

SOLVENCY AND FINANCIAL CONDITION REPORT

SOLVENCY AND FINANCIAL CONDITION REPORT

2025



SOLVENCY AND FINANCIAL CONDITION REPORT

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Director's Report

British Friendly Society Limited

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

Financial period ended 31 December 2025

We certify that:

The Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects and in accordance with the PRA rules and Solvency U.K. Regulations; we are satisfied that:

Throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency U.K. Regulations as applicable to the Society; and it is reasonable to believe that, at the date of the publication of the SFCR, the Society has continued so to comply, and will continue so to comply in future.

A handwritten signature in black ink, appearing to read 'Stuart Purdy', written in a cursive style.

Stuart Purdy (Chairman)

Date: 31 March 2026

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Summary

The Society was founded in 1902 to provide sickness benefits for commercial travellers and their families. The Society has over 32,000 members across the U.K. and over £19m in assets. The principal activity of the Society is to provide sickness cover for its members in times of illness or injury. After paying sick pay and expenses, any surplus is invested for the benefit of the members in accordance with the Society's investment policy as determined by the Board of the Society. As a Mutual, the Society exists solely for the benefit of its members and has no shareholders to whom we need to pay dividends. One of the ways that the Society looks to provide additional benefit to members is through the Mutual Benefits programme. The Mutual Benefits programme provides access to resources and support for members and their families at no additional cost. The Society continues to support members' health and wellness through the Mutual Benefits programme. This includes digital GP consultations, second medical opinions, mental health support, physiotherapy, and discounted annual health checks.

The core business of the Society is the provision of Income Protection insurance products. Until 2011, insurance policies were mainly of a 'Holloway' type with a capital element building up over time through the payment of interest and apportionment bonuses. The Society has over 4,400 Holloway members of which just over 1,700 commuted their sickness benefits at age 60, but retain their capital balances with the Society, earning annual bonuses and may receive a final, or terminal, bonus on withdrawal of their funds. Through its Protect and Breathing Space products, the Society has been successful in establishing itself as one of the leading providers of Income Protection for working people and had an overall membership of over 28,000 members at December 2025. Protect and Breathing Space policies account for over 85% of overall membership.

The Society has previously provided loans to members with a capital account up to 85% of the value of their accounts and secured against the capital account balance. This service was provided through a subsidiary company, BFS Member Services Limited (separately authorised by the FCA) and does not have a material impact on the Society's financial or solvency position.

Our ongoing Own Risk Solvency Assessment process demonstrated that the Society has had a comfortable margin of capital resources over the Solvency Capital Requirement as required under the provisions of Solvency U.K. regulation. The Board remain satisfied that the Society has a capital position that is appropriate for an insurance business of its size and complexity.

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A. Business Performance

A1. Business Description

British Friendly Society Limited is incorporated under the Friendly Societies Act 1992 under registration number 392F. The Society is a Friendly Society owned 100% by its members. Each of the Society's members is entitled to one vote at the Annual General Meeting or on resolutions requiring member votes. There are no other persons or entities with an ownership interest in the Society. The Society's principal activity is the provision of Income Protection insurance to its members. The Society carries out its business within the United Kingdom. The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) are responsible for the financial supervision of the Society. There have been no significant business or other events that have occurred over the reporting period that have had a material impact on the Society.

PRA

20 Moorgate

London

EC2R 6DA

Phone: 020 3461 4444

FCA

12 Endeavour Square

London

E20 1JN

Phone: 020 7066 1000

External auditor:

BDO LLP

55 Baker Street

London

W1U 7EU

Phone: 020 7486 5888

A1.2. Business Summary

The Society underwrites income protection contracts within the United Kingdom. The Society's membership consists of Protect members and members who hold a 'Holloway-style' product. The 'Holloway-style' products are not actively promoted and is closed to new business. All policies are administered by the Society. During 2025, there have been no significant events that have had a material impact on the Society.

The Society previously provided loans to Holloway members issued through a directly owned subsidiary, BFS Member Services Limited (separately authorised by the FCA). The Society no longer issues new loans, and the existing arrangements are not material to the overall business of the Society.

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A2. Underwriting Performance

Underwriting performance is reflected in the difference between the premiums received against the claim payments made to members. The table below shows the premiums and claims by product type compared to the prior year:

	2025	2024
	£000	£000
Protect premiums	13,009	12,051
Holloway premiums	1,661	1,853
Outward Reinsurance Premiums	(567)	(290)
Net premiums earned	14,102	13,614
Protect claims	(4,624)	(4,992)
Holloway claims	(249)	(233)
Reinsurer Share of Claims	71	41
Total claims incurred	(4,802)	(5,184)
Net underwriting surplus	9,301	8,430

The Society entered a re-insurance agreement in 2022 with a proportion of the new level costed income protection business being reinsured on a quota share basis. thus, providing a partial risk transfer of morbidity and persistency risk exposure. During 2025, the volume of reinsured level costed policies increased resulting in an increase of outward reinsurance premiums and reinsurer's share of claims.

A2.1 Claims

Providing financial support to members at their time of need is the reason for our existence. Our policies are priced to deliver fair value to members yet at a level which the Society remains sustainable. We expect to receive new claims every year, and every claim has a cost. If more members are unable to work than expected or members claim for longer than expected, then the Society's financial and solvency is impacted.

The Society continually monitors and reviews the volume of new claims and the reasons that members are unable to work. Active claims management is a key function in the Society as we support members financially and support their recovery and rehabilitation. In 2025 the Society paid over £4.8m in claims.

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A2.2 Membership

The Society's membership consists of Protect members and members who hold a 'Holloway-style' product. The 'Holloway-style' products are not currently open to new business applications, and the number of members has been falling for many years, a trend which continued in 2025. The number of Protect members reduced very slightly in 2025. Expenses continue to be spread across a wide member base.

A3. Investment Performance

The Society employs professional investment managers to manage its portfolio of investments under a conservative investment mandate. The relationship is managed on a day-to-day basis by the Society's management team and governed by the Risk and Investment committee.

During 2025, the Society's portfolio was invested in a mixture of:

- Government and corporate fixed interest debt
- Cash and property
- Secured mortgages and loans

Investment returns	2025 £000	2024 £000
Income from land and buildings	15	15
Income from loans with subsidiary	2	6
Income from fixed income investments	672	719
Interest received	6	11
Gains / (losses) on the realisation of investments	50	(4)
Gains / (losses) on the disposal of investment properties	-	-
Total Investment income	745	747

Investment holdings	2025 £000	2024 £000
Government securities	6,669	7,722
Corporate bonds	10,183	10,763
Secured mortgages	-	7
Loan to Subsidiary	19	70
Cash and cash equivalents	1,429	2,312
Total investments	18,300	20,874

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Investment Expenses	2025	2024
	£000	£000
Government securities	23	29.7
Corporate bonds	35.1	41.6
Cash investments	4.9	8.8
Total investments	63	80.1

The Society considers both current returns and longer-term trends when considering the level of bonus rates set for its 'Holloway' type members who have accumulated capital account balances. Assets are invested in order to provide a stable return to members whilst putting capital preservation as a core component of the investment strategy. In light of market volatility and geopolitical uncertainties, the Society has maintained an investment risk profile that is aligned with its commitment to securing future member benefits.

A4. Performance of other activities

The Society does not perform any other activities other than underwriting and administering income protection insurance products or investment of funds.

A.5. Any other information

A5.1 Re-insurance

The mutual sector relies on attracting continued new Members to provide capital. Financial reinsurance was identified as a potential alternative source of funding and as such a reinsurance arrangement was implemented during 2024. The arrangement allows the Society to manage liquidity and persistency risk through the use of a drawdown facility which can convert the balance sheet future profits, or negative technical provision, into liquid assets. These two new forms of financial re-insurance successfully complement the existing morbidity re-insurance which reinsures a proportion of its income protection products on quota share basis and further strengthen the Society's sustainability whilst achieving positive outcomes for our members.

The Society mitigates the risk of a mass lapse event through a stop loss reinsurance agreement which insures losses above a pre-determined amount and up to a maximum limit. Due to the Society's exposure to both these scenarios the lapse risk stop loss re-insurance can provide an improvement to the Society's solvency coverage by reducing the Solvency Capital Requirement.

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B. System of Governance

B1. General Information on the system of governance

British Friendly Society Limited is led by a Board who are responsible for promoting the long-term sustainable success of the Society and generating value for current and future members. The Board's role is set out in the Memorandum and Rules of the Society and delegates some authority through its three main sub-committees:

- Audit and Compliance
- Risk and Investment
- Remuneration and Nomination

Full details of the responsibilities of the Board and its committees are set out in a Responsibilities Map and associated committee Terms of Reference. There is a clear division of responsibilities between the roles of Chairman and Chief Executive, and they are held by different individuals with their own specific roles and responsibilities.

The Chairman is primarily responsible for the effective running of the Board and for ensuring full and constructive participation of all Board members in discussions and the decision-making processes within the remit of the Board. The Chief Executive is responsible for the executive management of the Society within specific guidelines established by the Board. The Board comprises the Chair of the Board, who is an Independent Non-Executive Director, four other Non-Executive Directors (of which one is a Senior Independent Director) and two Executive Directors. The Board remains satisfied with the independence of Non-Executive Directors.

The Society is an inclusive employer and is committed to ensuring that all its people are remunerated fairly. A Remuneration Policy is in place and is designed to attract and retain personnel of the calibre, skills and values required to deliver the objectives and strategy of the Society. It adopts the following key principles:

- Promotes fair and transparent remuneration structures and are aligned to the long-term sustainable success of the Society
- Ensures remuneration is aligned with applicable statutory and regulatory requirements and promotes sound and effective risk management
- Ensures fixed and variable remuneration is appropriately balanced with arrangements designed to align the interests of employees with those of members
- Ensures variable remuneration is based on a combination of the assessment of the individual and the collective performance and overall results of the Society.

Whilst the Society is not currently obliged to publish any gender pay calculations relating to diversity, it intends to take steps to monitor equality and reduce or eliminate any pay gap where applicable.

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B2. Fitness and propriety requirements

The Society subjects all individuals considered for appointment to a Senior Managers Function or identified as a Certified role to determine honesty, competence, and capability as well as financial soundness. The following factors are considered when assessing an applicant for a relevant appointment:

- The probity of the individual as judged during the recruitment process
- The reputation of the individual as judged from a review of public media
- The individual's financial soundness as judged from credit reference reports obtained by the Society
- Regulatory references (pertaining to the last six years)
- Any information obtained during the criminal record checks

In addition, an assessment of competence considers whether an individual:

- Has the personal characteristics of good repute and integrity
- Possesses the level of competence, knowledge, and experience
- Has relevant qualifications to carry out their role
- Has undergone or is undergoing all training, required to enable such person to perform their role effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of the firm

Holders of Senior Manager Functions or a Certified role are also required to confirm that they continue to satisfy regulatory standards by completing an annual declaration of continued fitness and propriety. In addition, the Society also assesses the ongoing fitness and propriety of approved persons.

B3. Risk Management Framework including the own risk and solvency assessment

The Society's Risk Management Framework sets out the overarching approach to risk management and is supported by a suite of Board-approved policies and those approved by relevant sub-committees. The Framework is designed to provide comprehensive coverage of the Society's principal risks - Financial, Insurance, Conduct, Operational, Reputational and Strategic. It also incorporates consideration of emerging risks arising from environmental change, technological developments, economic and political shifts, and evolving regulatory requirements.

The Society's Risk Appetite includes Board-approved statements and quantitative metrics that guide the management of principal risks and support the achievement of the Society's strategic objectives. These risks are reflected within the risk register and reported to the Board through the Risk and Investment Committee, enabling effective oversight of risk exposures, risks to strategic priorities, and the actions being taken to mitigate them. The Risk and Investment Committee reviews the Society's

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conformance with risk appetite regularly to ensure they remain appropriate and continue to cover the key risks to which the Society is exposed.

The Society operates three lines of defence model to ensure clarity of accountability, effective oversight, and transparency in the management of risk. The Board delegates detailed oversight of risk to the Risk and Investment Committee.

The **first line of defence** comprises the operational areas—such as Claims, Underwriting and Member Services—and the support functions including Finance, IT, Proposition and HR. Led by the Chief Executive and supported by the senior management team, the first line is responsible for the day-to-day operation of the Society, the identification and management of risks, and the maintenance of effective processes and controls.

The **second line of defence** consists of the Risk and Compliance functions, led by the Chief Risk & Technology Officer. These functions provide oversight of risk management across the Society, ensuring that first-line functions adequately identify, assess and manage risks, and that the Society complies with all legislative and regulatory requirements. Risk and Compliance also provide advice, challenge, and oversight through the development and maintenance of policies, frameworks, tools and methodologies.

The **third line of defence** provides independent and objective assurance to the Board regarding the effectiveness of risk management and internal control arrangements across the first and second lines. The Society engages specialist firms to undertake internal audit reviews and to report their findings to the Audit and Compliance Committee.

The Society, through its Own Risk and Solvency Assessment (ORSA), undertakes ongoing evaluation of the adequacy of its solvency position in relation to its specific risk profile, risk tolerance limits, and the Board-approved business plan. The ORSA supports informed decision-making and strategic planning by providing a forward-looking assessment of the Society's capital needs.

The Society's business plan, together with expected experience assumptions, forms the basis of the ORSA base case. This base case is subjected to a range of stress tests and scenario analyses to assess both current and projected solvency positions under normal conditions and under severe but plausible stresses. This process enables the Society to fully understand the material risks to which it is exposed and to assess the effectiveness of potential risk mitigation actions.

Although the ORSA, including the associated stress testing and scenario analysis, is completed on an annual cycle, the Society maintains clearly defined trigger points that may prompt an out-of-cycle review. These triggers arise from the ongoing monitoring of management information, emerging trends, or any developments that could materially affect the assumptions underpinning the ORSA.

The ORSA report is subject to approval by the Society's Board prior to its submission to the PRA.

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B4. Internal control system

Internal controls are implemented to manage the Society's risks within the Board-approved risk tolerance levels. These controls, established through defined processes, frameworks and policies, are embedded within the first line of defence, with each control assigned to a dedicated owner responsible for its operation and effectiveness. The strength of the Society's internal control environment is assessed through a combination of ongoing monitoring, formal Risk and Control Self-Assessments (RCSAs), second-line oversight reviews, and independent assurance reviews.

B5. Risk and Compliance function

The Society maintains a Risk and Compliance function that is independent of the business areas. This function is responsible for advising the Board on the Society's risk exposures and on compliance with applicable regulatory requirements, including developments and changes arising under the Solvency U.K. regime and other relevant laws, regulations and administrative provisions.

B6. Internal audit function

The Society has an outsourced internal audit function which has been recognised as a key function. The performance of the Internal Audit is outsourced to specialist firms who provide the Audit and Compliance Committee with independent and objective assurance on the effectiveness of the Society's internal controls and risk management.

B7. Actuarial function

The Society outsources its actuarial function who report to the Society's Board. The Chief (and With-Profits) Actuary is responsible for the adequacy and quantification of capital requirements and technical provisions under Solvency U.K. including appropriateness of the methodologies, models, assumptions, and data used.

B8. Outsourcing

The Society outsources the following activities:

- Internal Audit
- Investment Services
- Chief Actuary and With Profits Actuarial services
- Technology hosting and support
- System development

The Board of the Society retains ultimate responsibility for ensuring that these services are provided in accordance with internal and external requirements. The Society assesses all outsourced activities in accordance with its Third-Party Risk Management Policy and undertakes due diligence and risk

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assessments to determine the materiality and risk exposure. The Society also conducts monitoring assessments to ensure the services provided by its outsourced third parties remains adequate.

All the outsourced activities are subject to robust oversight and controls, including contractual protections.

C. Risk Profile

C1. Summary of current risk profile

The Society's core business involves accepting risk on behalf of its members through the provision of Income Protection policies. Three primary categories of risk are inherent to the Society's business model:

Insurance risks: These arise from the inherent uncertainty surrounding the occurrence, amount and timing of insurance liabilities. Long-term insurance risk is influenced by factors such as mortality and morbidity experience, lapse behaviour, pricing adequacy, and expense variability.

Operational and business risks: These encompass the risk of loss resulting from inadequate or failed processes, systems, or human factors, as well as risks arising from model changes, developments in the regulatory environment, and external events. This category also includes risks associated with achieving strategic objectives, including those linked to future growth.

Financial risks: These relate to deviations from expected investment performance, market volatility, and counterparty default risk, including the risk that an asset issuer, reinsurer, or distribution partner may be unable to meet its obligations when due. This category also includes liquidity risk and other related risks that may affect the Society's financial position.

Risks are grouped by type and aligned to the principal risks approved by the Board. Risk identification is undertaken on a regular basis through a range of techniques, including internal and external trend analysis, review of risk events, and the assessment of management information.

C2. Key Insurance Risks

Underwriting risk, refers to the potential loss faced by the Society when issuing insurance policies where actual experience diverges from the assumptions used in calculating premium levels. Variations in assumptions relating to claims incidence, timing, duration, and lapse behaviour may impact the Society's expenses, profitability, and solvency position.

The Society manages underwriting risk through clearly defined processes and controls that support product design, pricing, and underwriting activities. New business is assessed through robust product governance, actuarial analysis, and underwriting scrutiny, while in-force business risks—such as claims and lapses—are continuously monitored against established thresholds and underlying assumptions.

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Monitoring at the level of underwriting channel, adviser, and product option provides further insight, enhancing the management of underwriting risk and supporting fair outcomes for members.

The Society's experienced claims management team ensures that claims decisions are aligned with the original underwriting basis and that members receive appropriate support, including assistance in returning to work where possible. Business insurance risks, including claims experience and lapse behaviour, are reviewed regularly against expectations to identify emerging trends and inform management actions.

The Society's flexible business model enables it to respond to developments in the intermediary market, helping to maintain an appropriate level of risk exposure. In addition, underwriting risk is further mitigated through the use of financial models, reinsurance arrangements, and actuarial expertise. Experience analyses are conducted to compare actual outcomes with assumptions, informing pricing decisions and risk selection.

The Society also offers a range of products and product options designed to meet diverse member needs. Its broad membership profile—spanning different ages, occupations and geographical areas—helps reduce concentration risk and contributes to a more stable overall risk portfolio.

C3. Key Financial Risks

C3.1 Market Risk

Market Risk arises from unexpected movements or volatility in financial markets that may result in returns falling below expectations. The Society manages this risk by maintaining a well-diversified investment portfolio overseen by experienced investment managers operating within a Board-approved investment mandate. The Society further restricts its exposure by avoiding investments in volatile, structured, or complex instruments.

All assets referenced within section D1 are invested in accordance with the prudent person principle. This ensures that the Society invests only in assets that it can appropriately identify, measure, monitor, control and report on, and that can be properly considered in the assessment of its overall solvency position. The portfolio comprises holdings across a broad range of issuers, which helps mitigate concentration risk.

Market risk is monitored through regular reporting from the investment managers to the Risk & Investment Committee, alongside monthly reporting to the Executive, providing ongoing oversight of market developments, portfolio performance and adherence to the investment mandate.

C3.2 Credit Risk

Arises when the Society experiences financial loss due to another party failing to meet its financial obligations in a timely manner. The Society's exposure to credit risk primarily stems from its investment portfolio and from third parties, including reinsurers and distribution partners.

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Within the Board-approved investment mandate, the Society invests predominantly in investment-grade corporate bonds and government securities. Concentration risk is managed by maintaining a diversified investment portfolio, with no more than 5% of the portfolio held with any single counterparty, except for UK Gilts. The performance of the investment managers, together with adherence to mandated credit quality and concentration limits, is monitored on an ongoing basis by the Executive and overseen by the Risk and Investment Committee. This diversified approach reduces the likelihood of a credit event affecting multiple counterparties simultaneously.

The Society also monitors the risk that a third party—such as a reinsurer or distributor—defaults or fails to meet its contractual payment obligations, resulting in financial loss. Exposure to such counterparties is managed through established credit control processes and ongoing oversight of counterparty performance and financial strength.

C3.3 Liquidity Risk

Arises from the possibility that the Society may be unable to meet its financial obligations as they fall due because sufficient liquid resources are not available. This risk is managed through adherence to the investment parameters set out in the Board-approved investment mandate, which ensures that the Society holds high-quality, readily realisable assets traded on recognised financial markets.

In addition to maintaining an appropriately liquid investment portfolio, the Society undertakes detailed budgetary planning and cash-flow monitoring to ensure that adequate funds are available in the short and medium term to meet expected and unforeseen obligations. Furthermore, as outlined above, the Society has entered into a financial reinsurance arrangement which provides financing for new Income Protection business, thereby offering an additional safeguard against potential liquidity stress events.

As at 31 December 2025, the total expected profit included in future Protect premiums was £63.9m.

C4. Operational Risks

Operational risk is the risk of direct or indirect loss arising from failures in the Society's people, processes or systems. This category of risk encompasses legal and regulatory risks, third-party and outsourcing risks, operational resilience, data and model risks, and cyber security risks.

Operational risks are assessed through the Society's Risk Management and Internal Control Framework. The Risk and Control Self-Assessment process evaluates both the design and operational effectiveness of controls, as well as the potential impact and volatility associated with each operational risk. Exposure is managed through the implementation of policies and frameworks that establish the minimum control standards for the management of operational risk across the Society.

There is no significant concentration of operational risk within the Society. As operational risks cannot be fully eliminated, the Society maintains a limited appetite for exposure to operational risk events and seeks to minimise this exposure through strong controls, robust oversight, and continuous monitoring.

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C5. Other Material Risks

C5.1 Strategic Risk

Strategic risk is the risk that the Society's strategy, business model or key strategic decisions fail to achieve the intended outcomes or result in adverse impacts due to changes in the internal or external environment. This includes risks arising from incorrect strategic choices, poor execution, inadequate planning, or failure to respond effectively to changes in member needs, market conditions, competitive dynamics, technological developments, or the wider economic, regulatory and political landscape.

Strategic risks are assessed through the Society's Risk Management Framework, with regular monitoring undertaken as part of business planning, performance management, horizon scanning and the Own Risk and Solvency Assessment (ORSA). The Board considers strategic risk when setting the strategic plan and approving material initiatives, ensuring alignment with the Society's risk appetite, financial capacity, and longer-term objectives.

Exposure is managed through clear governance arrangements, Board oversight, structured project and change management processes, and ongoing evaluation of strategic performance indicators. The Society continually monitors emerging trends and external developments to ensure that strategic priorities remain appropriate and adaptable to change. The Society has a moderate appetite for strategic risk, consistent with its risk-return objectives. This level of appetite supports medium- to long-term financial sustainability and enables the Society to pursue opportunities that deliver value to its members.

C6. Additional Information

The Society has identified its overall appetite for risk and expressed this in terms of its solvency position. Where applicable, risks are measured against the impact to the Solvency U.K. Solvency Capital Requirement (SCR) and the solvency coverage ratio (own funds in relation to SCR). In addition to the minimum solvency requirement defined by the prevailing regulatory environment, the Society has determined a minimum level of additional solvency required at all times forming part of the internal risk appetite. This is set by the Board as a key component of, and constraint upon, the strategic plan.

At 31 December 2025, the Society had £19.3m of surplus funds (own funds less SCR). The Society also uses the SCR and Solvency cover ratio as a basis to measure and monitor the sensitivity of its assets to certain key risks by stress and scenario testing through its valuation model. These are reported on an annual basis and included in the ORSA as key drivers of the Society's risk appetite.

The Society uses a range of mitigation techniques to reduce and manage its risk exposures including the use of internal controls, limits, asset liability matching and cashflow planning.

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C7. Climate Change

The Society's business model, strategies and operational practices result in limited exposure to financial risks arising from climate change. This is primarily due to the sustainable composition of the Society's investment holdings and its commitment to responsible investment. Working alongside our investment management partners and other stakeholders, the Society remains committed to promoting sustainability and reducing its environmental impact. Throughout 2025, the Society's investment portfolio maintained an "Above Average" rating under our internal Environmental, Social and Governance (ESG) sustainability criteria, with a significant proportion of issuers classified as "Leaders."

As a UK-based income protection insurer with the majority of members residing within the United Kingdom, the Society's exposure to natural catastrophe risks, including extreme weather events, is geographically limited. Although the physical effects of climate change—such as impacts on longevity, morbidity and mortality—are not expected to fully materialise for several years, the Society continues to monitor these indicators closely to understand potential long-term implications.

The Society's exposure to asset transition risks is limited due to the sustainable nature of its investment portfolio. Consequently, litigation risks associated with climate-related losses are also considered low, supported by the diversity of the Society's investments. Regular reviews of the portfolio's sustainability characteristics are undertaken to ensure ongoing alignment with the investment mandate and to support further progress towards sustainable investment objectives.

The Society is also committed to reducing its operational environmental footprint. Measures continue to be implemented to lower energy usage and emissions, including the promotion of remote working, minimisation of business travel, reduction in paper consumption, and increased use of electronic communication.

D. Valuation for Solvency Purposes

D1. Assets

The value of the assets is shown in the following table:

£000s	31 December 2025	31 December 2024
Government securities	6,669	7,722
Corporate bonds	10,183	10,763
Loans and mortgages	19	76
Cash and cash equivalents	1,539	2,518
Any other assets	1,526	1,760
Total	19,936	22,839

The listed investments, cash and deposits are all included at market value. The Society does not hold listed investments which are not held on an active regulated market. Any other assets comprise of Property, plant & equipment held for own use. The Society has a finance lease on a proportion of its

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technology equipment. The Society has no material deferred tax assets. The Society has no related undertakings.

D2. Technical Provisions

The following table summarises the technical provisions as at 31 December 2025 and 31 December 2024.

£000s	31 December 2025	31 December 2024
Best estimate liabilities	(30,356)	(19,530)
Risk margin	5,165	3,680
Technical provisions	(25,191)	(15,850)

All the Society's liabilities relate to health (Similar to Life) business.

Valuation Methods

The following paragraphs detail the methodology adopted for the Solvency U.K. valuation as at 31 December 2025 for the following specific components of the Society's business:

- Valuation of all the Society's Holloway and Income Protection income and liability cashflows
- Valuation of Holloway members' accounts and allowance for interest, apportionment, and final bonuses
- Valuation of sickness claims in payment
- IBNR (incurred but not reported)
- Negative reserves
- Valuation of individual policies
- Allowance for expenses
- Reinsurance
- Currency exposures
- Options and guarantees
- Discount rates

Valuation of Holloway and Income Protection income and liability cashflows

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The Society adopts a gross premium methodology approach to the valuation of each of its contracts of insurance. This means that we project, for each individual contract on the Society's books, net cashflows out of the Society every single month into the future as follow:

Net cash flow each month =

Expected monthly sickness payment (not relevant for commuted Holloway contracts) assuming all policyholders are healthy at the date of valuation:

- (+) Expected monthly maturity and withdrawals on Holloway commuted and non-commuted accounts allowing for future rates of interest and apportionment bonuses
- (+) Monthly cost of maintenance and investment expenses allowing for future expense inflation

Each monthly projected net cashflow is then discounted back to the valuation date at an assumed discount rate of interest. A positive value represents a liability to the Society; a negative value represents an asset to the Society.

Valuation of Holloway member accounts and allowances for interest, allocation, and final rates of bonus

The Society had accrued £34,850,199 in member capital accounts at the end of 2025 (including the 2025 declared bonus). These are all linked to 'Holloway' type policies.

This amount is guaranteed to be payable on maturity or earlier on death. The Society applies its discretion in the amount it pays in the event of withdrawal before maturity. A final bonus may also be paid on maturity or earlier death at the discretion of the Society.

Each year these benefits are increased by both an interest bonus, in respect of investment returns over the year, and an apportionment bonus in respect of the Society's favourable sickness experience (akin to a bonus equal to premiums less claims less expenses).

The value of these accounts is equal to the discounted value of the expected future amounts payable on these accounts allowing for future rates of interest, apportionment, and final bonus. Future apportionment and final bonuses are assumed to be paid at the long-term sustainable levels.

Additional reserves are held to cover all Income Protection claims in payment at the valuation date based on the discounted value of all future sickness cashflows expected to arise from the current sickness.

Incurred But Not Reported (IBNR)

An additional reserve is held to cover the value of claims where policyholders have fallen sick but where

SOLVENCY AND FINANCIAL CONDITION REPORT

they have not reported that fact to the Society (or they have reported the claim, but it has yet to be admitted by the Society). This calculation is based on the present value of sickness claims from policies with claims inception in 2025 multiplied by the average delay period in the year.

Allowance for expenses

Expenses are allowed for in the valuation of the Society's liabilities by a per policy charge. This is assumed to be incurred monthly and covers each policy's share of the maintenance and investment related expenses of the Society. The calculation of each policy's share of these costs allows for the expected volumes of new business the Society expects to write. Expected maintenance and investment related expenses and new business volumes are set by the Society's strategic plans until December 2029.

Reinsurance

The Society has made effective and timely use of reinsurance arrangements to manage morbidity, persistency, and new business strain risks, supporting both stability and controlled growth.

The reinsurance arrangements include the use of quota share reinsurance arrangement for a large proportion of level premium Protect business which has been in place since 2022, a dedicated reinsurance arrangement for a proportion of its Protect Age Costed policies to mitigate the risk of a mass lapse event and in 2023, the Society established a financial reinsurance agreement to supporting strategic financial stability and facilitating sustainable growth.

Throughout 2026, the Society will continue to refine its reinsurance arrangements to maintain an appropriate balance between risk transfer and value retention in line with strategic objectives.

Currency

The Society's liabilities are all denominated in GBP.

Options and guarantees

None of the Society's contracts has any material options or guaranteed surrender values in place at 31 December 2024 or 31 December 2025.

Discount rates

All the Society's cashflows are discounted at the required risk-free rates of interest set by the PRA as at 31 December 2025.

Key assumptions used in the valuation of best estimate liabilities

Assumptions need to be made for sickness inception and recovery rates, mortality rates, lapse and withdrawal rates, expense inflation and the rate used to discount future cashflows.

Sickness Rates

SOLVENCY AND FINANCIAL CONDITION REPORT

The Society's sickness experience has been analysed both by the rate of inceptions and by rates of recovery and are split between Holloway style contracts (Holloway and Century) and the Society's pure Income Protection business (Protect and Breathing Space). The inceptions and recoveries are explicitly allowed for in the cash flow methodology. The sickness tables used are based on the industry standard "IP11" tables.

Mortality

The rate of mortality assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders.

Lapse and withdrawal rates

The rates of lapse and withdrawal assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders.

CFI (Cancelled from Inception) rates

The CFI rates are assumed to apply to the Society's Protect business and are reflective of a policy commencing but cancelling within a defined period and premiums refunded. These include those policies cancelled within the cooling off period.

Expense inflation

The Society makes approximations on future costs. These include fixed costs such as operational expenses and costs which are directly linked to a policy such as commission.

Rate used to discount future cashflows

The Solvency U.K. risk free yield curve as specified by the PRA at the end of the relevant financial year has been used.

Valuation of the risk margin

The risk margin is the additional premium, over and above the best estimate, that another insurer might need in order to take on those liabilities. This value is a formulaic calculation prescribed by the Solvency U.K. regulations based on the value of risk inherent in the insurance contracts written by the Society. A simplification method had not been used.

The amount of the SCR that is projected is based on a reference undertaking with no market risk.

The loss absorbing capacity of technical provisions assumed in the reference undertaking is assumed to be same as that currently assumed to apply for the Society's business. The same future management actions are assumed.

SOLVENCY AND FINANCIAL CONDITION REPORT

The total amount of the risk margin at 31 December 2025 is £5,165,000 (2024: £3,680,469). This all relates to health (Similar to Life) business.

Differences with financial statements

The Society prepares its financial statements using U.K. generally accepted accounting principles (U.K. GAAP). The derogation contained in Article 9 of the Solvency U.K. Directive allows firms the option of recognising and valuing assets and liabilities under U.K. GAAP for Solvency U.K. purposes as long as certain conditions are fulfilled.

In accordance with supervisory statement SS 38/15 (updated in November 2024) issued by the U.K. regulator “Solvency U.K.: consistency of U.K. generally accepted accounting principles with the Solvency U.K. Directive”, the Society considers that these conditions have been fulfilled for the purposes of recognising and valuing assets and liabilities under U.K. GAAP for Solvency U.K. purposes.

As noted above, the assets are shown at the same value as the values in the financial statements subject to adjustments in respect of deferred acquisition costs and intangible assets. There are no material differences between the valuation of the liabilities for Solvency purposes and the values that will be shown in the financial statements.

Other information

There is uncertainty in that the calculation of technical provisions requires assumptions to be made about future experience which could turn out to be different. The key sensitivities are to future lapse, expense, and sickness experience. There are no particular uncertainties associated with the methodology used to value the technical provisions. Specifically:

- No use has been made of a matching adjustment.
- No use has been made of a volatility adjustment.
- No use has been made of the transitional provisions for risk-free interest rates.
- No use has been made of transitional deductions from technical provisions.

D3. Other liabilities

Other liabilities cover those due for payment within the next 12 months. Their value has been calculated in accordance with the Society’s financial statements.

D4. Alternative valuation methods

No alternative valuation methods have been employed.

D5. Any other information

No other information is supplied.

SOLVENCY AND FINANCIAL CONDITION REPORT

E. Capital Management

E1. Own funds

The Society is an incorporated Society within the meaning of the Friendly Societies Act 1992. As such it has no shareholders, and its members are the ultimate owners of the business. There is no defined mutual member fund.

The table below shows the amount of own funds at the valuation date.

£000s	31 December 2025	31 December 2024
Assets	19,936	22,839
Best estimate liabilities	(30,356)	(19,530)
Risk margin	5,165	3,680
Current liabilities	2,019	2,476
Own funds	43,108	36,212
Solvency Capital Requirement (SCR)	23,852	18,314
Surplus funds	19,256	17,898

The Society reviews, as part of its regular ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. This is assessed over the Society's business plan time horizon which covers the period 2025 to December 2029.

In the event that the Society's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement, then the Society will draw up appropriate resolution and recovery plans to rectify that position. These plans will be appropriate to the Society's circumstances at the time but might include:

- Taking such management actions as may be anticipated within its SCR calculations
- Reviewing and refocusing its strategic objectives and priorities
- Re-pricing its contracts of insurance
- Reviewing its expense base, including potentially closing to new business
- Seeking a transfer of engagements.

The Society is a Friendly Society with a single members' fund and all capital is Tier 1.

The amount of Tier 1 own funds at the reporting date is £43,108,000. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR. The own funds changes over the reporting period reflects a number of changes in the yield curve and assumption changes as noted in D2. There are no material differences between the equity in the Society's financial statements and the free capital for solvency purposes. (Aside from the items noted in D1). There are no items subject to a transitional arrangement and there are no items of ancillary own funds. There are also no deductions from own funds and no restrictions on availability and transferability.

SOLVENCY AND FINANCIAL CONDITION REPORT

E2. Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 31 December 2025 was £23.9m after allowing for management actions and the Minimum Capital Requirement was £6m. The Solvency Capital Requirement is subject to supervisory assessment.

The SCR split by risk module is shown below:

	31 December 2025	31 December 2024
	Net £000s	Net £000s
Market risk	3,855	4,978
Counterparty default risk	124	179
Health risk	21,965	15,792
Diversification across all risks	(2,678)	(3,191)
Basic Solvency Capital Requirement	23,266	17,758
Operational risk	586	556
Solvency Capital Requirement	23,852	18,314
Minimum Capital Requirement	5,963	4,579

The standard formula is used for all risk modules and there are no simplifications applied to the SCR calculation. There are no undertaking-specific parameters used in the SCR calculation.

The MCR represents the minimum capital requirement that must be held in addition to the technical provisions and affords a minimum level of protection of a Solvency U.K. firm's policyholders and beneficiaries; breaching the MCR is regarded as an unacceptable level of risk. It is calculated in a relatively simple manner with the formula based on technical provisions and capital at risk on death or disability, multiplied by specified factors. The floor, to which this calculation is subjected, exceeds the formula result and the MCR is set at 25% of the SCR (subject to an absolute floor £6m at end 2025).

E3. Duration-based equity risk sub-module in the calculation of the SCR

The Society does not use the duration-based equity risk sub-module in the calculation of the SCR.

E4. Differences between the standard formula and any internal model used

The Society does not use an internal model.

E5. Non-compliance with the MCR and SCR

The Society has complied with the SCR and the MCR throughout the reporting period.

E6. Any other information

No other information is supplied.

SOLVENCY AND FINANCIAL CONDITION REPORT

Disclosures

General Information

Undertaking name	British Friendly Society Ltd
Undertaking identification code	2138007I91E8L8M8OQ28
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	English
Reporting reference date	31 December 2025
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Life obligations

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Monetary amounts in GBP thousands.

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.02.01.02 Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1,030
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	18,511
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	17,082
R0140	<i>Government Bonds</i>	6,740
R0150	<i>Corporate Bonds</i>	9,777
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	565
R0180	<i>Collective Investments Undertakings</i>	1,429
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	19
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	19
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-6,025
R0280	<i>Non-life and health similar to non-life</i>	
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	-6,025
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	376
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	13,911

SOLVENCY AND FINANCIAL CONDITION REPORT

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	-31,216
R0510	<i>Technical provisions - non-life</i>	0
R0515	<i>Technical provisions - life</i>	-31,216
R0542	Best estimate - total	-36,382
R0544	<i>Best estimate - non-life</i>	
R0546	<i>Best estimate - life</i>	-36,382
R0552	Risk margin - total	5,165
R0554	<i>Risk margin - non-life</i>	
R0556	<i>Risk margin - life</i>	5,165
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	1,949
R0900	Total liabilities	-29,267
R1000	Excess of assets over liabilities	43,178

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.05.02.01

Premiums, claims and expenses by country: Life insurance and reinsurance obligations

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	14,770						14,770
R1420	Reinsurers' share	1,078						1,078
R1500	Net	13,692						13,692
	Premiums earned							
R1510	Gross	14,669						14,669
R1520	Reinsurers' share	1,078						1,078
R1600	Net	13,592						13,592
	Claims incurred							
R1610	Gross	9,315						9,315
R1620	Reinsurers' share	1,921						1,921
R1700	Net	7,395						7,395
R1900	Net expenses incurred	10,398						10,398

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.05.03.02

Life income and expenditure

		Index-linked and unit- linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written						
R0010	Gross direct business					14,770	14,770
R0020	Gross reinsurance accepted						0
R0030	Gross	0	0	0	0	14,770	14,770
R0040	Reinsurers' share					1,078	1,078
R0050	Net	0	0	0	0	13,692	13,692
	Claims incurred						
R0110	Gross direct business					9,315	9,315
R0120	Gross reinsurance accepted						
R0130	Gross	0	0	0	0	9,315	9,315
R0140	Reinsurers' share					1,921	1,921
R0150	Net	0	0	0	0	7,395	7,395
	Expenses incurred						
R0160	Gross direct business					10,398	10,398
R0170	Gross reinsurance accepted						0
R0180	Gross	0	0	0	0	10,398	10,398
R0190	Reinsurers' share						0
R0200	Net	0	0	0	0	10,398	10,398
R0300	Other expenses						
	Transfers and dividends						
R0440	Dividends paid						

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.12.01.02

Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Best estimate							
R0025	Gross Best Estimate (direct business)						-36,382	-36,382
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	Gross Best Estimate	0	0	0	0	0	-36,382	-36,382
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-6,025	-6,025
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	0	0	0	0	-30,357	-30,357
R0100	Risk margin						5,165	5,165
	Amount of the transitional on Technical Provisions							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	Transitional Measure on Technical Provisions	0	0	0	0	0	0	0
R0200	Technical provisions - total	0	0	0	0	0	-31,216	-31,216

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.23.01.01 Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	43,178	43,178			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	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	0				
R0290	Total basic own funds after deductions	43,178	43,178	0	0	0

SOLVENCY AND FINANCIAL CONDITION REPORT

Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	Total ancillary own funds	0			0	0
Available and eligible own funds						
R0500	Total available own funds to meet the SCR	43,178	43,178	0	0	0
R0510	Total available own funds to meet the MCR	43,178	43,178	0	0	
R0540	Total eligible own funds to meet the SCR	43,178	43,178	0	0	0
R0550	Total eligible own funds to meet the MCR	43,178	43,178	0	0	
R0580	SCR	23,852				
R0600	MCR	5,963				
R0620	Ratio of Eligible own funds to SCR	181.03%				
R0640	Ratio of Eligible own funds to MCR	724.10%				
Reconciliation reserve						
						C0060
R0700	Excess of assets over liabilities	43,178				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0725	Deductions for participations in financial and credit institutions					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	Reconciliation reserve	43,178				

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.25.04.21

Solvency Capital Requirement

	Net of loss absorbing capacity of technical provisions	
	Market risk	C0010
R0070	Interest rate risk	3,855
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	0
R0110	Concentration risk	0
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	0
R0140	Total Market risk	3,855
	Counterparty default risk	
R0150	Type 1 exposures	54
R0160	Type 2 exposures	77
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-8
R0180	Total Counterparty default risk	124
	Life underwriting risk	
R0190	Mortality risk	0
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0
R0240	Lapse risk	0
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	0
R0270	Total Life underwriting risk	0
	Health underwriting risk	
R0280	Health SLT risk	21,965
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	0
R0320	Total Health underwriting risk	21,965

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	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0370	Non-life underwriting risk	0
R0400	Intangible asset risk	
	Operational and other risks	
R0422	Operational risk	587
R0424	Other risks	
R0430	Total Operational and other risks	587
R0432	Total before all diversification	26,538
R0434	Total before diversification between risk modules	26,530
R0436	Diversification between risk modules	-2,678
R0438	Total after diversification	23,852
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	23,852
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	23,852
R0490	Biting interest rate scenario	decrease
R0495	Biting life lapse scenario	mass

SOLVENCY AND FINANCIAL CONDITION REPORT

IR.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

C0010

R0010 MCR_{NL} Result

0

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

SOLVENCY AND FINANCIAL CONDITION REPORT

Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR _L Result	48		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations		0	
R0250	Total capital at risk for all life (re)insurance obligations			74,402
	Overall MCR calculation		C0070	
R0300	Linear MCR	52		
R0310	SCR	23,852		
R0320	MCR cap	10,733		
R0330	MCR floor	5,963		
R0340	Combined MCR	5,963		
R0350	Absolute floor of the MCR	3,500		
R0400	Minimum Capital Requirement	5,963		

SOLVENCY AND FINANCIAL CONDITION REPORT

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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered No: 110013. Incorporated under the Friendly Societies Act 1992. Registered No: 392F. Member of the Association of Financial Mutuals.

SOLVENCY AND FINANCIAL CONDITION REPORT

**BRITISH
FRIENDLY**

It feels good to be covered