Aviva Annuity UK Limited

Solvency and Financial Condition Report

Year ended 31 December 2017

Contents

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Solvency and Financial Condition Report

2017

Summary

The purpose of the Solvency and Financial Condition Report ("SFCR") is to provide information about the capital position at 31 December 2017 of Aviva Annuity UK Limited ("the Company") based on Solvency II requirements.

The report sets out different aspects of the Company's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

Business and Performance

The Company is a limited company incorporated under the laws of England and Wales. Until 1 January 2017 it transacted life assurance business, principally annuities. On 1 January 2017 the entire long-term business was transferred through an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (the "Part VII Transfer") to its immediate parent undertaking Aviva Life & Pensions UK Limited ("UKLAP"). The Company has not traded in the period since the Part VII Transfer. No change in activity is envisaged in the future. The Company predominantly carries out its business in the UK.

There was no income or expenditure during 2017, *(2016: loss of £725m)*.

Section A of this report sets out further details about the Company's business structure, key operations, market position and financial performance over the reporting period, split by underwriting performance and investment performance.

System of Governance

The Board's responsibility includes ensuring that an appropriate system of governance is in place throughout the Company. To discharge this responsibility the Board has established frameworks for risk management and internal control using a 'three lines of defence' model.

Section B of this report describes the system of governance in place throughout the Company by which the operations of the Company are overseen, directed, managed and controlled, and explains how it complies with the requirements of Solvency II.

Risk profile

Risks arising across the Group are mitigated through application of elements of the Group's Risk Management Framework ("RMF"), and in particular business standards in respect of financial risk mitigation and reinsurance.

There was a material reduction in all types following the transfer of the entire long-term business on 1 January 2017.

Section C of this report further describes the risks to which the company is exposed and how we measure, monitor, manage and mitigate these risks, including any changes in the year to our risk exposures and specific risk mitigation taken.

Valuation for Solvency Purposes

Assets, technical provisions and other liabilities are valued in the Company's Solvency II Balance Sheet according to the Solvency II regulations. Assets and liabilities are valued at an amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arms length transaction.

As the entire long-term business was transferred on 1 January 2017, no further policy liabilities are expected and as such, the Company recognises no technical provisions.

At 31 December 2017, the Company's excess of assets over liabilities was £5 million on a Solvency II basis which is the same as the value under International Financial Reporting Standards ("IFRS").

Capital management

The Company manages Own Funds in conjunction with solvency capital requirements.

In managing capital, the Company seeks to on a consistent basis:

- Match the profile of its assets and liabilities, taking into account the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support new business growth and satisfy the requirements of the Company's regulators and other stakeholders giving the Company's customers assurance of its financial strength;
- Retain financial flexibility by maintaining strong liquidity;
- Allocate capital rigorously to support value adding growth and repatriate excess capital where appropriate.

The Company Solvency Capital Requirement ("SCR") at 31 December 2017 reduced to £nil *(2016: £1,126m)* following the transfer of its long-term insurance business on 1 January 2017. The minimum capital requirement ("MCR") was £3.3m *(2016: £282m)*. At 31 December 2017, the total eligible Own Funds was £5.0m *(2016: £2,314m)* which is entirely represented by unrestricted tier 1 capital. The overall surplus position was £1.7m which translates to a cover ratio of 154% *(2016: 206%)*.

Section E of this report further describes the objectives, policies and procedures employed by the Company for managing its Own Funds. The section also covers information on structure and quality of Own Funds and calculation of SCR, including information about the Company's Internal Model.

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A. Business and Performance

In this chapter

The 'Business and Performance' section of the report sets out the Company's business structure, key operations and financial performance over the reporting period.

A.1 Business

A.1.1 Business overview

The Company is a limited company incorporated and domiciled in the UK. Until 1 January 2017 it transacted life assurance business, principally annuities. On 1 January 2017 the entire long-term business was transferred through an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (the "Part VII Transfer") to its immediate parent company Aviva Life & Pensions UK Limited ("UKLAP"). The Company has not traded in the period since the Part VII Transfer. No change in activity is envisaged in the future. The Company predominantly carries out its business in the UK.

A.1.2 Organisational structure

The following chart shows, in simplified form, the position of the Company within the legal organisational structure of the Aviva plc Group ("the Group") as at 31 December 2017. Aviva plc is the holding company of the Group and is the ultimate parent undertaking of the Company. The immediate parent undertaking of the Company is Aviva Life & Pensions UK Limited, a company incorporated in the UK.

The Company has no participations in subsidiary undertakings and other related undertakings.

A.1.3 Significant events in the reporting period

On 1 January 2017 there was a Part VII Transfer of the Company's long-term insurance business to UKLAP, as set out in the Executive Summary of this report.

At one minute past midnight on 1 January 2017 all the net assets, with the exception of a £5m intercompany debt, passed to Aviva Life & Pensions UK Limited. Consequently, the operating result generated from the UKA book of business is included within the UKLAP result. The Part VII Transfer has been accounted for as a business combination under common control, with nil impact on profit and loss. The only asset remaining on the balance sheet of UKA is a £5m intercompany receivable which is maintained to cover the Minimum Capital Requirement of the Company until it is deregulated.

A.1.4 Other information

Qualifying holdings

Qualifying holdings in the Company are held by Aviva Life & Pensions UK Limited ("UKLAP"), a limited company incorporated and domiciled in the UK, which holds 100% of the Company's share capital.

Supervisor

The Group's and Company's Supervisor is the PRA, which is part of the Bank of England. Contact details for the PRA are as follows:

Address	20 Moorgate, London, EC2R 6DA.
Telephone number	+44 (0) 20 7601 4444

External auditor

The PRA have issued the company with a waiver to exempt the SFCR from the external audit requirements in the PRA handbook. Consequently, all qualitative and quantitative disclosure in this document is unaudited.

Rounding convention

The SFCR is presented in pound sterling rounded to the nearest million which is consistent with the presentation in the IFRS financial statements. The QRTs are presented in pound sterling rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A.2 Underwriting Performance

A.2.1 Performance from underwriting and other activities

The Company had no income or expenditure for the year ended 31 December 2017.

A.2.2 Solvency II lines of business and products

The Company ceased trading in the year. The Quantitative Reporting Template ("QRT") S.05.01.02 which includes detailed information on premiums, claims, expenses and changes in technical provisions by Solvency II line of business is a nil return for the Company in 2017.

A.3 Investment performance

The Company had no investment income for the year ended 31 December 2017.

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B. System of Governance

In this chapter

The system of governance for the Company is as described in the Aviva Life & Pensions UK Limited SFCR.

B.1 Outsourcing

In addition, the following table lists the critical and important functions that the Company has outsourced to other companies within the Group. The intra-group companies listed here also hold contractual agreements with a number of external suppliers to outsource activities.

The Group Procurement and Outsourcing Standard is the Company's Outsourcing ("P&O") Policy which sets out the relevant responsibilities, objectives, process, and monitoring arrangements to be applied in cases of outsourcing, all of which shall be consistent with the overall business strategy. The standard applies equally to any externally or internally (intra-group) outsourced activity.

Further detail on the Group Procurement and Outsourcing Standard is set out in the SFCR for Aviva Life & Pensions UK Limited.

B.1.1 Outsourced functions and activities

The Group outsources a wide range of operational functions and activities, including policy administration, claims handling, customer contact centres and IT services. The Procurement and Outsourcing Standard requires a global Supplier Landscape document to be produced bi-annually to capture details of all critical or important outsourced operational functions and activities.

The following table lists the critical and important functions that the Company has outsourced to other companies within the Group. The intra-group companies listed here also hold contractual agreements with a number of external suppliers to outsource activities.

Supplier Name	Jurisdiction	Services provided
Aviva Central Services Limited	United Kingdom	Provision of Finance, People and Information Technology functions
Aviva Employment Services Limited	United Kingdom	Employment of the Company's staff
Aviva Life Services Limited	United Kingdom	Expenses management

The Company has not outsourced any critical or important arrangements to companies external to the Group.

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C. Risk Profile

In this chapter

The ‘Risk Profile’ section of this report provides information on the key risks encountered by the Company as well as the corresponding processes for monitoring the risk exposures and the techniques in place for mitigating these risks.

Overview of the Company’s risk profile

For the purposes of risk identification and measurement, and aligned to the Company’s risk policies, risks are usually grouped by the following principal risk types: underwriting risk, market, credit, liquidity and operational risk.

An overview of the Company’s process for identifying, measuring, managing and monitoring the risks it faces is set out below, with further detail provided in sections C.1 to C.5.

Risk identification

The ultimate parent company, Aviva plc, and its related undertakings comprising the Group (including the Company) operate a risk framework which defines the enterprise-wide approach to managing risk, including how the Group identifies, measures, manages, monitors and reports on the risks to which it is, or could be, exposed. The Group has a variety of tools and processes to support the identification and measurement of the material risks the Group is (or could be) exposed to in the short, medium and long term. The risk framework has been adopted by the boards of the legal entities within the business collectively referred to as “UK Life” (principally consisting of this Company, UKLAP, Friends Life Limited and Friends Life and Pensions Limited).

Primary sources for identifying risks include risk events analysis, external and internal trends analysis and management information, as well as other risk governance processes and input from executive teams and internal committees. The key risk identification and measurement processes are set out below.

Exposure measurement and monitoring

The primary basis used by the Company to measure and assess risks is the Solvency II SCR which is calculated as Solvency II Own Funds at risk in a 1-in-200 year loss event over a 1 year time horizon. Solvency II SCR is the basis on which the Company sets solvency (economic capital) risk appetite and is used to assess the significance of risks and to appropriately direct resources to their management. Refer to section E.2 of this report for details of the methodology and assumptions used in the calculation of the Company’s Solvency II SCR.
The primary risk types measured in the Company’s Solvency II SCR calculation are:

- Underwriting risk (refer to section C.1);
- Market risk (refer to section C.2);
- Credit risk (refer to section C.3); and
- Operational risk (refer to section C.5).

Some categories of risk are not managed by holding capital, principally liquidity risk, which is measured through liquidity coverage ratios (”LCR”s) (see section C.4).

The Company also assesses risks on the basis of their potential impact on the value of the Company’s franchise, which is supported by the Company’s reputation, brand and good customer relationships. Operational risks, in particular, have the potential to significantly impact the franchise value (see section C.5) compared to other risk types which are relatively more significant measured on the basis of Solvency II SCR.

The Company also measures and assesses risk in terms of its total gross exposure and sum at risk, as well as monitoring risk indicators that might indicate changes in the risk exposure and act as a trigger for management action. These are generally risk type specific and are considered in sections C.1 to C.5.

Changes in the period to risk profile

There was a material reduction in all types following the Part VII Transfer of the long-term insurance business on 1 January 2017 as set out in section A.1.3.

Risk mitigation

Risks arising across the Group are mitigated through application of elements of the Group’s RMF, and in particular business standards in respect of financial risk mitigation and reinsurance. Risk mitigation techniques applied are explained in greater detail by risk type in sections C.1 to C.5.

Monitoring the effectiveness of risk mitigation techniques

Annually the Group Risk function undertakes an assessment, presented to the Group Board Risk Committee, of the effectiveness of the Group’s and business units’ overall risk management, including specifically the robustness of their control environments in mitigating operational risk. The Group’s major business units have dedicated risk monitoring teams which monitor the effectiveness of risk management in the business including risk mitigation. How the effectiveness of specific risk mitigation techniques is monitored is considered in sections C.1 to C.5.

Risk concentration

The Company assesses concentrations of each type of risk. This analysis enables the Company to assess whether accumulations of risk exceed risk appetite.

Prudent Person Principle

The Company ensures that its assets are invested in accordance with the prudent person principle as set out in Article 132 (Directive 2009/138/EC) through the collective application of its risk policies and business standards. These ensure the Company invests in assets whose risks it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. The Company's asset liability management business standard and certain provisions of the investment management business standard contain mandatory requirements to ensure that the Company develops its own set of key risk indicators and takes into account the risks associated with its investments without relying solely on the risk being adequately captured by the capital requirements. Risk appetites by risk type are also set and monitored by the Company. Other business standards set requirements for the quality of investment assets (including setting risk limits to control the market and credit risk within a portfolio), matching of assets to liabilities, diversification of invested assets, use of derivatives and assets.

C.1 Underwriting risk

Underwriting risk is the risk of loss on underwriting activity caused by an adverse change in the value of liabilities. Following the transfer of the entire long-term business on 1 January 2017 the company is no longer exposed to underwriting risk.

C.2 Market risk

Market risk is the risk of adverse financial impact resulting from changes in fair values or future cash flows of financial instruments due to fluctuations in interest rates and property prices. Market risk arises within the Company due to fluctuations in the relationship between the values of liabilities and the value of investments held. Following the transfer of the entire long-term business on 1 January 2017 the company is no longer exposed to market risk.

C.3 Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks. The Company is exposed to default risk (the risk that a counterparty is unable or unwilling to meet its financial obligations as they fall due) in relation to its receivables asset, but this risk is not considered significant.

C.4 Liquidity risk

Liquidity risk is the risk that financial obligations to policyholders and other relevant external and internal parties cannot be met in a timely and cost-effective manner as they fall due. Liquidity issues may arise from uncertainty in the value and timing of liabilities as well as uncertainty in the ability to realise assets as cash to meet obligations. The Company has a single inter-group receivable asset to cover its capital requirements. Therefore, the company is not exposed to significant liquidity risk.

C.5. Operational risk

Operational risk is the risk of loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. There is a limited tolerance for operational risk and the aim is to reduce this risk as far as is commercially sensible.

Conduct risk is an aspect of operational risk and is the risk that positive customer outcomes are not achieved. It arises throughout the whole product lifecycle from the development of products, from the sales process to servicing policies and handling claims.

Reputational risk can result from operational risk. This is the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information, and inadequate services (whether or not founded) could impact the Company's brands or reputation. Any of either the Company's brands or reputation could also be affected if products or services recommended by the Company (or any of its intermediaries) do not perform as expected (whether or not the expectations are well founded) or if customers' expectations for the product change.

The resolution of all historic conduct issues was transferred to UKLAP during 2017.

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D. Valuation for Solvency Purposes

In this chapter

The 'Valuation for Solvency Purposes' section of the report provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset and liability class.

Assets and liabilities under Solvency II are valued in accordance with the Company's accounting policies under IFRS as adopted by the European Union ("EU"), unless stated otherwise in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities'. A summary of the Company's accounting policies can be found in the accounting policies note of the Company's 2016 financial statements.

The table below sets out a summarised balance sheet as at 31 December 2017. It compares assets and liabilities as reported in the financial statements (column a), a reclassified IFRS balance sheet as presented in the balance sheet QRT (column b) and the Solvency II balance sheet (column d).

Where differences are present, either in respect of the classification or measurement of assets or liabilities between IFRS and Solvency II, they have been presented in the table below, in columns (c) and (e) and a qualitative description provided for all material items in sections D.1 Assets, D.2 Technical provisions or D.3 Other liabilities.

Balance Sheet – IFRS and Solvency II

As at 31 December 2016	Note from financial statements	Note	IFRS (a) £m	IFRS Reclassified (b) £m	Variance (b-a) (c) £m	Solvency II (d) £m	Variance (d-b) (e) £m
Assets							
Receivables	S & 14	D.1.1	5	5	-	5	-
Total assets			5	5	-	5	-
Technical provisions	H & 19	D.2	-	-	-	-	-
Other liabilities		D.3	-	-	-	-	-
Total liabilities			-	-	-	-	-
Excess of assets over liabilities			5	5	-	5	-

There are no classification or valuation differences between the presentation of the balance sheet in the financial statements and the Solvency II balance sheet.

D.1 Assets

Assets have been valued according to the requirements of the Solvency II Directive and related guidance; the basis of the Solvency II valuation principle is the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

A description of the basis of valuation under Solvency II along with valuation differences between the Solvency II bases and the IFRS financial statements, by asset class, is provided below.

D.1.1 Receivables

Under Solvency II, receivables are held at fair value being the amount for which they could be exchanged between knowledgeable parties in an arm's length transaction. All the Company's receivables are due within one year. Where receivables are expected to be recovered within one year, the Solvency II fair value is equal to the IFRS carrying value.

D.2 Technical provisions

As the entire long-term business was transferred to UKLAP on 1 January 2017, no further policy liabilities are expected and as such, the Company recognises no technical provisions.

D.3 Other liabilities

Liabilities have been valued according to the requirements of the Solvency II directive and related guidance. The basis of the Solvency II valuation principle is the amount for which the liabilities could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

There are no other liabilities at 31 December 2017.

D.3.1 Contingent liabilities

Under Solvency II reporting, material contingent liabilities are required to be recognised in the balance sheet. The Company has no material contingent liabilities under Solvency II.

D.4 Alternative methods of valuation

None of the Company's assets are valued using alternative methods of valuation.

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E. Capital Management

In this chapter

This section of the report describes the internal operational structures and procedures underlying the Company's capital management process covering structure and quality of Own Funds; SCR and MCR; methodology for calculation of the SCR; differences between Internal Model and Standard Formula and any other material information.

E.1 Own Funds

E.1.1 Management of Own Funds

The primary objective of capital management is to optimise the balance between return and risk, whilst maintaining economic and regulatory capital in accordance with risk appetite. In managing Own Funds, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of its policyholders and its regulator, the PRA;
- Retain financial flexibility by maintaining sufficient liquidity; and
- Allocate capital efficiently, applying it to support value adding growth and repatriating excess capital to the Group through dividends.

In order to achieve these objectives, Own Funds are monitored.

As part of the Part VII Transfer the Company's tier 1 restricted subordinated liabilities were transferred to UKLAP. As a result all of the Company's Own Funds at 31 December 2017 is unrestricted tier 1 capital.

E.1.2 Own Funds by tier

The table below sets out the Company's Own Funds at 31 December 2017:

31 December 2017	Total £m	Tier 1 unrestricted £m	Tier 1 restricted £m	Tier 2 £m	Tier 3 £m
Ordinary share capital	908	908	-	-	-
Share premium account	1	1	-	-	-
Reconciliation reserve	(904)	(904)	-	-	-
Total Basic Own Funds after adjustments	5	5	-	-	-
Restrictions	-	-	-	-	-
Total Eligible Own Funds to meet the SCR	5	5	-	-	-
Restrictions to meet the MCR	-	-	-	-	-
Total Eligible Own Funds to meet the MCR	5	5	-	-	-

The Company's capital consists of tier 1 unrestricted capital.

This consists of the ordinary share capital, share premium and reconciliation reserve. Ordinary share capital is classified as unrestricted as there are no restrictions on cancellation of the Company's dividends prior to payment, as set out in the Company's Articles of Association. Tier 1 unrestricted capital includes the highest quality assets with quality features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

E.1.3 Details of Own Funds in issue

E.1.3 Issued share capital and share premium as at 31 December 2017

The Company had an aggregate issued and outstanding ordinary share capital of £908 million and share premium of £1 million at 31 December 2017.

E.1.4 Reconciliation reserve

The table below sets out the constituents of the reconciliation reserve:

	2017 £m	2016 £m
Solvency II excess of assets over liabilities	5	2,108
Ordinary share capital	(908)	(908)
Share premium account	(1)	(1)
Reconciliation reserve	(904)	1,199

The reconciliation reserve equals the total excess of Solvency II assets over liabilities reduced by the Other Basic Own Funds items that have been separately identified on the Own Funds QRT being; share capital and share premium.

E.1.5 Differences between IFRS net assets and the excess of assets over liabilities as calculated for Solvency II

There is no difference between IFRS net assets and the excess of assets over liabilities as calculated for Solvency II.

E.2 SCR and MCR

E.2.1 SCR

The Company SCR reduced to £nil following the transfer of its long-term insurance business on 1 January 2017.

E.2.2 MCR

The MCR represents the minimum level below which the amount of financial resources of a firm should not fall.

The MCR is calculated using a linear formula that applies prescribed factors to capital-at-risk and the best estimate liability (net of reinsurance). The MCR is subject to a floor, equal to 25% of the SCR, and a cap, equal to 45% of the SCR. There is an absolute floor of €3.7 million (which equals £3.3m).

The MCR for the Company at 31 December 2017 is £3.3m, as the absolute floor is biting.

E.3 Differences between the Standard Formula and Internal Model (unaudited)

The company no longer uses an internal model following the transfer of its long-term insurance business on 1 January 2017.

E.4 Non-compliance with the MCR and non-compliance with the SCR (unaudited)

The Company complied with its MCR or SCR at all times during 2017.

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F. Appendices

In this chapter

F.1 Public disclosure templates

The following pages contain the Company's public disclosure templates, as listed below:

- S.02.01.02 Balance Sheet
- S.23.01.01 Own Funds
- S.28.01.01 Minimum Capital Requirement – Only life or non-life insurance or re-insurance activity

Annex I
S.02.01.02
Balance Sheet
Amounts in 000s

		Solvency II Value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
- Equities - Listed	R0110	
- Equities - Unlisted	R0120	
Bonds	R0130	
- Government Bonds	R0140	
- Corporate Bonds	R0150	
- Structured Notes	R0160	
- Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans & mortgages	R0230	
- Loans on policies	R0240	
- Loans & mortgages to individuals	R0250	
- Other loans & mortgages	R0260	
Reinsurance recoverables from:	R0270	
- Reinsurance recoverables - Non-life and health similiar to non-life	R0280	
- Reinsurance recoverables - Non-life excluding health	R0290	
- Reinsurance recoverables - Health similar to non-life	R0300	
- Reinsurance recoverables - Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
- Reinsurance recoverables - Health similar to life	R0320	
- Reinsurance recoverables - Life excluding health and index-linked and unit-linked	R0330	
- Reinsurance recoverables - Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance & intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	5,000
Own Shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	
Any other assets, not elsewhere shown	R0420	
Total assets	R0500	5,000
Liabilities		
Technical provisions - Non-life	R0510	
- Technical provisions - Non-life (excluding health)	R0520	
- TP calculated as a whole - Non-life (excluding health)	R0530	
- Best Estimate - Non-life (excluding health)	R0540	
- Risk margin - Non-life (excluding health)	R0550	
- Technical provisions - Health (similar to non-life)	R0560	
- TP calculated as a whole - Health (similar to non-life)	R0570	
- Best Estimate - Health (similar to non-life)	R0580	
- Risk margin - Health (similar to non-life)	R0590	
Technical provisions - Life (excluding index-linked and unit linked)	R0600	
- Technical provisions - Health (similar to life)	R0610	
- TP calculated as a whole - Health (similar to life)	R0620	
- Best Estimate - Health (similar to life)	R0630	
- Risk margin - Health (similar to life)	R0640	
- Technical provisions - Life (excluding health and index-linked and unit-linked)	R0650	
- TP calculated as a whole - Life (excl health, index-linked and unit-linked)	R0660	
- Best Estimate - Life (excl health, index-linked and unit-linked)	R0670	
- Risk margin - Life (excl health, index-linked and unit-linked)	R0680	
Technical provisions - Index-linked and unit-linked	R0690	
- TP calculated as a whole - Index-linked and unit-linked	R0700	
- Best Estimate - Index-linked and unit-linked	R0710	
- Risk margin - Index-linked and unit-linked	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	
Subordinated liabilities	R0850	
- Subordinated liabilities not in BOF	R0860	
- Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	
Excess of assets over liabilities	R1000	5,000

Annex I
S.23.01.01
Own Funds
Amounts in 000s

		Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	908,000	908,000			
Share premium account related to ordinary share capital	R0030	750	750			
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-903,750	-903,750			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	**5,000**	**5,000**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds - Solo	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	5,000	5,000			
Total available own funds to meet the MCR	R0510	5,000	5,000			
Total eligible own funds to meet the SCR	R0540	5,000	5,000			
Total eligible own funds to meet the MCR	R0550	5,000	5,000			
SCR	R0580	**0**				
MCR	R0600	**3,251**				
Ratio of eligible own funds to SCR	R0620	**500,000,000.0000**				
Ratio of eligible own funds to MCR	R0640	**1.5382**				

		C0060
Reconciliation Reserve		
Excess of assets over liabilities	R0700	5,000
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	908,750
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	**-903,750**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total expected profits included in future premiums (EPIFP)	R0790	

Annex I

S.28.01.01

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

Amounts in 000s

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	
SCR	R0310	
MCR cap	R0320	
MCR floor	R0330	
Combined MCR	R0340	
Absolute floor of the MCR	R0350	3,251
		C0070
Minimum Capital Requirement	R0400	3,251

F.2 Glossary

A glossary explaining the key terms used in this report is available on www.aviva.com/glossary.

F.3 Waivers, approvals, determinations and modifications

The Company has one waiver effective as at the 31 December 2017. This waiver exempts the Company from the external audit requirements of the SFCR set out in the PRA Rulebook. Consequently, all information contained in this document is unaudited.

Approval	PRA Reference
Waiver of requirements in respect of external audit	4921465

The waivers, approvals, modifications and determinations which relate to the business transferred in the Part VII Transfer to UKLAP are listed in section F of the UKLAP SFCR.

F.4 Directors' statement

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report of Aviva Annuity UK Limited at 31 December 2017 in all material respects in accordance with the PRA Rules, the Solvency II Regulations, and the waiver in section F.4.

The Board is satisfied that to the best of its knowledge and belief:

a) throughout the financial year to 31 December 2017, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the Company, and with the waiver set out in section F.3; and

b) it is reasonable to believe that in respect of the period from 31 December 2017 to the date of the publication of the SFCR, the Company has continued so to comply and that it will continue so to comply for the remainder of the financial year to 31 December 2018.

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J M Windsor

Director

3 May 2018