)	3.20	3.80

(3) Risk adjustments to yields

In determining risk adjusted yields reported in Form 57, the following adjustments have been made, in addition to the 2.5% reduction required by INSPRU 3.1.28R.

Fixed interest

The following deductions have been made from gross redemption yields:

Rating	Term to redemption (years)		
	<10	10-20	>20
	% p.a.	% p.a.	% p.a.
AAA	0.16	0.21	0.24
AA	0.61	0.59	0.61
A	1.06	0.89	0.87
BBB	2.05	1.60	1.50

For fixed interest stocks with a lower rating than BBB, individual deductions are calculated to reduce the gross redemption yield to the equivalent risk free rate.

For fixed interest stocks with a rating of D, the gross redemption yield is set to zero.

For subordinated debt, the above deductions are increased by a factor of 1.5.

The risk adjusted yields on individual bonds are subject to a cap of 12%.

Equities

Yields have been reduced by 0.1% and have been constrained not to exceed 7.50% p.a.

Property

Yields have been reduced by 2.25% of the yield.

(4) Mortality

Product group	31 December 2008		31 December 2007	
	Males	Females	Males	Females
With profits endowment assurance (Moneysaver)	90% AM80 sel	90% AF80 sel	90% AM80 sel	90% AF80 sel
With profits endowment assurance (Top Flight)	85% AM80 ult	85% AF80 ult	85% AM80 ult	85% AF80 ult
Other with profits endowment assurance	57.5% AM92 ult	75% AF92 ult	57.5% AM92 ult	75% AF92 ult
With profits whole life	85% AM92 ult	100% AF92 ult	85% AM92 ult	100% AF92 ult
Non-profit endowment assurance	65% AM92 ult	65% AF92 ult	65% AM92 ult	65% AF92 ult
Guaranteed Over 50 Plan	100% ELT14M	115% ELT14F	100% ELT14M	115% ELT14F
Other non-profit whole life	110% AM92 ult	135% AM92 ult	110% AM92 ult	135% AM92 ult
Conventional pensions in deferment	75% AM92 ult	75% AF92 ult	75% AM92 ult	75% AF92 ult
Pensions annuities in payment	80% PCMA00 100% medium cohort with 1.7% floor	80% PCFA00 75% medium cohort with 1.5% floor	67.5% PCMA00 100% medium cohort with 1.7% floor	80% PCFA00 75% medium cohort with 1.5% floor
Non-pensions annuities in payment	75% IM80 C=2010	75% IF80 C=2010	75% IM80 C=2010	75% IF80 C=2010
Deferred pensions annuities and annuity guarantees (after deferment)	77.5% PCMA00 100% medium cohort with 1.7% floor	77.5% PCFA00 75% medium cohort with 1.5% floor	65% PCMA00 100% medium cohort with 1.7% floor	77.5% PCFA00 75% medium cohort with 1.5% floor
Bonds	93% AM80 ult	93% AF80 ult	93% AM80 ult	93% AF80 ult
Other unit-linked and unitised with profits life	Modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Flexible pensions (group personal pensions)	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Flexible pensions (other)	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Other unit-linked pensions	modified A67/70 ult	modified AF80 ult	modified A67/70 ult	modified AF80 ult

Where the mortality table is described above as modified, the following are specimen mortality rates used at 31 December 2008:

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Other unit-linked and unitised with profits life</u>						
25	0.00049	0.00072	n/a	0.00024	0.00034	n/a
35	0.00056	0.00082	n/a	0.00046	0.00066	n/a
45	0.00169	0.00246	n/a	0.00118	0.00171	n/a
55	0.00549	0.00802	n/a	0.00325	0.00470	n/a
<u>Flexible pensions (group personal pensions)</u>						
25	n/a	n/a	0.00050	n/a	n/a	0.00023
35	n/a	n/a	0.00057	n/a	n/a	0.00045
45	n/a	n/a	0.00171	n/a	n/a	0.00116
55	n/a	n/a	0.00556	n/a	n/a	0.00318
<u>Flexible pensions (other)</u>						
25	0.00048	0.00071	0.00053	0.00023	0.00034	0.00026
35	0.00055	0.00080	0.00060	0.00045	0.00064	0.00049
45	0.00165	0.00241	0.00181	0.00116	0.00167	0.00127
55	0.00537	0.00784	0.00591	0.00318	0.00459	0.00350
<u>Other unit-linked pensions</u>						
25	0.00057	0.00087	0.00066	0.00023	0.00032	0.00026
35	0.00058	0.00103	0.00072	0.00040	0.00059	0.00045
45	0.00170	0.00308	0.00212	0.00099	0.00157	0.00116
55	0.00550	0.00996	0.00687	0.00279	0.00415	0.00319

For annuities in payment and deferred annuities, expectations of life are as follows:

Product group	Current age	Age at which expectation is determined	31 December 2008		31 December 2007	
			Males years	Females Years	Males years	Females years
Pensions annuities in payment		65	25.3	27.1	26.9	27.0
		75	15.9	17.4	17.2	17.3
Non-pensions annuities in payment		65*	20.0	23.1	22.7	25.7
		75	12.9	14.9	15.2	17.2
Deferred pensions annuities	45	65	29.4	30.5	31.4	30.4
	55	65	27.5	28.9	29.3	28.8
Annuity guarantees	45	65	26.0	28.0	27.9	28.0
	55	65	26.0	28.0	27.9	28.0

* There is little non-pensions annuity business at this age; the average age of annuitants exceeds 80.

The above difference in the non-pensions annuities in payment is due to a correction to the expectation of life calculation for 2008 rather than a change in basis.

Additional reserves totalling £4.2m have been included on account of the increased risk associated with HIV/AIDS. They have been determined having regard to the assumptions corresponding to one third of Projection R6A of the Institute of Actuaries AIDS Working Party.

No additional reserves are held in respect of the possible detrimental impact of other changes in the incidence of disease or developments in medical science.

(5) Morbidity

SLAS does not contain morbidity liabilities which exceed £10m.

(6) Expenses

Gross annual per policy expense levels assumed for specified products are set out below. These are based on the actual fees payable to AXA Sun Life Services plc under the Management Services Agreement, and have been uplifted in respect of expenses not covered by the Agreement. A further uplift has been included to make prudent allowance for the outcome of a fee review under the terms of the Agreement, which is due to be implemented during 2009, but which has not yet been completed.

Product	Product codes	31 December 2008 £ p.a.	31 December 2007 £ p.a.
<i>Conventional With Profits</i>			
Endowment (savings)	120	15.00	14.13
Endowment (target cash)	125	15.00	14.13
Pensions	155, 165	25.00	23.55
<i>Non-profit</i>			
Term assurance	325, 330	15.00	14.13
Critical illness	340 - 355	15.00	14.13
Income protection claims in payment	385	15.00	14.13
Annuity	400	25.00	23.55
<i>Unitised with profits</i>			
Bonds	500	50.00	47.11
Endowment (savings)	510	50.00	47.11
Endowment (target cash)	515	50.00	47.11
Individual pensions (regular premium)	525	100.01	94.21
Individual pensions (single premium)	525	25.00	23.55
Group pensions (regular premium)	535	100.01	94.21
Group pensions (single premium)	535	25.00	23.55
<i>Unit-linked</i>			
Bonds	700	50.00	47.11
Endowment (savings)	715	50.00	47.11
Endowment (target cash)	720	50.00	47.11
Individual pensions (regular premium)	725	100.01	94.21
Individual pensions (single premium)	725	25.00	23.55
Group pensions (regular premium)	735	100.01	94.21
Group pensions (single premium)	735	25.00	23.55

Where different expense assumptions apply to groups of policies within the above product types, the assumption shown is that relating to the largest group by number of policies. In the case of individual and group pensions, paid-up policies have been treated as single premium, as the expense assumptions are the same for these groups.

For with profits and non-profit business, provision for gross investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest. The margins are:

With profits business 0.17% p.a.
Non-profit business 0.10% p.a.

For unit-linked business, the assumed gross investment expenses are the following percentages of fund size:

Life business 0.22% p.a.
Pensions business 0.23% p.a.

For life business, tax relief on the above expense assumptions is assumed at the rate of 20%.

(7) Inflation rate and unit growth rates

The future inflation rate assumed in the valuation is 3.00% per annum for annuity business and 2.25% per annum for non-annuity business.

Expense inflation is assumed to be 4.00% per annum for annuity business and 3.25% per annum for non-annuity business.

The unit growth rates assumed in the calculation of non-unit reserves for unit-linked business are:

Life business	4.00% p.a. (net of tax)
Pensions business	4.75% p.a.

(8) Future bonus rates

No future bonus rates have been assumed in the gross premium valuation of conventional with profits business or in the valuation of unitised with profits business except where guaranteed.

(9) Lapse, surrender and conversion to paid-up

The following average annual rates of lapse, surrender and conversion to paid-up have been assumed:

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5 % p.a.	6-10 % p.a.	11-15 % p.a.	16-20 % p.a.
CWP savings endowment	surrender	n/a	5.1	2.5	1.7
CWP target cash endowment	surrender	n/a	n/a	1.9	1.7
UWP savings endowment	surrender	3.3	4.1	9.6	6.7
UWP target cash endowment	surrender	3.3	4.1	9.6	6.7
UL savings endowment	surrender	3.3	4.1	9.6	6.7
UL target cash endowment	surrender	3.3	4.1	9.6	6.7
UWP Bond – with surrender penalty	surrender	0.9	8.0	8.0	8.0
UWP Bond – without surrender penalty	surrender	8.0	8.0	8.0	8.0
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL Bond	surrender	8.0	8.0	8.0	8.0
UL Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0	0	0	0
CWP pension regular premium	surrender	0	0	0	0
CWP pension single premium	surrender	0	0	0	0
UWP individual pension regular premium	PUP	0	0	0	0
UWP individual pension regular premium	surrender	See note 1.			
UWP individual pension single premium	surrender	See note 1.			
UL individual pension regular premium	PUP	0	0	0	0
UL individual pension regular premium	surrender	See note 1.			
UL group. pension regular premium	PUP	0	0	0	0
UL group pension regular premium	surrender	See note 1.			
UL individual pension single premium	surrender	See note 1.			

1. The surrender rates used for UL pension products vary between term gone and term-to-go. It is not representative to combine the rates for these different products in the format required.

Where different persistency assumptions apply to groups of policies within the above product types, the assumptions shown relate to a group which represents more than 50% of the total reserves for the product type.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve. Other than this, no allowance is made for conversion to paid-up.

(10) Other material assumptions

There are no assumptions not stated elsewhere that are considered to be material to the results of the valuation.

(11) Derivative contracts

In determining the liabilities, no allowance has been made for derivative contracts, including the swaptions purchased to hedge guaranteed annuity liabilities. Derivatives have not been assumed to back liabilities. A proportion of equities equal in value to the exposure corresponding to a sold equity index future have not been assumed to back liabilities.

(12) Impact of changes in valuation rules effective from 31 December 2006

No further changes have been made since the previous valuation.

5. Options and guarantees

The valuation bases set out in section 5 relate to options and guarantees in respect of groups of products where the basic reserves exceed £10m. The grouping of products is that relevant to the particular option or guarantee.

(1) Guaranteed Annuity Rate options

- (a) For most pensions contracts with a Guaranteed Annuity Rate option at retirement, a stochastic model has been used to value the option. The model used is the same as that used in the realistic valuation and described in the report on that valuation, and the economic scenario generation assumptions were calibrated to 97.5% of risk-free yields, in line with requirements for yields used in regulatory valuations. The assumed take-up rate for the option, when in the money, is 95% at all durations in all scenarios. The assumed mortality basis in payment is based on 77.5% of PCMA00 with 100% medium cohort improvements subject to a 1.7% floor for males, and 77.5% of PCFA00 with 75% medium cohort improvements subject to a 1.5% floor for females. For practical reasons an equivalent one-dimensional table is used.

For a few minor classes the stochastic model is not used, and the liabilities are taken as the result of a deterministic valuation using corresponding assumptions, but assuming 100% take-up.

(b)

Product	Basic reserve £m	Outstanding durations (years)			Guarantee reserve £m	Guaranteed annuity rate (annuity p.a. per £100 cash sum)	Open to increments
		Minimum	Median	Maximum			
Pension Builder	154	0	6	30	165	11.11	In certain circumstances
Retirement Annuity (1976 series)	59	0	10	27	64	11.11	In certain circumstances
D e p o s i t Administration	15	n/a	n/a	n/a	3	10.00	No

The specimen guaranteed annuity rates shown above are for a male aged 65. The annuity is a non-increasing single life annuity, payable monthly in advance for a minimum period of five years. Most guarantees are in this form, though some policies have guaranteed annuities with a fixed increase rate or on a joint lives basis, or payable annually in arrear. In normal circumstances, an alternative form of annuity would be available on equivalent terms.

Guaranteed annuity rates are applicable only on retirement at the normal retirement date or selected retirement date specified in the policy, or, in the case of Retirement Annuity (1976 series) at the alternative retirement date specified in the policy.

(2) Guaranteed surrender and unit-linked maturity values

- (a) Unitised with profits Bonds effected since 1996 include a provision that no market value reduction (MVR) will be applied on discontinuance on the tenth policy anniversary. The method used to determine the basic reserves, described in (4).(1), explicitly makes allowance for this provision, and no separate additional reserve is required.

Unitised with profits pensions policies invested in the Group With Profits Fund include a provision that no MVR will apply on discontinuance in certain specified circumstances, for example on early retirement or following leaving service. In consequence, the basic reserves for policies invested in this fund make no allowance for the application of MVR at any time, and no separate additional reserve is required in respect of the provision.

Certain Flexible Mortgage Plans (including some plans marketed as Comprehensive Savings Plans) include a provision whereby a guaranteed amount may be payable on the Guarantee Date stated in the policy. The guarantee may be selected five years before the Guarantee Date, and is subject to conditions: in particular the premium must be increased where necessary to a level advised by the Society. All plans are switched to unitised with profits five years before the Guarantee Date. For plans with this guarantee currently in force (i.e. plans within five years of the Guarantee Date where the premium is at the level advised by the Society), an additional reserve is held equal to the difference between the discounted value of the guaranteed benefits (determined using normal assumptions applicable to unitised with profits policies) and the basic reserve. This calculation makes no allowance for any terminal bonuses which are expected to offset the cost of the guarantee. In the case of plans that are more than five years from the Guarantee Date, including plans currently invested in unit-linked funds, the terms on which the increase in premium is determined if the guarantee is selected will shortly be amended and kept under review, in order to ensure that no additional reserve will be necessary at the time the guarantee comes into force. It is therefore considered necessary to hold only a small additional reserve in respect of the prospective guarantee for such plans. Further information is set out in (b) below.

- (b)

Product	Basic reserve £m	Outstanding durations (years)			Guarantee reserve £m	Guaranteed amount £m	Annual premiums £m
		Minimum	Median	Maximum			
Flexible Mortgage Plan – guarantee in force	9.4	0	2	3	0.7	12.0	0.7
Flexible Mortgage Plan – potential future guarantee	95.5	5	9	29	0.8	338.5	8.0

For plans with a potential future guarantee, the basic reserve stated above includes the value of investments currently in unit-linked funds.

The above policies are free of MVR on death, critical illness claim (where appropriate) and on the Guarantee Date.

Increments to the above policies may be made prior to the guarantee coming into force.

As described in (a), all other guaranteed surrender values affecting groups of policies where the basic reserve exceeds £10m have been explicitly valued within the calculation of the basic reserve.

(3) Guaranteed insurability options

- (a) The main guaranteed insurability options permit the increase or replacement of cover under unit-linked and unitised with profits policies, subject to specific conditions, for example when the maturity value of an endowment assurance is increased in respect of a mortgage advance, or on the birth of a child to the policyholder. No additional reserve is deemed necessary for such options for the following reasons:
- the conditions for the exercise of each option are limited to specified circumstances, which might normally imply good health
 - mortality charges include a prudent margin which would cover a worsening of experience
 - policy conditions permit future amendments to mortality charges based on experience
- (b) There are no conversion or renewal options where the total sum assured exceeds £1bn.

(4) Other guarantees and options

Certain with profits Flexible T-Plans and Pension Builders include a provision that the annuity secured on retirement at State Pensionable Age will not be less than the amount of Guaranteed Minimum Pension accrued in respect of contracting out of the State Earnings Related Pension Scheme.

These guarantees are generally significantly in the money, and additional reserves are determined for each policy equal to the excess of the value of the annuity over the basic reserve. The assumed mortality basis in payment is based on 77.5% of PCMA00 with improvement factors of 100% medium cohort and a 1.7% floor for males, and 77.5% of PCFA00 with improvement factors of 75% medium cohort and a 1.5% floor for females. For practical reasons, an equivalent one-dimensional table is used. Interest in payment is 3.20% p.a. The assumed take-up rate for the guarantee is 100%. The basis during deferment is the normal basis for the relevant type of policy.

Basic with profits reserve for policies with the guarantee:
£141m

Additional reserve in respect of the guarantee:
£193m

6. Expense reserves

(1) Expense loadings

The aggregate amount (gross of tax) arising during the year following the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £29.8m, after allowing for expenses recovered through the internal reinsurance arrangements. This amount arises from the following sources:

- (i) explicit expense assumptions in the valuation amounting to £18.2m; and
- (ii) the amount implicitly provided for investment expenses by deductions from yields when establishing the valuation interest rates, amounting to £11.6m.

Renewal commission is not included in this amount.

(2) Implicit expense allowances

The implicit allowance in respect of investment expenses was determined by multiplying the relevant amounts of reserves by the rates of deduction from yields.

(3) Comparison with Form 43

The introduction of Financial Reporting Standard 26 in 2006 requires initial transaction costs on assets to be shown as investment expenses in the statutory accounts and, these expenses, amounting to £9.5m, have been included in line 44 of Form 43. The valuation implicitly assumes that there will be no future asset turnover, so no allowance is made for expenses of this nature.

After allowing for initial transaction costs on assets, the amount of maintenance expenses is slightly lower than that shown at line 44 of Form 43. The main reasons for the difference are:

- the investment expenses incurred in respect of assets in excess of the total reserves
- the continuing reduction in the number of policies in force.

The difference from line 14 is due to the reinsurance arrangements with ASL, which transfer expenses from the Society to ASL.

(4) New business expense overrun

Current product terms are sufficient to recover expenses in respect of new business, and no new business expense overrun reserve is required in respect of the expenses of continuing to transact new business during the 12 months following the valuation date.

(5) Maintenance expense overrun

No maintenance expense overrun reserve is deemed necessary. The reserves include explicit allowance for meeting the expenses likely to be incurred in future in fulfilling existing contracts, on the basis that servicing expenses will continue to be in line with fees charged by AXA Sun Life Services plc (ASLS), increased in line with the assumed inflation rate. It is assumed that the same level of per policy expenses would apply following closure to new business. No redundancy costs have been allowed for, as these would be met by ASLS. The costs of terminating the management services agreement with ASLS have not been allowed for as it is assumed that the agreement will continue in force.

(6) Non-attributable expenses

All expenses have been treated as attributable.

7. Mismatching reserves

(1) Analysis of reserves by currency

The mathematical reserves in respect of liabilities denominated in sterling (other than liabilities for property linked benefits) amount to £9,063m. An analysis by currency of the matching assets is set out in the following table.

Currency of asset	Value of assets £m
Sterling	8,229
U.S. Dollar	298
Euro	203
Japanese Yen	147
Other	186
Total	9,063

(2) Other currency exposures

The mathematical reserves in respect of liabilities denominated in currencies other than sterling amount to £12m. In view of the small amounts, non-sterling liabilities are not considered separately for asset backing purposes, and the assets regarded as backing these liabilities do not include a specific allocation of assets in the currency of the liabilities. However, for each currency in which these liabilities are denominated, the long-term fund includes assets denominated in that currency in excess of the amount of reserves.

(3) Currency mismatching reserve

The reserves for non-sterling liabilities are prudently determined, and in view of the small amounts, no additional reserve is deemed necessary in respect of currency mismatching.

(4) Most onerous scenario under INSPRU 3.1.16R

INSPRU 3.1.16R does not apply to the Society. See 7.(6).

(5) Most onerous scenarios under INSPRU 3.1.23R

INSPRU 3.1.23R does not apply to the Society. See 7.(6).

(6) Amount of resilience capital requirement

The Society is not required to determine a resilience capital requirement, as it is not a regulatory basis only life firm.

(7) Additional reserve arising from INSPRU 1.1.34(2)

Based on an analysis of expected cash inflows from assets held and future regular premiums and expected cash outflows from insurance liabilities as they fall due, it is believed that the assets held to cover the technical provisions and other long-term insurance liabilities are of a sufficient amount, and of an appropriate currency and term, to ensure that the cash inflows will meet the expected cash outflows without requiring any additional reserve.

8. Other special reserves

There are no special reserves exceeding £10m.

9. Reinsurance

(1) Facultative reinsurance to reinsurers not authorised in the UK

The premiums payable in 2008 in respect of reinsurances ceded on a facultative basis to reinsurers who are not authorised to carry on insurance business in the United Kingdom amount to £7,426. There are no deposit back arrangements. No such reinsurers are connected with the Society.

(2) Reinsurance treaties

Details of reinsurance treaties under which the Society is the cedant and either the premiums payable to the reinsurer during 2008 or the reduction in mathematical reserves in respect of the reinsurance exceed £10m are contained in the following table.

Reinsurer	Nature and extent of cover	Premiums payable during 2008 £m	Whether treaty closed to new business	Reduction in mathematical reserves £m
ASL	Reassurance of all unit liabilities for unit-linked life and pensions contracts.	389	No	7,441
ASL	Reassurance on all non-profit life annuity business	103	Yes	113
Munich Re	Single premium structured settlement annuities on an original terms quota share basis for 50% of the benefits underwritten.	0	Yes	37

In respect of these treaties:

- No amounts have been deposited under any deposit back arrangements.
- There are no undischarged obligations of the Society other than outstanding reinsurance premiums.

ASL is connected with the Society, and is authorised to carry out insurance business in the UK.

There are no legal disputes at the present time in connection with the Society's reinsurance treaties, and it is not believed that these treaties present any material legal risk or other risks.

No provision is made for the liability of the Society to refund any amounts of reinsurance commission in the event of lapse or surrender of contracts, as in each case the amount of such refund is less than the amount of premium refundable, if any, by the reinsurer.

The Society has no obligations under any financing arrangements.

10. Regular bonus

Name of Bonus Series	Mathematical Reserves £m	Bonus Rate for 2008	Bonus Rate for 2007	Guaranteed Rate for 2008
<i>Conventional With Profits</i>				
Life Compound Series	335	1.25%	1.25%	-
Ten Plus Series 1	15	1.25%	1.25%	-
Ten Plus Series 2	65	1.25%/1.75%	1.25%/1.75%	-
Whole Life Simple Series	10	1.75%	1.75%	-
Pension Builder and Retirement Annuity (1976 Series)	475	0.00%	0.00%	-
With Profits Annuity	70	5.67%	4.35%	-
<i>Unitised With Profits</i>				
Life	529	2.25%	3.00%	-
Pensions:				
Group WP fund with GMP guarantee	48	3.00%	4.00%	-
Other ^{1, 2}	324	2.50%	3.25%	-
	1,162	3.00%	3.75%	-
AXA Isle of Man Bonds ³ :				
Series 1	39	3.00%	2.65%	-
Series 2 (Sterling)	55	3.75%	3.40%	-
<i>Deposit Administration</i>				
Deposit Administration Plan ⁴	306	7.00%	10.00%	see 4

Notes:

- ¹ The rates stated above are for accumulation units. The corresponding rates for capital units were 0.25% for 2007 and 0.00% for 2008.
- ² For certain Personal Pension plans, bonus rates were 1.5% lower than the rates above.
- ³ For AXA Isle of Man Bonds, bonus rates correspond to the increase in unit price during the year. Where bonus rates have changed during the year, the rate stated therefore represents an average of bonus rates weighted by period in force.
- ⁴ For a few Deposit Administration plans, certain tranches are subject to a guaranteed minimum annual rate of return of 4.5% p.a. Where such a guarantee applies, the bonus rate is reduced by the guaranteed rate of return. The above bonus rates include the guaranteed return where relevant.

NAME OF INSURER: SUN LIFE ASSURANCE SOCIETY PLC

IPRU(INS) RULE 9.31(b) - APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The actuarial investigation relates to a valuation date of 31 December 2008.
- (2) The valuation date of the previous valuation was 31 December 2007.
- (3) An interim valuation was carried out on 30 June 2008.

2. Assets

- (1) The economic assumptions used in calculating the future profits on non-profit business are as follows:

This financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points. For fixed interest assets matching annuities in payment, a 135 basis point liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation + 1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate + 150 basis points p.a. + 135 basis points p.a. for annuities in payment. For release of long-term insurance capital component: risk-free rate + 135 basis points p.a. for annuities in payment.

Preceding financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points. For fixed interest assets matching annuities in payment, a 60 basis point liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation + 1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate + 150 basis points p.a. + 60 basis points p.a. for annuities in payment. For release of long-term insurance capital component: risk-free rate + 60 basis points p.a. for annuities in payment.

Note: 1 basis point = 0.01%

- (2) No amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).
- (3) No business is written outside the with profits fund.
- (4) A single set of economic assumptions has been used in valuing the non-profit contracts.
- (5) Not applicable.

3. With Profits Benefits Reserve Liabilities

- (1) The table below shows the With Profits Benefits Reserve and the future policy related liabilities for each group of contracts with materially different guarantees and options.

	With Profits Benefits Reserve (£m)	Future policy related liabilities (£m)
Retrospective method (asset share)		
UWP Bonds (No MVA-Free date)	563	23
UWP Bonds (MVA-Free date on 10 th ann)	56	16
UWP Reg Prem Life	192	8
UWP Pensions (no min bonus or GAR)	1,325	128
UWP Pensions (with GMP)	166	136
Conventional Life	586	77
Conventional Pensions	151	278
DA77	300	38
With Profits Annuity	60	10
Prospective method (regulatory reserve)		
Other	0	0
Total	3,399	715

- (2) The total amounts of the With Profit Benefits Reserve in the table above correspond to the amounts shown in Form 19, Line 31. The future policy related liabilities in the table above reconcile to Form 19, Line 49 as shown below. For details of the reconciling items, refer to Sections 7 and 8 of this Report.

£m	
Future Policy Related Liabilities, from above table	715
Financing arrangements	-94
Tax and expense liability on assets in excess of asset share	10
Provisions for potential mis-selling liabilities	1
Future Policy Related Liabilities, Form 19, Line 49	632

4. With Profits Benefits Reserve – Retrospective method

- (1) In all cases where a retrospective method (i.e. asset share) is used, this is calculated on a policy by policy basis.
- (2) No significant changes have been made to the valuation method since the previous valuation.
- (3) The basis of allocating expenses to the with profits funds in the valuation is given below.

Fees are paid to AXA Sun Life Services plc (ASLS) for management, administration, marketing and sales services, as defined in the Service Agreements between SLAS and ASLS. These fees are charged to asset shares and are adjusted annually as at 1 January, again as defined in the Service Agreements. The amounts of such fees, split between initial and maintenance expenses, for the full year 2008 are shown below.

Fees paid to the investment managers for the same period are also shown below. Those in respect of with profits policies are charged to asset shares, as a percentage of the asset share representing the average fee level including an allowance for performance fees.

Some expenses met directly by the fund, such as regulatory fees, are charged to asset shares. These are apportioned between individual policies using a method that is believed to be equitable.

Also shown below are the expenses that have been charged to the with profits fund during 2008, but which are not charged to asset shares. These are mainly initial and renewal fees in respect of non-profit business, investment management fees in respect of non-profit business and other assets in excess of asset shares, plus certain exceptional costs.

Further details of the basis of allocating expenses to the with profits fund are given in the Principles and Practices of Financial Management (PPFM).

The table below shows the expenses incurred by the fund in 2008:

£m	
Initial fees chargeable to asset shares	1.6
Maintenance fees chargeable to asset shares	6.8
Investment fees chargeable to asset shares	14.7
Other expenses chargeable to asset shares	4.3
Expenses on non-profit contracts	11.6
Other expenses not chargeable to asset shares	3.7

- (4) During 2008, no significant charges for guarantees or cost of capital have been made to asset shares. As indicated in the PPFM, this practice is reviewed periodically and is subject to change.
- (5) No charges have been deducted from the funds for non-insurance risk.
- (6) The ratio of claims paid to underlying asset shares for with profits insurance contracts over the three year period are:

Year	Average Payout ratio
2008	104%
2007	96%
2006	95%

- (7) For the full year 2008 the investment return applied to the asset share for each policy, other than with profits annuities, was -12.6% (before tax and expenses). The equivalent return applied to with profits annuities was -14.0%.

Further details of how returns are applied to asset shares are given in the PPFM.

5. With Profits Benefits Reserve – Prospective method

Where a prospective method is used rather than asset shares, the with profits benefit reserve is set equal to the regulatory reserve.

6. Costs of guarantees, options and smoothing

- (1) Not applicable.
- (2) For all products, except DA77 (group deposit administration), where the valuation of guarantees, options and smoothing is carried out using a stochastic model, grouped data is used. Contracts are grouped according to their major product features, term gone and term to go, policyholder age and the extent to which guarantees are in or out of the money.

Since the previous valuation a change to the model point grouping criteria applied to bonds has been made such that the data used is more consistent with the Society's method of determining payouts.

The total number of policies modelled in this way was 303,559 for which 1,194 model points were used.

DA77 (group deposit administration) business is valued using a stochastic model on an individual scheme by scheme basis.

The results from the stochastic model using grouped data are validated against the results from a closed-form model using individual data. An approximate upward adjustment has been made to the cost of guarantees, options and smoothing to allow for the estimated grouping error.

There are some minor classes of business that are not included in the stochastic model, notably with profits annuities. For these policies the regulatory reserve exceeds the asset share in aggregate, so the total realistic liability has been set equal to the regulatory reserve.

- (3) A revised version of the liability projection model has been used. It contains an improvement to the terminal bonus smoothing algorithm. The amended model exhibits a quicker reversion towards the long term target payout ratio following volatile market movements and therefore better reflects the Society's smoothing policy.
- (4) (a) (i) The liabilities being valued using a full stochastic approach are:
 - The guarantee that no market value reduction will be applied on maturity or on death. The extent to which these options are in the money at the valuation date depends on the ratio of guaranteed benefits to asset share for each policy at that date, and varies both across and within lines of business. On average, the ratio of the present value of guaranteed benefits to asset share varies from around 89% for policies close to maturity to 81% for policies with more than 20 years to go.
 - Guaranteed annuity rates (GARs), which offer an annuity calculated on guaranteed terms on normal retirement. These options are currently in the money.
 - The cost of smoothing. This reflects a combination of short-term and long-term effects: in the short term the difference between payouts and the sustainable level (glidepath); and in the long term the under or overpayment of asset share.

Within the stochastic model the liabilities are valued in the following order: asset share; costs of contractual guarantees; planned enhancements; costs of smoothing. So, for instance, if guarantees bite on a claim, the excess of the claim over the asset share is attributed to costs of contractual guarantees. As smoothing is calculated last, there is a partial offset between the cost of guarantees and cost of smoothing.

- (ii) The nominal interest rate model used (Libor Market Model) is calibrated exactly to the current risk-free yield curve. The volatilities have been selected to provide a close fit to a range of swaption-implied volatilities. Equity and property returns are based on short term rates from the interest rate model with an additional log-normal component with a mean of zero. Equity volatilities are calibrated to a term structure of FTSE option-implied volatilities. The model is arbitrage-free.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2008 plus 10 basis points. Sample rates are shown in the table in (iii) below.

Sample volatilities are shown below for the main asset classes. These are derived from the asset model output. The volatility for fixed interest investments is the overall figure for the assumed portfolio mix of government and corporate bonds.

Volatility over period (years)	Equity	Property	Fixed interest
5	38%	16%	8%
10	40%	16%	10%
20	43%	20%	18%

The correlations assumed between the main asset classes are:

Correlation between:	
Equities and medium term fixed interest assets	47%
Equities and property	43%
Medium term fixed interest assets and property	67%

- (iii) The table below shows the annualised compound equivalent of the risk-free rate assumed for each duration (n) and values derived from the asset model of specified assets/options.

Row 1 shows the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive show, for the appropriate asset classes, the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date, with strike price of $K * £1,000,000 * (1+r*p)^n$.

Row 16 shows the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years, expressed as a percentage of nominal.

	K	0.75			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
R	Annualised compound equivalent of the risk-free rate assumed for the period (r)	2.83%	4.13%	4.07%	3.82%
1	<i>Risk-Free Zero Coupon Bond</i>	£869,936	£545,234	£369,243	£269,687
2	<i>FTSE All Share Index (p=1)</i>	£153,476	£330,996	£457,152	£541,079
3	<i>FTSE All Share Index (p=0.8)</i>	£143,285	£275,024	£353,437	£398,177
4	<i>Property (p=1)</i>	£30,265	£116,682	£187,236	£259,767
5	<i>Property (p=0.8)</i>	£25,622	£81,575	£117,975	£154,480

	K	0.75			
<i>n</i>	Duration (n)	5	15	25	35
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£19,813	£30,377	£18,165	£29,936
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£17,065	£20,111	£8,819	£11,546
8	<i>15yr Corporate Bonds (p=1)</i>	£26,161	£43,638	£38,223	£58,623
9	<i>15yr Corporate Bonds (p=0.8)</i>	£22,655	£28,251	£16,392	£20,834
10	<i>Portfolio 1 (p=1)</i>	£78,509	£213,709	£318,292	£400,038
11	<i>Portfolio 1 (p=0.8)</i>	£70,855	£166,776	£230,672	£276,254
12	<i>Portfolio 2 (p=1)</i>	£76,100	£197,483	£293,198	£373,670
13	<i>Portfolio 2 (p=0.8)</i>	£68,544	£153,285	£208,967	£253,612
14	<i>Portfolio 3 (p=1)</i>	£34,540	£106,918	£173,447	£239,149
15	<i>Portfolio 3 (p=0.8)</i>	£29,449	£73,380	£107,365	£142,151
		<i>L = 15</i>			
16	<i>Sterling Receiver Swaptions</i>	8.67%	11.36%	10.16%	7.57%

	K	1			
<i>n</i>	Duration (n)	5	15	25	35
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r)</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£301,081	£509,240	£659,315	£756,478
3	<i>FTSE All Share Index (p=0.8)</i>	£283,159	£427,129	£514,365	£560,163
4	<i>Property (p=1)</i>	£131,844	£254,840	£347,207	£436,616
5	<i>Property (p=0.8)</i>	£116,726	£186,886	£229,830	£274,660
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£91,738	£93,818	£82,161	£136,369
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£79,947	£57,390	£26,802	£34,683
8	<i>15yr Corporate Bonds (p=1)</i>	£106,345	£127,969	£126,992	£169,636
9	<i>15yr Corporate Bonds (p=0.8)</i>	£93,719	£82,432	£57,314	£65,504
10	<i>Portfolio 1 (p=1)</i>	£206,670	£371,453	£499,729	£595,154
11	<i>Portfolio 1 (p=0.8)</i>	£190,119	£297,454	£368,581	£416,908
12	<i>Portfolio 2 (p=1)</i>	£203,009	£350,929	£469,383	£563,447
13	<i>Portfolio 2 (p=0.8)</i>	£186,580	£278,191	£341,627	£390,050
14	<i>Portfolio 3 (p=1)</i>	£139,879	£239,734	£327,120	£406,133
15	<i>Portfolio 3 (p=0.8)</i>	£124,731	£173,970	£214,386	£253,044
		<i>L = 20</i>			
16	<i>Sterling Receiver Swaptions</i>	12.16%	14.21%	12.45%	9.07%

	K	1.5			
<i>n</i>	Duration (n)	5	15	25	35
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r)</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£680,934	£907,415	£1,085,214	£1,201,851
3	<i>FTSE All Share Index (p=0.8)</i>	£647,441	£768,136	£855,073	£895,651

	K	1.5			
<i>n</i>	Duration (n)	5	15	25	35
4	Property ($p=1$)	£523,843	£630,873	£741,332	£839,221
5	Property ($p=0.8$)	£486,708	£493,399	£522,588	£558,517
6	15yr Risk-Free ZCBs ($p=1$)	£497,700	£498,916	£504,509	£545,257
7	15yr Risk-Free ZCBs ($p=0.8$)	£457,053	£332,701	£254,031	£248,178
8	15yr Corporate Bonds ($p=1$)	£497,698	£495,752	£507,406	£552,706
9	15yr Corporate Bonds ($p=0.8$)	£458,552	£344,842	£276,619	£273,905
10	Portfolio 1 ($p=1$)	£586,194	£750,406	£899,636	£1,010,855
11	Portfolio 1 ($p=0.8$)	£551,593	£615,773	£681,215	£723,984
12	Portfolio 2 ($p=1$)	£583,768	£726,518	£864,658	£973,632
13	Portfolio 2 ($p=0.8$)	£548,978	£591,832	£647,993	£689,843
14	Portfolio 3 ($p=1$)	£529,793	£609,540	£705,387	£794,467
15	Portfolio 3 ($p=0.8$)	£493,217	£473,949	£494,150	£523,564
		<i>L=25</i>			
16	<i>Sterling Receiver Swaptions</i>	15.24%	16.77%	14.25%	10.20%

Portfolio 1: Portfolio of 65% FTSE All Share and 35% property

Portfolio 2: Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds

Portfolio 3: Portfolio of 40% equity, 15% property, 22.15% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds.

- (iv) Initial UK equity yield assumed 4.3%
Initial UK property yield assumed 4.3%
- (v) No asset classes outside the UK are modelled separately.
- (vi) The average outstanding term of with profits liabilities is approximately 8 years. A breakdown for selected product types is shown in the table below.

Outstanding term (yrs)	
Bonds	6
Conventional Pensions	5
UWP Life	7
UWP Pensions	9

Term is the risk exposure duration, which is the effective number of years of exposure to risk weighted by the regulatory reserve.

The outstanding duration of with profits guarantees is fairly evenly spread over the term of the liabilities. The outstanding duration of GAR benefits is shorter but still evenly spread.

The model was calibrated to a moneyness of between 95% for short durations to 65% for longer terms. The table below shows the extent of the fit of the modelled equity volatilities to market implied volatility.

Term (years)	Strike	Market Equity Volatility	Modelled Equity Volatility
1	95%	36.02%	34.72%
2	95%	34.83%	34.88%
3	95%	34.85%	35.04%
5	90%	35.71%	35.35%
10	85%	35.96%	36.08%

(vii) The asset model is validated by accumulating and discounting asset values and comparing with the starting asset value. Results of this comparison are shown under (viii) below.

(viii) The valuation is based on 1,996 simulations of the asset model. The convergence of these simulations is shown in the table below. The figures are the ratio of the average, across the 1,996 scenarios, of the accumulated and discounted asset values to the starting asset value.

Projection term (years)	Ratio
5	101.25%
10	102.13%
15	99.70%
20	99.32%
25	103.16%
30	97.60%

The same principle of accumulating, discounting and comparing with the start value is applied to the asset shares in the liability valuation. The convergence of these results is at the level expected given the validation results of the asset model.

(b) None of the costs of guarantees, options and smoothing has been valued using the market costs of hedging.

(c) None of the cost of guarantees, options and smoothing has been valued using a series of deterministic projections with attributed probabilities.

(5) (a) The management actions assumed in the projection of assets and liabilities are derived from the PPFM, as set out below. The actions modelled below are consistent with the PPFM, although the PPFM does allow for larger movements in regular bonus rates and payouts when solvency is at risk.

Regular bonuses

Sustainable regular bonuses in the valuation for each modelled bonus series have been derived from the gross redemption yield on long-dated gilts, with deductions for guaranteed interest rates, tax, expenses, shareholder transfers, and a contingency margin to reflect the extent of existing guarantees. The bonus rate in a given year is targeted at this sustainable level, but is constrained to move by no more than 1% upwards or downwards from the previous year's rate. Additionally, the bonus rate is constrained not to increase if the guaranteed benefits exceed the asset share at that point in the projection.

Terminal bonuses

The model determines a scale of terminal bonus rates for maturing policies (surrendering policies for bonds). These are also used to derive rates for death and surrender. Terminal bonus rates are set for a cohort of similar policies in the same bonus series. For a given group of

policies, the payout on an identical maturing policy is restricted to move by a maximum of 15% in either direction from year to year. The implied payout ratios are assumed to start from forecast values and move to sustainable levels over time.

For all policies with a maturity date, and those without a maturity date but which have been in force a specified length of time, the sustainable payouts assumed in the valuation allow for a level of uplift to asset share, consistent with the PPFM.

Market value reduction (MVR)

For unitised with profits business, where a policy is assumed to surrender, and where the asset share is below the face value of the units an MVR is applied so that the payout is equal to the asset share plus a defined percentage (10% for bonds and trustee plans, and 15% for other pensions) of the face value; subject to an overall maximum of the face value of units. No MVRs are assumed to be applied for regular premium life business.

In light of legislation changes (COBS 20.2.17) a reduction to modelled shareholder payouts has been made in scenarios where MVRs apply.

Asset allocation

The asset mix of the with profits fund is assumed to remain constant throughout the projection.

(b) Best estimates of the future proportions of assets backing the with profits benefit reserves and future bonus rates under specified scenarios are:

Return	Risk-Free Rate unadjusted			Risk-Free Rate reduced by 0.66% p.a			Risk-Free Rate increased by 0.66% p.a.		
	Current	5	10	Current	5	10	Current	5	10
Years into projection									
Equity backing ratio	48%	48%	48%	48%	48%	48%	48%	48%	48%
Annual bonus rate Bond	2.25 %	2.50 %	2.75 %	2.25 %	2.00 %	2.25 %	2.25 %	3.00 %	3.25 %
Annual Bonus rate UWP Pension (effected 1994)	3.00 %	2.25 %	2.50 %	3.00 %	1.50 %	2.00 %	3.00 %	2.75 %	3.25 %

Note: Equity backing ratio includes equities and property

(6) The persistency assumptions used for the main classes of business are:

Product		Average lapse / surrender /paid-up rate for the policy years			
		1 - 5 % p.a.	6 - 10 % p.a.	11 - 15 % p.a.	16 - 20 % p.a.
CWP pension regular premium	surrender	1.5	1.5	1.5	1.5
CWP pension single premium	surrender	1.5	1.5	1.5	1.5
UWP individual pension regular premium	PUP	6.5	6.5	6.0	8.6

Product		Average lapse / surrender /paid-up rate for the policy years			
		1 - 5 % p.a.	6 - 10 % p.a.	11 - 15 % p.a.	16 - 20 % p.a.
UWP individual pension regular premium	surrender	5.5	5.5	6.0	7.0
UWP individual pension single premium	surrender	5.5	5.5	6.0	7.0
CWP savings endowment	surrender	7.8	11.2	4.8	4.0
CWP target cash endowment	surrender	11.2	4.4	2.9	2.5
UWP savings endowment	surrender	5	5	8.8	7
UWP target cash endowment	surrender	5	5	8.8	7
UWP Bond	surrender	12	12	12	12
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	5	5	5	5

The take-up rates on GARs are assumed to vary with scenario. When the option is in the money, the take-up rate varies between 75% and 80%, depending on the relative values of tax relief on the tax free cash and the option.

The mortality assumption in possession of any guaranteed annuity options is assumed to be 92.5% PCMA00 medium cohort (1992 onwards) & 1.7% floor (2004 onwards) for males and 92.5% PCFA00 medium cohort (1992 - 2004) & 75% medium cohort with 1.5% floor (2004 onwards) for females. For practical reasons, an equivalent one-dimensional table has been used.

- (7) Policyholder lapse and paid-up rates are not assumed to vary with scenario in the calculations. The policyholder take-up rates on GARs are described in (6) above.

7. Financing costs

SLAS reinsures most of its unit-linked business to AXA Sun Life Plc. In accordance with the terms of the reinsurance agreement, SLAS provided financing in respect of part of the acquisition expenses that would otherwise have been charged to ASL in respect of the reinsured business. The financing is repaid by applying specified repayments to reduce the accumulated financing balance, and will be fully repaid when the balance is extinguished. Interest is charged at the rate of an average of 3 month LIBOR, and is rolled up within the financing balance. No additional fees are payable. Total repayments of £11.4m were made from ASL to SLAS during 2008. The balance of financing outstanding at 31 December 2008 is £94.0m. The arrangement has been closed to new business since 31st December 2006.

8. Other long-term insurance liabilities

Line 47 includes the value of the future tax and investment expenses on the assets backing the future policy related liabilities in excess of asset share. It also includes provisions held in respect of potential mis-selling liabilities.

9. Realistic current liabilities

The realistic current liabilities are equal to the regulatory current liabilities plus an amount reflecting the tax liability on future shareholder transfers.

10. Risk Capital Margin

(a) The Risk Capital Margin is £519m.

The most adverse scenario is the combination of events described below.

- (i) Equity values are assumed to fall by 20.0%. Property values are assumed to fall by 12.5%. No separate assumption is made for non-UK assets.
- (ii) Fixed interest yields are assumed to rise by the amounts shown in the table below. The percentage change in yields is 17.5%.

Currency	Long term yield (annualised)	Nominal rise in yields
Sterling	3.74%	0.66%

- (iii) The average (weighted by value) change in spread for bonds, and the percentage changes in asset value arising from the credit risk scenario are given below. These are the percentage changes applying to the corporate bond investments of the funds in the most adverse scenario. No other asset values are adjusted in the credit risk scenario.

	Average change in spread (basis points)	Percentage change in asset values
With profits portfolio	88	-5.3%
Non-profit portfolio	71	-5.7%

- (iv) The overall percentage change in the realistic value of liabilities that results from applying the persistency risk scenario, assuming that the market and credit risk stress scenarios have occurred, is 0.35%.
- (v) Not applicable.

(b)

- (i) In the stress scenario that defines the Risk Capital Margin calculation the following additional actions have been assumed:
 - On the surrender of bonds it is assumed that an MVR is applied such that the payout is equal to the asset share. No MVRs are assumed to apply to any other unitised with profits policies.
 - For a given group of policies, the payout on an identical maturing policy is restricted to move by a maximum of 20% (15% in the base scenario) in either direction from year to year.
 - Following the stress the equity backing ratio is allowed to reduce rather than being rebalanced to the target.

There are no further changes to assumptions, other than those that result directly from the events of the stress scenario itself.

- (ii) The total impact of the change in management actions on the Risk Capital Margin is £48m broken down by:

Management Actions	Impacts (£m)
Bond MVRs to full	7
Maximum cut in payout to 20%	1
EBR reduction	40

- (iii) If the management actions assumed within the Risk Capital Margin were also assumed within the base scenario then the equity backing ratio shown in table 6 (5) (b) would reflect the fact that it is allowed to reduce in the RCM scenario.

- (iv) Not relevant since it is not assumed that such charges are taken.

(c)

- (i) All the assets required by the with profits fund to cover the Risk Capital Margin are held within the with profits fund.

11. Tax

- (i) Tax on assets backing the with profits benefit reserve (asset share) is charged to the asset share.
- (ii) The liability for future tax on assets backing the future policy related liabilities is calculated separately and included on the balance sheet in Form 19, Line 47. The calculation assumes that these assets are locked in for the mean term of the policy liabilities, and incur tax on the investment return over that term. Tax is only incurred on the BLAGAB proportion of the assets.
- (iii) There is no liability assumed for tax on the assets backing realistic current liabilities.

12. Derivatives

Derivatives held as at 31 December 2008 are as follows:

Sterling interest rate receiver swaps are held for the purpose of hedging interest rate risk. The swaps held have maturity dates of 2036 and 2046, a total notional of £335m, and a total market value of £67.8m

Sterling and Euro-quanto receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2009 to 2023, all have a tenor of 20 years and a strike rate of 5%. They have a total notional of £94.8m and a total market value of £17.4m.

Equity put option are held for the purpose of hedging embedded equity risk in the asset portfolio. These are out of the money put option on FTSE 100 expiring in 2009, contract size of 7500 units and market value of £12.9m

Credit default swaps are held to adjust credit exposure for the purpose of portfolio management, rather than as a strategic hedge against credit risk. There is £5m notional of sold protection and £25m notional of bought protection. Maturity dates range from 2010 to 2015.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities	31 March 2009	£6.8m
Long (10y) Gilt	Bought	Duration management	31 March 2009	£197.6m
Euro Bond	Sold	Duration management	31 March 2009	£20.4m

Currency forwards are held for the purpose of portfolio management to hedge overseas currency exposure back to Sterling. There is £8.2m notional to hedge exposure to Euro back to Sterling.

13. Analysis of change in working capital

£m	
Realistic working capital 31 December 2007	1,023
Opening Adjustments to valuation of WP liabilities	-2
Model & Methodology Changes on valuation of WP liabilities	-55
Return on Working Capital	-140
Investment returns on assets backing Asset Shares	-154
Mismatch profits on assets backing the future policyholder related liabilities	-50
Changes to realistic persistency & mortality assumptions on modelled WP business	47
Changes to economic assumptions	-6
Economic assumptions	139
Changes to non-economic assumptions	139
Actual vs Expected experience	14
New Business	0
Impact of Non-profit business	-196
Changes in other liabilities of lines 47 and 51 of Form 19	143
other	-141
Realistic working capital 31 December 2008	622

Changes to economic assumptions include changes to the asset mix.

The main components of the changes to non-economic assumptions item are the introduction of MVRs on some tranches of unutilised WP business and the reduction to the level of uplift to asset share in the sustainable payouts assumed in the valuation.

The impact of non-profit business is mostly brought about by the widening of credit spreads and hence fall in market value of assets backing the non-profit business in the fund. There is some offset to this amount from the increase in annuitant mortality assumption.

Changes in other liabilities of lines 47 and 51 of Form 19 include a decrease in current liabilities.

'Other' includes changes to manual adjustments.

IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS

Financial year ended 31 December 2008

a) Investment Guidelines

The investment guidelines of Sun Life Assurance Society Plc allow for the use of derivative contracts for the purposes of efficient portfolio management or the reduction of investment risk. Derivatives can only be used to the extent that they are replicating a similar economic effect which would otherwise be achieved by selling existing assets or using cash in the portfolio to fund the purchase of permitted assets.

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, forward foreign exchange contracts, interest rate swaps and inflation rate swaps. Credit default swaps may be used within the With Profit fund on a case by case basis and in the shareholder fund where an effective hedge can be demonstrated in advance of the proposed transaction.

The counterparties through whom such transactions can be made are restricted, as are the counterparty exposures that may be built up using derivatives. Prudent limits have also been set on the extent to which derivatives may be used within a given portfolio. Derivatives must not be used to gear the portfolio.

The use of non exchange traded derivatives, with the exception of the derivative contracts noted above, is not permitted without the prior approval of the Group Finance Director or the Chief Investment Officer.

b) Guidelines in respect of derivatives not likely to be exercised

The investment guidelines do not explicitly allow or exclude the use of derivatives which create rights or obligations which are not, at the time the contract is entered into, reasonably likely to be exercised.

c) Derivatives not likely to be exercised

During the year, no contracts were entered into which were not, at the time of entry, reasonably likely to be exercised.

d) No other instrument, whether it be a derivative or an instrument of similar nature was used which required a significant provision under INSPRU 3.2.17R, or where appropriate, did not fall within the definition of a permitted derivative contract.

e) There were no rights granted under derivative contracts for which fixed consideration was received by the Society during the year.

Name of Insurer **Sun Life Assurance Society Plc**

IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF SUN LIFE ASSURANCE SOCIETY PLC

At 31 December 2008

Controller	Shareholding/Voting Rights						
AXA Sun Life Holdings Plc 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 3479251	100% shareholding in Sun Life Assurance Society Plc						
AXA UK Plc 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 2937724	100% shareholding in AXA Sun Life Holdings Plc						
AXA 25 avenue Matignon, 75008 Paris Incorporated in France Registered No: 572093920RCS	100% shareholding in AXA UK Plc split as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">AXA</td> <td style="text-align: right;">78.3%</td> </tr> <tr> <td>AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)</td> <td style="text-align: right;">21.7%</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">100.0%</td> </tr> </table>	AXA	78.3%	AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)	21.7%		100.0%
AXA	78.3%						
AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)	21.7%						
	100.0%						
Mutuelles AXA: AXA Assurances Vie Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 353457245 AXA Assurances IARD Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 775699309	Is an association of two companies, as listed, which collectively exercise 23.10% of AXA's voting rights as at 31 December 2008.						

IPRU(INS) RULE 9.36 - STATEMENT OF INFORMATION ON THE ACTUARY APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION

The actuary was requested to furnish the Society with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and he has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the Society.

Mr Shelley's interests in options as at 31 December 2008 were as follows:

- 3,079 €9.91 options (adjusted to take account of the rights issue in 2003 linked to the MONY and the Winterthur acquisition in June 2006) in AXA SA, exercisable to 4 July 2010,
- 2,327 €40.01 options (adjusted to take account of the rights issue in 2003 linked to the MONY and the Winterthur acquisition in June 2006) in AXA SA, exercisable to 11 July 2010,
- 6,158 €31.49 options (adjusted to take account of the rights issue in 2003 linked to the MONY and the Winterthur acquisition in June 2006) in AXA SA, exercisable to 8 May 2011,
- 4,106 €20.45 options (adjusted to take account of the rights issue in 2003 linked to the MONY and the Winterthur acquisition in June 2006) in AXA SA, exercisable to 26 February 2012,
- 3,079 €10.73 options (adjusted to take account of the rights issue in 2003 linked to the MONY and the Winterthur acquisition in June 2006) in AXA SA, exercisable to 13 March 2013,
- 630 shares in AXA SA Global Shareplan 2002,
- 389 shares in AXA SA Global Shareplan 2004,
- 300 shares in AXA SA Global Shareplan 2005,
- 200 shares in AXA SA Global Shareplan 2006,
- 167 shares in AXA SA Global Shareplan 2007,
- 197 shares in AXA SA Global Shareplan 2008.

2. Remuneration

In respect of 2008 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £119,562.

3. Pension contributions

Mr Shelley is a member of the AXA UK Group Pension Scheme.

Name of Insurer **Sun Life Assurance Society Plc**

IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE

Financial year ended 31 December 2008

1. We certify that:

- (a) in our opinion, the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied that, with the exception of the item disclosed in 2 below:
 - (i) throughout the financial year in question, the Society has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the Society has continued to comply subsequently and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3;
- (f) we have, in preparing the return, taken and paid due regard to:
 - (i) advice in preparing the return from the actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

2. Following the period of market turbulence in Q4 2008, the Society has not been meeting its Individual Capital Assessment. The Society is putting in place a programme of actions to enable it to restore its position. The FSA has been informed and are monitoring progress. A formal plan will be presented to the FSA shortly. It is anticipated that all necessary actions should be completed during the course of 2009.

Signed on behalf of Sun Life Assurance Society Plc

P. J. Evans	Chief Executive
D. R. Cheeseman	Director
A. J. Purvis	Director

27 March 2009

Name of Insurer **Sun Life Assurance Society Plc**

REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35

Global business

Financial year ended 31 December 2008

We have examined the following documents prepared by the company pursuant to the Accounts and Statement Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 19, 40 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 100 (‘the Statement’);
- the valuation report required by IPRU(INS) rule 9.31(a) (‘the valuation report’) on pages 72 to 86; and
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) (‘the realistic valuation report’) on pages 87 to 99.

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes),
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 101 and 102; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 103 (‘the certificate’).

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return including the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of Sun Life Assurance Society Plc to comply with their obligations under IPRU(INS) rule 9.35 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.

Name of Insurer **Sun Life Assurance Society Plc**

REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35

Global business

Financial year ended 31 December 2008

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement, the valuation report and the realistic valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement, the valuation report and the realistic valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the company.

Opinion

In our opinion:

- (a) the Forms, the Statement, the valuation report and the realistic valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

PricewaterhouseCoopers LLP

Registered Auditor

London

27 March 2009