

**Friends Life WL Limited (formerly
Winterthur Life UK Limited)**

**Annual FSA Insurance Returns for the year ended
31 December 2012**

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.4A, 9.6

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Statement of solvency - long-term insurance businessName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3116645	GL	31	12	2012	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	126349	114202
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	88476	76828
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	214825	191030

Guarantee fund

Guarantee fund requirement	21	27322	27818
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	187503	163212

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	81965	83455
Resilience capital requirement	32		
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	81965	83455
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	81965	83455
Excess (deficiency) of available capital resources to cover 50% of MCR	37	173843	149303
Excess (deficiency) of available capital resources to cover 75% of MCR	38	153351	128439

Enhanced capital requirement

With-profits insurance capital component	39	63555	58040
Enhanced capital requirement	40	145520	141495

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	145520	141495
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	69305	49535

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
Global business
Financial year ended **31 December 2012**

J. S. Moss
Director

L. J'Afari-Pak
Director

V. Hames
Signed on behalf of Friends Life
Secretarial Services Limited
Company Secretary

Date **19-Mar-13**

Components of capital resources

Name of insurer

Friends Life WL Limited (formerly Winterthur Life UK Limited)

Global business

Financial year ended

31 December 2012

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3116645	GL	31	12	2012	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		1	2	3		4

Core tier one capital

Permanent share capital	11		27400	27400	27400
Profit and loss account and other reserves	12		131611	131611	91162
Share premium account	13				
Positive valuation differences	14		63466	63466	89869
Fund for future appropriations	15		9748	9748	32911
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		232225	232225	241342

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		232225	232225	241342
Investments in own shares	32				
Intangible assets	33		17400	17400	19859
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		17400	17400	19859
Total tier one capital after deductions (31-37)	39		214825	214825	221483

Components of capital resources

Name of insurer

Friends Life WL Limited (formerly Winterthur Life UK Limited)

Global business

Financial year ended

31 December 2012

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3116645	GL	31	12	2012	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
		1	2	3		4

Tier two capital

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

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

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

Components of capital resources

Name of insurer

Friends Life WL Limited (formerly Winterthur Life UK Limited)

Global business

Financial year ended

31 December 2012

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3116645	GL	31	12	2012	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		214825	214825	221483
Inadmissible assets other than intangibles and own shares	73				30453
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		214825	214825	191030

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		214825	214825	191030
Available capital resources for 50% MCR requirement	82		214825	214825	191030
Available capital resources for 75% MCR requirement	83		214825	214825	191030

Financial engineering adjustments

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

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	1398	1397
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	86009	60097
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		14639
	Other	46		3454
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		40
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2	42
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6402	2774
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		205
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	93811	82648
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Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3116645	GL	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	93811	82648
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		(708)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	93811	81940
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2012	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11		3025		4275

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	2719	2838
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	199353	194648
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	136992	113913
Rights under derivative contracts		44	51935	56415
Fixed interest securities	Approved	45	468921	671063
	Other	46	475051	429887
Variable interest securities	Approved	47	80604	10226
	Other	48	62651	
Participation in investment pools		49		
Loans secured by mortgages		50	25752	26543
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	4762	5037
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	7567	13621
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	3505	2946
	Property linked	59	3515522	3370614

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2012	£000	10
					As at end of this financial year		As at end of the previous year
					1		2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	11	9
	Intermediaries	72	1026	16
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74		
	Ceded	75	564	587
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	4737	10894
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6799	13626
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	15340	16225
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1774	1274

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5068610	4944657
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Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number		GL/ UK/ CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2012	£000	10
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5068610	4944657
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17400	50312
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	401065	410993
Other asset adjustments (may be negative)	101	2110390	2031003
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7597465	7436965
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11	3025		4275	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	199353	194648
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	75452	68038
Rights under derivative contracts		44	51935	56415
Fixed interest securities	Approved	45	370335	414129
	Other	46	147693	162709
Variable interest securities	Approved	47		53
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	4674	4958
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	6798	12188
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	224	160
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **With-Profit Fund**

Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
R13	3116645	GL	31	12	2012	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	1	3
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	970	795
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1492	9041
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6659	7834
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	868611	935246
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Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	11
					As at end of this financial year		As at end of the previous year	
					1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	868611	935246
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17400	50312
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	266	594
Other asset adjustments (may be negative)	101	13614	(1)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	899891	986151
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	12
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	2719	2838
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	61200	45227
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	94477	253107
	Other	46	307245	249962
Variable interest securities	Approved	47	80604	10173
	Other	48	62651	
Participation in investment pools		49		
Loans secured by mortgages		50	25752	26543
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	88	79
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	724	1411
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	3281	2786
	Property linked	59	3515522	3370614

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2012	£000	12
					As at end of this financial year		As at end of the previous year	
					1		2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	10	6
	Intermediaries	72	1026	16
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	564	587
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	3765	10099
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5307	4538
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	8205	7878
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1774	1274

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4174914	3987138
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Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit Fund**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2012	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4174914	3987138
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	400799	410399
Other asset adjustments (may be negative)	101	2101487	2031761
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	6677200	6429298
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Segregated Sub Fund**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2012	£000	13
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	340	648
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	4109	3827
	Other	46	20113	17216
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	45	22
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Segregated Sub Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2012	£000	13
					As at end of this financial year		As at end of the previous year
					1		2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2	
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		47
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	476	513
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	25085	22273
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Analysis of admissible assetsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Segregated Sub Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2012	£000	13
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	25085	22273
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(4711)	(757)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	20374	21516
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	4846086	4744841
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	37873	32839
Long term insurance business fund carried forward (11 to 13)		14	4883959	4777680
Claims outstanding	Gross	15	35690	32356
	Reinsurers' share	16	1902	4776
	Net (15-16)	17	33788	27580
Provisions	Taxation	21	13568	8333
	Other risks and charges	22	6903	6017
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1392	580
	Reinsurance accepted	32		1454
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	12221	13656
Creditors	Taxation	37	15746	13030
	Other	38	9996	11685
Accruals and deferred income		39	2561	3279
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	96175	85614
Excess of the value of net admissible assets		51	88476	81363
Total liabilities and margins		59	5068610	4944657

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		1454
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3515522	3370614

Total liabilities (11+12+49)	71	4942261	4830455
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	401065	410993
Other adjustments to liabilities (may be negative)	74	2173854	2120872
Capital and reserves and fund for future appropriations	75	80285	74645
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	7597465	7436965

Long term insurance business liabilities and marginsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **With-Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	734551	818131
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	734551	818131
Claims outstanding	Gross	15	18446	15558
	Reinsurers' share	16	52	268
	Net (15-16)	17	18394	15290
Provisions	Taxation	21	174	
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1036	24
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	4301	
Creditors	Taxation	37	13243	11090
	Other	38	8436	9348
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	45584	35752
Excess of the value of net admissible assets		51	88476	81363
Total liabilities and margins		59	868611	935246

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	780135	853883
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Non Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	4111535	3926710
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	20002	13263
Long term insurance business fund carried forward (11 to 13)		14	4131537	3939973
Claims outstanding	Gross	15	17244	16798
	Reinsurers' share	16	1850	4508
	Net (15-16)	17	15394	12290
Provisions	Taxation	21	13394	8333
	Other risks and charges	22	6903	6017
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	356	556
	Reinsurance accepted	32		1454
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	3209	12899
Creditors	Taxation	37		
	Other	38	1560	2337
Accruals and deferred income		39	2561	3279
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	43377	47165
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	4174914	3987138

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		1454
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3515522	3370614

Total liabilities (11+12+49)	71	4154912	3973875
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Segregated Sub Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11		
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	17871	19576
Long term insurance business fund carried forward (11 to 13)		14	17871	19576
Claims outstanding	Gross	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	4711	757
Creditors	Taxation	37	2503	1940
	Other	38		
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	7214	2697
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	25085	22273

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	7214	2697
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Liabilities (other than long term insurance business)Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	3116645	GL	31	12	2012	£000
				As at end of this financial year 1		As at end of the previous year 2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	5335	5105
	Foreseeable dividend	48		
	Other	49		715
Accruals and deferred income		51		
Total (19 to 51)		59	5335	5820
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	5335	5820

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		(708)
Capital and reserves	84	88476	76828
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	93811	81940

Profit and loss account (non-technical account)Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day	month	year	Units
R16		3116645	GL	31	12	2012	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13			5936		(62804)
Investment income	Income	14			606		2348
	Value re-adjustments on investments	15			2		110
	Gains on the realisation of investments	16			1681		2628
Investment charges	Investment management charges, including interest	17			360		25
	Value re-adjustments on investments	18			1540		
	Loss on the realisation of investments	19					900
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21			552		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29			6877		(58643)
Tax on profit or loss on ordinary activities		31			229		965
Profit or loss on ordinary activities after tax (29-31)		39			6648		(59608)
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41					
Tax on extraordinary profit or loss		42					
Other taxes not shown under the preceding items		43					
Profit or loss for the financial year (39+41-(42+43))		49			6648		(59608)
Dividends (paid or foreseeable)		51					
Profit or loss retained for the financial year (49-51)		59			6648		(59608)

Analysis of derivative contractsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17		3116645	GL	31	12	2012	£000	10
Derivative contracts			Value as at the end of this financial year			Notional amount as at the end of this financial year		
			Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4		
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12	38444	6119	178171	53312		
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	555	1234		86600		
	Equity index	16	141	11	649	79511		
	Equity stock	17						
	Land	18						
	Currencies	19		785		18695		
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32	11347		45236			
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41	695			96173		
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44	391			84516		
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	51573	8149	224056	418807		
Adjustment for variation margin		52	362					
Total (51 + 52)		53	51935	8149				

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

Analysis of derivative contractsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **With-Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		3116645	GL	31	12	2012	£000	11
Derivative contracts			Value as at the end of this financial year			Notional amount as at the end of this financial year		
			Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12	38444	6119		178171	53312	
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	555	1234			86600	
	Equity index	16	141	11		649	79511	
	Equity stock	17						
	Land	18						
	Currencies	19						
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32	11347			45236		
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41	695				96173	
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44	391				84516	
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	51573	7364		224056	400112	
Adjustment for variation margin		52	362					
Total (51 + 52)		53	51935	7364				

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

Analysis of derivative contractsName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17		3116645	GL	31	12	2012	£000	12
Derivative contracts			Value as at the end of this financial year			Notional amount as at the end of this financial year		
			Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12						
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19			785			18695
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32						
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41						
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51			785			18695
Adjustment for variation margin		52						
Total (51 + 52)		53			785			

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

With-profits insurance capital component for the fund

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

With-profits fund **With-Profit Fund**

Financial year ended **31 December 2012**

Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	868611	935246
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	91337	92838
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	4654	4849
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	772620	837559
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	643214	725292
	Regulatory current liabilities of the fund	22	45584	35752
	Total (21+22)	29	688798	761044
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	25915	29234
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	714713	790278
Regulatory excess capital (19-39)		49	57907	47281

Realistic excess capital

Realistic excess capital	51	(12121)	(14398)
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	70028	61679
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	8320	7066
Present value of other future internal transfers not already taken into account	65	(1847)	(3427)
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	63555	58040

Realistic balance sheetName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**With-profits fund **With-Profit Fund**Financial year ended **31 December 2012**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	772620	837559
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	20922	23223
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	793542	860782
Support arrangement assets	27	6146	8439
Assets available to the fund (26+27)	29	799688	869221

Realistic value of liabilities of fund

With-profits benefit reserve	31	625240	673108
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	28683
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	6040
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	5507
	Future costs of contractual guarantees (other than financial options)	41	103170
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	8056
	Future costs of smoothing (possibly negative)	44	502
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	350
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	128864
Realistic current liabilities of the fund	51	45584	35752
Realistic value of liabilities of fund (31+49+51)	59	799688	869221

Realistic balance sheet

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 With-profits fund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	805663	875180
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	805663	875180
Risk capital margin for fund (62-59)	65	5975	5959
Realistic excess capital for fund (26-(59+65))	66	(12121)	(14398)
Realistic excess available capital for fund (29-(59+65))	67	(5975)	(5959)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	69708	46011
Additional amount potentially available for inclusion in line 63	82	96896	102240

Long-term insurance business : Revenue account

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	445936	1354036
Investment income receivable before deduction of tax	12	162816	254550
Increase (decrease) in the value of non-linked assets brought into account	13	64987	52662
Increase (decrease) in the value of linked assets	14	234753	(575782)
Other income	15	906	946
Total income	19	909398	1086412

Expenditure

Claims incurred	21	695354	1641416
Expenses payable	22	61526	128636
Interest payable before the deduction of tax	23	271	377
Taxation	24	39126	(5898)
Other expenditure	25	906	34654
Transfer to (from) non technical account	26	5936	(62804)
Total expenditure	29	803119	1736381

Business transfers - in	31		
Business transfers - out	32		4445845
Increase (decrease) in fund in financial year (19-29+31-32)	39	106279	(5095814)
Fund brought forward	49	4777680	9873494
Fund carried forward (39+49)	59	4883959	4777680

Long-term insurance business : Revenue account

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Income

Earned premiums	11	10301	13929
Investment income receivable before deduction of tax	12	34409	38923
Increase (decrease) in the value of non-linked assets brought into account	13	38552	19140
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	83262	71992

Expenditure

Claims incurred	21	125535	135237
Expenses payable	22	6235	5300
Interest payable before the deduction of tax	23		
Taxation	24	32184	5877
Other expenditure	25	906	946
Transfer to (from) non technical account	26	1982	2299
Total expenditure	29	166842	149659

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(83580)	(77667)
Fund brought forward	49	818131	895798
Fund carried forward (39+49)	59	734551	818131

Long-term insurance business : Revenue account

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	435635	1340107
Investment income receivable before deduction of tax	12	127094	214214
Increase (decrease) in the value of non-linked assets brought into account	13	24937	33381
Increase (decrease) in the value of linked assets	14	234753	(575782)
Other income	15	906	946
Total income	19	823325	1012866

Expenditure

Claims incurred	21	569819	1506179
Expenses payable	22	55291	123336
Interest payable before the deduction of tax	23	271	377
Taxation	24	6380	(12086)
Other expenditure	25		33708
Transfer to (from) non technical account	26		(68557)
Total expenditure	29	631761	1582957

Business transfers - in	31		
Business transfers - out	32		4445845
Increase (decrease) in fund in financial year (19-29+31-32)	39	191564	(5015936)
Fund brought forward	49	3939973	8955909
Fund carried forward (39+49)	59	4131537	3939973

Long-term insurance business : Revenue account

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Segregated Sub Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Income

Earned premiums	11		
Investment income receivable before deduction of tax	12	1313	1413
Increase (decrease) in the value of non-linked assets brought into account	13	1498	141
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	2811	1554

Expenditure

Claims incurred	21		
Expenses payable	22		
Interest payable before the deduction of tax	23		
Taxation	24	562	311
Other expenditure	25		
Transfer to (from) non technical account	26	3954	3454
Total expenditure	29	4516	3765

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1705)	(2211)
Fund brought forward	49	19576	21787
Fund carried forward (39+49)	59	17871	19576

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Regular premiums	11	38678	319559		358237	342084
Single premiums	12		161060		161060	1197275

Reinsurance - external

Regular premiums	13	1353			1353	861
Single premiums	14		72008		72008	184462

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	37325	319559		356884	341223
Single premiums	18		89052		89052	1012813

Total

Gross	19	38678	480619		519297	1539359
Reinsurance	20	1353	72008		73361	185323
Net	21	37325	408611		445936	1354036

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Regular premiums	11	10599	(450)		10149	13845
Single premiums	12		295		295	229

Reinsurance - external

Regular premiums	13	143			143	145
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	10456	(450)		10006	13700
Single premiums	18		295		295	229

Total

Gross	19	10599	(155)		10444	14074
Reinsurance	20	143			143	145
Net	21	10456	(155)		10301	13929

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Regular premiums	11	28079	320009		348088	328239
Single premiums	12		160765		160765	1197046

Reinsurance - external

Regular premiums	13	1210			1210	716
Single premiums	14		72008		72008	184462

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	26869	320009		346878	327523
Single premiums	18		88757		88757	1012584

Total

Gross	19	28079	480774		508853	1525285
Reinsurance	20	1210	72008		73218	185178
Net	21	26869	408766		435635	1340107

Long-term insurance business : Analysis of claims

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Death or disability lump sums	11	9726	9065		18791	36623
Disability periodic payments	12	1297			1297	1576
Surrender or partial surrender	13	38065	613845	2119	654029	1338087
Annuity payments	14	1156	48582		49738	49027
Lump sums on maturity	15	113119	124810		237929	244894
Total	16	163363	796302	2119	961784	1670207

Reinsurance - external

Death or disability lump sums	21	642			642	447
Disability periodic payments	22					2
Surrender or partial surrender	23		238029		238029	
Annuity payments	24		27130		27130	27731
Lump sums on maturity	25					
Total	26	642	265159		265801	28180

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33	629			629	611
Annuity payments	34					
Lump sums on maturity	35					
Total	36	629			629	611

Net of reinsurance

Death or disability lump sums	41	9084	9065		18149	36176
Disability periodic payments	42	1297			1297	1574
Surrender or partial surrender	43	37436	375816	2119	415371	1337476
Annuity payments	44	1156	21452		22608	21296
Lump sums on maturity	45	113119	124810		237929	244894
Total	46	162092	531143	2119	695354	1641416

Long-term insurance business : Analysis of claims

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Death or disability lump sums	11	4798	233		5031	6833
Disability periodic payments	12	48			48	39
Surrender or partial surrender	13	5366	6228	2119	13713	17429
Annuity payments	14	49	2354		2403	2521
Lump sums on maturity	15	80601	23732		104333	108538
Total	16	90862	32547	2119	125528	135360

Reinsurance - external

Death or disability lump sums	21	(7)			(7)	126
Disability periodic payments	22					(3)
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	(7)			(7)	123

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	4805	233		5038	6707
Disability periodic payments	42	48			48	42
Surrender or partial surrender	43	5366	6228	2119	13713	17429
Annuity payments	44	49	2354		2403	2521
Lump sums on maturity	45	80601	23732		104333	108538
Total	46	90869	32547	2119	125535	135237

Long-term insurance business : Analysis of claims

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Death or disability lump sums	11	4928	8832		13760	29790
Disability periodic payments	12	1249			1249	1537
Surrender or partial surrender	13	32699	607617		640316	1320658
Annuity payments	14	1107	46228		47335	46506
Lump sums on maturity	15	32518	101078		133596	136356
Total	16	72501	763755		836256	1534847

Reinsurance - external

Death or disability lump sums	21	649			649	321
Disability periodic payments	22					5
Surrender or partial surrender	23		238029		238029	
Annuity payments	24		27130		27130	27731
Lump sums on maturity	25					
Total	26	649	265159		265808	28057

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33	629			629	611
Annuity payments	34					
Lump sums on maturity	35					
Total	36	629			629	611

Net of reinsurance

Death or disability lump sums	41	4279	8832		13111	29469
Disability periodic payments	42	1249			1249	1532
Surrender or partial surrender	43	32070	369588		401658	1320047
Annuity payments	44	1107	19098		20205	18775
Lump sums on maturity	45	32518	101078		133596	136356
Total	46	71223	498596		569819	1506179

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	985	890	104	1979	27702
Management - acquisition	13	451	8576		9027	38628
Management - maintenance	14	13485	19458	182	33125	56207
Management - other	15	6140	11255		17395	6099
Total	16	21061	40179	286	61526	128636

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	985	890	104	1979	27702
Management - acquisition	43	451	8576		9027	38628
Management - maintenance	44	13485	19458	182	33125	56207
Management - other	45	6140	11255		17395	6099
Total	46	21061	40179	286	61526	128636

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	263	14	104	381	426
Management - acquisition	13					
Management - maintenance	14	3118	2094	19	5231	4874
Management - other	15	289	334		623	
Total	16	3670	2442	123	6235	5300

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	263	14	104	381	426
Management - acquisition	43					
Management - maintenance	44	3118	2094	19	5231	4874
Management - other	45	289	334		623	
Total	46	3670	2442	123	6235	5300

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	722	876		1598	27276
Management - acquisition	13	451	8576		9027	38628
Management - maintenance	14	10367	17364	163	27894	51333
Management - other	15	5851	10921		16772	6099
Total	16	17391	37737	163	55291	123336

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	722	876		1598	27276
Management - acquisition	43	451	8576		9027	38628
Management - maintenance	44	10367	17364	163	27894	51333
Management - other	45	5851	10921		16772	6099
Total	46	17391	37737	163	55291	123336

Long-term insurance business : Linked funds balance sheet

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2254144	2190532
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	1268854	1188922
Total assets (excluding cross investment) (11+12+13)	14	3522998	3379454
Provision for tax on unrealised capital gains	15	2320	1606
Secured and unsecured loans	16	1062	1948
Other liabilities	17		
Total net assets (14-15-16-17)	18	3519616	3375900

Directly held linked assets

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

Total

Value of directly held linked assets and units held (18+21)	31	3519616	3375900
Surplus units	32	4094	5286
Deficit units	33		
Net unit liability (31-32+33)	34	3515522	3370614

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

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

Income

Value of total creation of units	11	260903	1168530
Investment income attributable to the funds before deduction of tax	12	94620	155358
Increase (decrease) in the value of investments in the financial year	13	234753	(575782)
Other income	14		
Total income	19	590276	748106

Expenditure

Value of total cancellation of units	21	415820	1309701
Charges for management	22	26920	64531
Charges in respect of tax on investment income	23	1542	16581
Taxation on realised capital gains	24	3755	(4498)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(1477)	1035
Other expenditure	26		4445765
Total expenditure	29	446560	5833115

Increase (decrease) in funds in financial year (19-29)	39	143716	(5085009)
Internal linked fund brought forward	49	3375900	8460909
Internal linked funds carried forward (39+49)	59	3519616	3375900

Long-term insurance business : Summary of new businessName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Total business

Financial year ended **31 December 2012**Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11		8329		8329	9206
Single premium business	12		3784		3784	10501
Total	13		12113		12113	19707

**Amount of new regular
premiums**

Direct insurance business	21		62405		62405	76343
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		62405		62405	76343

**Amount of new single
premiums**

Direct insurance business	25		133419		133419	1036332
External reinsurance	26					19403
Intra-group reinsurance	27		27641		27641	141540
Total	28		161060		161060	1197275

Friends Life WL Limited (formerly Winterthur Life UK Limited)

Total business

31 December 2012

£0003

£0003

49

Long-term insurance business : Analysis of new business

Friends Life WL Limited (formerly Winterthur Life UK Limited)

31 December 2012

0003

UK Pension / Reinsurance accepted intra-group

[illegible]

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

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2012**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	191010	191010	7193	2.84	
Other fixed interest securities	13	334184	360028	16984	3.96	
Variable interest securities	14	143634	143634	1947	2.07	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	108035	82191	356	0.03	
Total	19	776863	776863	26480	2.92	

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

Land and buildings	21	3025	4485	411	9.92	22.52
Approved fixed interest securities	22	282846	282846	10131	2.00	6.38
Other fixed interest securities	23	150827	150827	8445	2.89	8.37
Variable interest securities	24					
UK listed equity shares	25	180108	152311	5662	5.77	12.23
Non-UK listed equity shares	26	19245	11258	290	5.64	24.12
Unlisted equity shares	27					
Other assets	28	136669	170993	2781	2.75	4.49
Total	29	772720	772720	27720	3.18	7.86

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.96
Return allocated to non taxable 'asset shares'	32					9.96
Return allocated to taxable 'asset shares'	33					8.33

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

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **11 With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	91013	91013	3260	2.00	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	4654	4654	23	0.50	
Total	19	95667	95667	3283	1.93	

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

Land and buildings	21	3025	4485	411	9.92	22.52
Approved fixed interest securities	22	282846	282846	10131	2.00	6.38
Other fixed interest securities	23	150827	150827	8445	2.89	8.37
Variable interest securities	24					
UK listed equity shares	25	180108	152311	5662	5.77	12.23
Non-UK listed equity shares	26	19245	11258	290	5.64	24.12
Unlisted equity shares	27					
Other assets	28	136669	170993	2781	2.75	4.49
Total	29	772720	772720	27720	3.18	7.86

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.96
Return allocated to non taxable 'asset shares'	32					9.96
Return allocated to taxable 'asset shares'	33					8.33

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

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **12 Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	95818	95818	3751	3.69	
Other fixed interest securities	13	313663	339507	15894	3.97	
Variable interest securities	14	143634	143634	1947	2.07	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	102996	77152	331		
Total	19	656111	656111	21923	3.05	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

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

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **13 Segregated Sub Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	4179	4179	182	1.55	
Other fixed interest securities	13	20521	20521	1090	3.74	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	385	385	2	0.06	
Total	19	25085	25085	1274	3.32	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	320210	12.35	2.23	2.23

Other approved fixed interest securities	21	153646	9.96	2.55	2.34
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Other fixed interest securities

AAA/Aaa	31	40680	9.38	2.81	2.66
AA/Aa	32	93019	13.20	3.95	3.53
A/A	33	198403	7.29	3.71	2.87
BBB/Baa	34	170635	9.05	3.47	1.92
BB/Ba	35	8118	3.82	5.82	1.05
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	510855	9.07	3.64	2.63

Approved variable interest securities	41	80860	11.56	2.20	2.20
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Other variable interest securities	51	62774	2.68	1.34	1.03
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Total (11+21+39+41+51)	61	1128345	9.94	2.86	2.36
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **11 With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	288632	11.47	2.09	2.09

Other approved fixed interest securities	21	85228	6.12	1.69	1.54
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Other fixed interest securities

AAA/Aaa	31	9957	5.12	1.81	1.66
AA/Aa	32	3207	5.60	2.32	1.84
A/A	33	35471	4.70	2.56	1.18
BBB/Baa	34	94316	4.19	2.92	1.16
BB/Ba	35	7876	3.85	5.58	0.80
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	150827	4.38	2.89	1.19

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	524687	8.56	2.25	1.74
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **12 Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	31389	20.45	3.60	3.60

Other approved fixed interest securities	21	64428	15.36	3.75	3.46
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Other fixed interest securities

AAA/Aaa	31	29186	10.97	3.18	3.03
AA/Aa	32	89084	13.53	4.02	3.61
A/A	33	154328	7.99	4.01	3.31
BBB/Baa	34	66909	16.28	4.09	2.90
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	339507	11.33	3.97	3.28

Approved variable interest securities	41	80860	11.56	2.20	2.20
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Other variable interest securities	51	62774	2.68	1.34	1.03
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Total (11+21+39+41+51)	61	578958	11.37	3.39	2.92
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Category of assets **13 Segregated Sub Fund**
 Financial year ended **31 December 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	189	11.62	2.35	2.35

Other approved fixed interest securities	21	3990	5.03	1.52	1.30
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Other fixed interest securities

AAA/Aaa	31	1537	6.94	2.35	2.19
AA/Aa	32	728	6.40	2.61	2.13
A/A	33	8604	5.57	2.97	2.04
BBB/Baa	34	9410	6.36	4.49	2.55
BB/Ba	35	242	2.92	13.78	9.06
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	20521	6.04	3.74	2.37

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	24700	5.92	3.37	2.20
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11	262752	249952		512704	590335
Form 51 - non-profit	12	79704	909383		989087	979921
Form 52	13	13791	106292	10492	130575	135020
Form 53 - linked	14	462360	5142858		5605218	5394495
Form 53 - non-linked	15	10802	64586		75388	58295
Form 54 - linked	16		20422		20422	15190
Form 54 - non-linked	17					
Total	18	829409	6493493	10492	7333394	7173256

Reinsurance - external

Form 51 - with-profits	21	64			64	63
Form 51 - non-profit	22	11733	368898		380631	392195
Form 52	23					
Form 53 - linked	24	1549	2086671		2088220	2023881
Form 53 - non-linked	25					31
Form 54 - linked	26		16917		16917	12245
Form 54 - non-linked	27					
Total	28	13346	2472486		2485832	2428415

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34		1476		1476	
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		1476		1476	

Net of reinsurance

Form 51 - with-profits	41	262688	249952		512640	590272
Form 51 - non-profit	42	67971	540485		608456	587726
Form 52	43	13791	106292	10492	130575	135020
Form 53 - linked	44	460811	3054711		3515522	3370614
Form 53 - non-linked	45	10802	64586		75388	58264
Form 54 - linked	46		3505		3505	2945
Form 54 - non-linked	47					
Total	48	816063	4019531	10492	4846086	4744841

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11	262752	249952		512704	590335
Form 51 - non-profit	12	20455	70498		90953	92620
Form 52	13	13791	106292	10492	130575	135020
Form 53 - linked	14					
Form 53 - non-linked	15	195	113		308	323
Form 54 - linked	16		224		224	160
Form 54 - non-linked	17					
Total	18	297193	427079	10492	734764	818458

Reinsurance - external

Form 51 - with-profits	21	64			64	63
Form 51 - non-profit	22	148	1		149	264
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	212	1		213	327

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	262688	249952		512640	590272
Form 51 - non-profit	42	20307	70497		90804	92356
Form 52	43	13791	106292	10492	130575	135020
Form 53 - linked	44					
Form 53 - non-linked	45	195	113		308	323
Form 54 - linked	46		224		224	160
Form 54 - non-linked	47					
Total	48	296981	427078	10492	734551	818131

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

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

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	59249	838885		898134	887301
Form 52	13					
Form 53 - linked	14	462360	5142858		5605218	5394495
Form 53 - non-linked	15	10607	64473		75080	57972
Form 54 - linked	16		20198		20198	15030
Form 54 - non-linked	17					
Total	18	532216	6066414		6598630	6354798

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	11585	368897		380482	391931
Form 52	23					
Form 53 - linked	24	1549	2086671		2088220	2023881
Form 53 - non-linked	25					31
Form 54 - linked	26		16917		16917	12245
Form 54 - non-linked	27					
Total	28	13134	2472485		2485619	2428088

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34		1476		1476	
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		1476		1476	

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	47664	469988		517652	495370
Form 52	43					
Form 53 - linked	44	460811	3054711		3515522	3370614
Form 53 - non-linked	45	10607	64473		75080	57941
Form 54 - linked	46		3281		3281	2785
Form 54 - non-linked	47					
Total	48	519082	3592453		4111535	3926710

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

Name of insurer
 Total business / subfund
 Financial year ended
 Units
 UK Life / Gross

Friends Life WL Limited (formerly Winterthur Life UK Limited)
 With-Profit Fund
 31 December 2012
 £000

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	15218	66398	921				42801
120	Conventional endowment with-profits OB savings	20466	112491	1914				97586
125	Conventional endowment with-profits OB target cash	10977	139981	4815				122117
165	Conventional deferred annuity with-profits	1						7
205	Miscellaneous conventional with-profits	20753	168089	299				231
210	Additional reserves with-profits OB							10
300	Regular premium non-profit WL/EA OB	14527	17944	48				16510
325	Level term assurance	846	30590	148				33
330	Decreasing term assurance	364	6595	83				3
335	Decreasing term assurance (rider benefits)		310	4				1
360	Income protection non-profit (guaranteed premiums)	698	3104	115				533
380	Miscellaneous protection rider		2					2
385	Income protection claims in payment	9	35					341
390	Deferred annuity non-profit	414	156					2479
395	Annuity non-profit (PLA)	139	63					453

Friends Life WL Limited (formerly Winterthur Life UK Limited)

UK Life / Gross

[illegible]

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

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer
 Total business / subfund
 Financial year ended
 Units
 UK Pension / Gross

Friends Life WL Limited (formerly Winterthur Life UK Limited)
With-Profit Fund
31 December 2012
£000

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	969	25036	76				22206
165	Conventional deferred annuity with-profits	6631	9341	376				168469
175	Group conventional deferred annuity with-profits	46	12					373
185	Group conventional pensions endowment with-profits	2409	47516	43				40086
205	Miscellaneous conventional with-profits	18	543	2				19
210	Additional reserves with-profits OB							18799
300	Regular premium non-profit WL/EA OB	289	384					384
305	Single premium non-profit WL/EA OB	584	6977					7194
325	Level term assurance	198	8106	15				259
380	Miscellaneous protection rider		18	1				4
390	Deferred annuity non-profit	1457	1177					23679
400	Annuity non-profit (CPA)	1566	2536					35058
440	Additional reserves non-profit OB							3920

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)

Total business / subfund Non Profit Fund

Financial year ended 31 December 2012

Units £000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	4096	9125	181				8643
325	Level term assurance	8018	332385	1154				2375
330	Decreasing term assurance	1104	35515	316				39
335	Decreasing term assurance (rider benefits)	12746	170033	643				5539
340	Accelerated critical illness (guaranteed premiums)	1023	52688	365				1055
345	Accelerated critical illness (reviewable premiums)	1103	45887	321				1105
350	Stand-alone critical illness (guaranteed premiums)	182	12037	45				1255
355	Stand-alone critical illness (reviewable premiums)	687	23730	159				462
360	Income protection non-profit (guaranteed premiums)	3004	27449	60				1590
365	Income protection non-profit (reviewable premiums)	4207	24534	578				7767
380	Miscellaneous protection rider		117414	233				276
385	Income protection claims in payment	110	723					5770
390	Deferred annuity non-profit	3185	145					4882
395	Annuity non-profit (PLA)	778	1076					10310
425	Group income protection claims in payment	17	689					8043

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Life / Gross	

[illegible]

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

Name of insurer
 Total business / subfund
 Financial year ended
 Units
 UK Life / Reinsurance ceded external

Friends Life WL Limited (formerly Winterthur Life UK Limited)
 Non Profit Fund
 31 December 2012
 £000

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		88	9				8
325	Level term assurance		442	3				3
330	Decreasing term assurance		66	1				
335	Decreasing term assurance (rider benefits)		36					6
360	Income protection non-profit (guaranteed premiums)		176	5				38
365	Income protection non-profit (reviewable premiums)		8249	178				1969
380	Miscellaneous protection rider		57841	98				
385	Income protection claims in payment		313					2604
425	Group income protection claims in payment		607					6957

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Reinsurance ceded external /	

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Life / Gross	

[illegible]

Friends Life WL Limited (formerly Winterthur Life UK Limited)

Total business / subfund

Financial year ended

Units

UK Pension / Gross

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000
Overseas / Gross	

[illegible]

Friends Life WL Limited (formerly Winterthur Life UK Limited)

UK Life / Gross

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Friends Life WL Limited (formerly Winterthur Life UK Limited)

31 December 2012

UK Pension / Gross

77

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Life / Gross	

[illegible]

Friends Life WL Limited (formerly Winterthur Life UK Limited)

UK Life / Reinsurance ceded external

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Gross	

80

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2012
Units	£000

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000

[illegible]

Name of insurer	Friends Life WL Limited (formerly Winterthur Life UK Limited)
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2012
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

Long-term insurance business : Unit prices for internal linked funds

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)

Total business

Financial year ended 31 December 2012

Units £000

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
FL Baillie Gifford Managed EP	12 - individual pension - balanced managed fund	108984	Baillie Gifford Managed 0.65	0.65	1 6201	1 8382	13.46
FL Rainbow Managed EP	12 - individual pension - balanced managed fund	889774	Colonial Rainbow Managed	1.00	18 0447	19 8669	10.10
FL Aberdeen Multi-Asset EP	14 - individual pension - other managed fund	214165	Aberdeen Multi-Asset Fund 0.65	0.65	1 9307	2 1085	9.21
FL Equity EL	11 - individual pension - stock market managed fund	249030	Life Equity (Mixed) 0.00% (WL)		8 2774	9 2975	12.32
FL Unit EL	02 - life - balanced managed fund	374916	The Unit Fund 0.75% (WL)	0.75	32 7691	35 9844	9.81
FL Money Market EP	14 - individual pension - other managed fund	108931	Pension Money Market (ex N)	0.30	5 3017	5 3244	0.43
FL Schroders Equity EP	11 - individual pension - stock market managed fund	451991	Schroders Pension Equity (Q)		5 0937	5 7440	12.76
FL Fixed Interest EP	14 - individual pension - other managed fund	256295	Pension Fixed Interest (Mixed)		11 9324	12 7868	7.16
Pension Newton International	14 - individual pension - other managed fund	123874	Pension Newton International		4 3031	4 9181	14.29
FL Schroders Managed EP	12 - individual pension - balanced managed fund	386197	Schroders Pension Managed	0.25	8 9190	9 9538	11.60
FL International EP	14 - individual pension - other managed fund	253615	Pension International (Colonial)		3 0308	3 4474	13.74
Pension RCM International	14 - individual pension - other managed fund	129851	Pension RCM International (Colonial)		4 0204	4 5587	13.39
FL Rainbow Equity EP	11 - individual pension - stock market managed fund	355153	Colonial Rainbow Equity (Mixed)	1.00	42 9881	48 0686	11.82

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Subfund	With-Profit Fund
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Financial year ended **31 December 2012**

Units	£000
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Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK L&GA WP Form 51 - Tenflex Assurances	33915	1.65		2.78
UK L&GA WP Form 51 - Assurances	228773	2.15		2.78
UK Pens WP Form 51 - Immediate Annuities	35001		2.00	2.09
UK Pens WP Form 51 - Assurances, Deferred & Retirement Annuities	168842		1.80	2.55
UK Pens WP Form 51 - Assurances	40106		2.65	2.78
UK Pens NP Form 51 - Assurances, Deferred & Immediate Annuities	35499		2.00	2.09
UK Pens WP Form 52 - Pensions UWP	88174		2.05	2.78
OS L&GA WP Form 52 - Life UWP	10342	0.55		2.27
UK L&GA WP Form 52 - Life UWP	13790	1.65		2.78
UK Pens Form 52 - Retirement Benefit Schemes	18102		2.65	2.78
Miscellaneous	61783	n/a	n/a	2.46
Total	734327			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**Subfund **Non Profit Fund**Financial year ended **31 December 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51 - PHI	12381		1.70	1.79
UK L&GA NP Form 51 - Assurances, Immediate & Deferred Annuities	34084	1.35		1.79
UK Pens NP Form 51 - Deferred & Immediate Annuities	447667		3.05	3.29
UK L&GA NP Form 53 - Non Unit Liabilities 1	10185	1.35		1.79
UK Pens NP Form 53 - Non Unit Liabilities 1	48490		1.70	1.79
Miscellaneous	39925	n/a	n/a	0.43
Total	592732			

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Summary**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4883959	4777680
Bonus payments in anticipation of a surplus	12	19692	22277
Transfer to non-technical account	13	5936	5753
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4909587	4805710
Mathematical reserves	21	4846086	4744841
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	63501	60869

Composition of surplus

Balance brought forward	31	32839	46286
Transfer from non-technical account	32		68557
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	30662	(53975)
Total	39	63501	60869

Distribution of surplus

Bonus paid in anticipation of a surplus	41	19692	22277
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	19692	22277
Net transfer out of fund / part of fund	47	5936	5753
Total distributed surplus (46+47)	48	25628	28030
Surplus carried forward	49	37873	32839
Total (48+49)	59	63501	60868

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	734551	818131
Bonus payments in anticipation of a surplus	12	19692	22277
Transfer to non-technical account	13	1982	2299
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	756225	842707
Mathematical reserves	21	734551	818131
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	21674	24576

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	21674	24576
Total	39	21674	24576

Distribution of surplus

Bonus paid in anticipation of a surplus	41	19692	22277
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	19692	22277
Net transfer out of fund / part of fund	47	1982	2299
Total distributed surplus (46+47)	48	21674	24576
Surplus carried forward	49		
Total (48+49)	59	21674	24576

Percentage of distributed surplus allocated to policyholders

Current year	61	90.86	90.64
Current year - 1	62	90.64	90.75
Current year - 2	63	90.75	90.67
Current year - 3	64	90.67	91.53

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4131537	3939973
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4131537	3939973
Mathematical reserves	21	4111535	3926710
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	20002	13263

Composition of surplus

Balance brought forward	31	13263	24500
Transfer from non-technical account	32		68557
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6739	(79794)
Total	39	20002	13263

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	20002	13263
Total (48+49)	59	20002	13263

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**
 Total business / subfund **Segregated Sub Fund**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	17871	19576
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	3954	3454
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	21825	23030
Mathematical reserves	21		
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	21825	23030

Composition of surplus

Balance brought forward	31	19576	21787
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	2249	1243
Total	39	21825	23030

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	3954	3454
Total distributed surplus (46+47)	48	3954	3454
Surplus carried forward	49	17871	19576
Total (48+49)	59	21825	23030

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)
 Original insurer Winterthur Life UK Limited
 Date of maturity value / open market option 01 March 2013

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	16260	4612	0	UWP	N	16260
Endowment assurance	25	23606	7848	0	UWP	N	23606
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	20	82027	28834	0	UWP	N	82027
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	37524	17426	0	UWP	N	37524

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

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)
 Original insurer Winterthur Life UK Limited
 Date of surrender value 01 March 2013

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	14086	3945		0 UWP	Y	14086
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	18428	7755		0 UWP	N	18612
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

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

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)
 Original insurer Colonial Life (UK) Limited
 Date of maturity value / open market option 01 March 2013

1	Category of with-profits policy	Original term (years)	2	Maturity value / open market option	3	Terminal bonus	4	MVA	5	CWP / UWP	6	MVA permitted?	7	Death benefit	8
	Endowment assurance	10	N/A			N/A		N/A		N/A		N/A			
	Endowment assurance	15		9156		1397				0 UWP		N			9156
	Endowment assurance	20		14457		2410				0 CWP		N			14457
	Endowment assurance	25		23430		3056				0 CWP		N			23430
	Regular premium pension	5	N/A			N/A		N/A		N/A		N/A			
	Regular premium pension	10	N/A			N/A		N/A		N/A		N/A			
	Regular premium pension	15		42447		7075				0 UWP		N			42447
	Regular premium pension	20		59557		9926				0 UWP		N			59557
	Single premium pension	5	N/A			N/A		N/A		N/A		N/A			
	Single premium pension	10	N/A			N/A		N/A		N/A		N/A			
	Single premium pension	15		13245		2207				0 UWP		N			13245
	Single premium pension	20		24713		8238				0 UWP		N			24713

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

Name of insurer Friends Life WL Limited (formerly Winterthur Life UK Limited)
 Original insurer Colonial Life (UK) Limited
 Date of surrender value 01 March 2013

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	8697	1327		0 UWP	N	8697
Endowment assurance	20	13876	3119		0 CWP	N	18284
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

Long-term insurance capital requirementName of insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Global business

Financial year ended **31 December 2012**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%		1.00		
Classes I (other), II and IX	14	0.3%	870293	868885	2607	3037
Classes III, VII and VIII	15	0.3%	850344	765966	0.90	2298
Total	16		1720637	1634851	4905	5384

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				441	563
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	1635322	1249423	0.85	13900
Classes III, VII and VIII (investment risk)	33	1%	23682	22133	0.93	221
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1735224	1735224	1.00	17352
Classes III, VII and VIII (other)	35	25%				1816
Class IV (other)	36	1%	28382	16667	0.85	241
Class V	37	1%				
Class VI	38	1%				
Total	39				33530	33243

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	1635322	1249423	0.85	41701
Classes III, VII and VIII (investment risk)	43	3%	23682	22133	0.93	664
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1735224	1735224		
Classes III, VII and VIII (other)	45	0%	3910787	1822639		
Class IV (other)	46	3%	28382	16667	0.85	724
Class V	47	0%				
Class VI	48	3%				
Total	49		7333397	4846086	43089	44265

Long term insurance capital requirement	51				81965	83455
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Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

***0204* Reassurance arrangements**

Prior to 31 December 2010, AXA Wealth Limited reassured all of its traditional direct insurance business to the Company. AXA Wealth Limited commenced writing new business from 1 January 2011 which was not party to the reassurance arrangement. This arrangement was collapsed on 1 October 2011, at which time the reassured policies were transferred to the Company under the Part VII transaction.

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

	2012 £000	2011 £000
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business (Form 13 line 89 OLTB)	93,811	82,648
Grand total of admissible assets after deductions of market risk and counterparty limits – long term business (Form 13 line 89 LTB)	5,068,610	4,944,657
Mathematical reserves, after distribution of surplus (Form 14 line 11)	(4,846,086)	(4,744,841)
Total other insurance and non-insurance liabilities (Form 14 line 49)	(96,175)	(85,614)
Total liabilities – other than long term business (Form 15 line 69)	(5,335)	(5,820)
	214,825	191,030

***0310* Valuation differences**

	2012 £000	2011 £000
Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	40,722	63,110
Deferred front end fee liability	22,740	26,667
Deferred tax liability	4	92
	63,466	89,869

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

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

	2012	2011
	£000	£000
Profit and loss account and other reserves (Form 3 line 12)	131,611	91,162
Less Profit and loss account and other reserves brought forward	(91,162)	(118,690)
Profit/(loss) retained for the financial year	40,449	(27,528)
Add (profit)/loss arising in the long-term fund for the financial year	(34,737)	75,481
Additional capital contributions from shareholders	(5,000)	(45,000)
Less transfer from shareholder fund to long-term fund (Form 16 line 13)	-	(62,804)
Add transfer to shareholder fund from long-term fund (Form 16 line 13)	5,936	-
Less different treatment on deferred tax movement	-	243
Profit or loss retained for the financial year (Form 16 line 59)	6,648	(59,608)

***1100* Form not applicable to FLWL**

These forms have been excluded because the current year amounts and prior year comparatives would be below de minimis levels.

***1200* Form not applicable to FLWL**

These forms have been excluded because the current year amounts and prior year comparatives would be below de minimis levels.

***1301* Aggregate value of certain investments &**

***1308* Aggregate value of certain investments**

The aggregate value of:-

	2012	2011
	£000	£000
Unlisted Investments	-	-
Investments which are not readily realisable	1,832	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive	1,460	-

There were no reversionary interests or remainders in property other than land or buildings.

***1302* Aggregate value of hybrid securities (OLTB)**

The aggregate value of hybrid securities included in lines 46 and 48 is £nil (2011: £nil).

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

***1304* Amounts set off**

&

***1310* Amounts set off**

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

***1305* Maximum counterparty limits**

&

***1319* Maximum counterparty limits**

In accordance with the Friends Life Investment Guidelines, the Investment Manager is authorised to select trading counterparties (e.g. banks, brokers) to be used on the Client's account subject to the following requirements:

- All counterparties will have been formally approved by the Investment Manager's principal credit forum prior to a business relationship starting. In the case of the Investment Manager this is the Global Risk Committee.
- Bonds issued other than in the domestic currency (i.e. non Sterling denominated bonds) may be held but must be hedged back to Sterling currency unless the respective fund guidelines indicate that a less stringent position may apply. The hedging range will be 95 % - 105%. Any non GBP currency that is over 2% of the portfolio NAV will be alerted to the Clients.
- The minimum credit rating for fixed income securities is BBB-. The rating to consider for each corporate bond is defined as the lowest available of the credit ratings communicated by S&P, Moody's and Fitch. Where a bond is not formally rated the Investment Manager's own equivalent ratings may be used.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

The relevant limits for fixed income assets are expressed below as a percentage.

	FLWL - With Profit	Limits	FLWL - SANP	Limits
BONDS				
CREDIT RATINGS				
AAA and Below	100.0%	100.0%	100.0%	100.0%
AA+ and Below	29.4%	75.0%	66.4%	80.0%
A+ and Below	27.1%	55.0%	46.0%	60.0%
BBB+ and Below	20.4%	25.0%	8.9%	35.0%
BB+ and Below	1.5%	3.0%	0.1%	6.0%
B+ and Below	0.0%	2.0%	0.0%	3.0%
CCC and Below	0.0%	2.0%	0.0%	3.0%
Other	0.0%	1.0%	0.0%	1.0%
SINGLE ISSUER LIMITS				
Gilts				
Investment Grade	54.0%	100.0%	13.2%	100.0%
Sub-investment Grade	0.0%	100.0%	0.0%	100.0%
Corporates (excl. Covered Bonds)				
Investment Grade	2.3%	5.0%	6.8%	7.0%
Sub-investment Grade	1.1%	1.0%	0.0%	1.0%
Quasi Sovereign / Non UK Sovereign				
Investment Grade	8.3%	10.0%	5.4%	15.0%
Sub-investment Grade	0.0%	1.0%	0.0%	1.0%
Non-UK Sovereign				
Investment Grade	0.0%	10.0%	0.0%	15.0%
Sub-investment Grade	0.0%	1.0%	0.0%	1.0%
Covered Bonds				
Investment Grade	1.1%	15.0%	3.9%	15.0%
Sub-investment Grade	0.0%	1.0%	0.0%	1.0%

NB The exposures shown in the counterparty section above are the largest single counterparty exposure as a percentage of all bonds within the fund

1. The breach in sub-investment grade corporate bonds in FLWL WPF represents investment in one corporate bond (Lafarge) which forms part of a negative basis trade package.

Action: No further action required as we have default protection against this bond.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

CREDIT INSTRUMENTS	FLWL - With Profit	Limits	FLWL - SANP	Limits
Sovereign Bonds	56.4%	100.0%	13.2%	100.0%
Gilts	54.0%	100.0%	13.2%	100.0%
Government bonds issued by G7 and other AAA rate	1.3%	90.0%	0.0%	90.0%
Other Government bonds	1.1%	20.0%	0.0%	20.0%
Quasi Sovereign	12.8%	100.0%	8.6%	100.0%
Supranationals	8.3%	100.0%	5.4%	100.0%
Subsovereigns	4.5%	80.0%	3.2%	80.0%
Senior Debt	94.4%	100.0%	67.2%	100.0%
Senior non financial debt	89.4%	100.0%	56.3%	100.0%
Senior financial non insurance debt	5.0%	60.0%	10.9%	60.0%
Covered Bonds	1.6%	100.0%	15.6%	100.0%
Subordinated financial Non Insurance Debt	0.0%	20.0%	0.0%	20.0%
Lower Tier 2	0.0%	20.0%	0.0%	20.0%
Upper Tier 2	0.0%	10.0%	0.0%	10.0%
Tier 1	0.0%	5.0%	0.0%	5.0%
Contingent Convertible securities	0.0%	0.0%	0.0%	0.0%
Asset Backed Securities	2.2%	20.0%	13.5%	20.0%
RMBS	0.0%	10.0%	0.0%	10.0%
CMBS	0.1%	10.0%	1.5%	10.0%
Whole Business securitisation	2.1%	8.0%	4.0%	8.0%
Non-mortgage loan securitisations	0.0%	7.0%	0.1%	7.0%
PFI	0.0%	10.0%	1.0%	10.0%
Other	0.0%	10.0%	7.1%	10.0%
Housing Associations	0.0%	15.0%	0.3%	15.0%
Structured Credit	0.0%	8.0%	0.0%	8.0%
Collateralised Loan Obligations	0.0%	8.0%	0.0%	8.0%
Other Collateralised Loan Obligations	0.0%	3.0%	0.0%	3.0%
Securities issued by Insurance Companies	0.0%	10.0%	0.4%	10.0%
Senior	0.0%	10.0%	0.3%	10.0%
Lower Tier 2	0.0%	10.0%	0.1%	10.0%
Upper Tier 2	0.0%	6.0%	0.0%	6.0%
Tier 1	0.0%	5.0%	0.1%	5.0%
Junior Subordinated	0.0%	6.0%	0.0%	6.0%
Private Loans	0.0%	15.0%	0.0%	15.0%
PFI	0.0%	15.0%	0.0%	15.0%
Commercial Real Estate	0.0%	12.0%	0.0%	12.0%
Financial	0.0%	8.0%	0.0%	8.0%
Other	0.0%	8.0%	0.0%	8.0%
Sinking Bonds	0.0%	10.0%	1.2%	10.0%
Leveraged Loans	0.0%	5.0%	0.0%	5.0%
Senior Secured loans		5.0%		5.0%
CCC and below		0.0%		0.0%
Synthetic Credit		10.0%		10.0%

Equity Investments

Active positions taken by the Investment Manager relative to the benchmark weight (expressed as a percentage of a fund's total equity value) will not exceed the following limits unless the limits are exceeded as a result of market movements;

Largest 250 FTSE stocks 4.5% + 1.5% = 6%

Other FTSE All Share stocks 4.5% + 1% = 5.5%

The maximum permitted aggregate holding across relevant UK equity funds will not exceed 10% of

- the free float market capitalisation ("free float"). For those the combined part of the 90:10
- or with profits funds managed by the Investment Manager the maximum permitted exposure is 7% of the free float.

There are no downside limits with regard to minimum holdings (versus benchmark) of equities that the Investment Manager is required to hold.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

The exposure limits will not apply to holdings with “Special Status”. Similarly the limits on holdings in collective investment vehicles and investment trusts are excluded from the calculations for the constraints below given the inherent diversification properties of these vehicles.

The maximum permitted aggregate holding across all overseas equity portfolios of any single overseas equity will not exceed 4% of total market capitalisation. (Free float is not used due to there being no systematic way of monitoring this across all stocks in the overseas universe).

The relevant limits for equity assets are expressed below as a percentage.

	FLWL - With Profit	Limits	FLWL - SANP	Limits
EQUITY / PROPERTY				
EQUITY INSTRUMENT				
Common Stock, Preference Stock, Investment Trust	9.6%	10%	0.0%	10%
Individual Property	1,975,000	12% or £15m		12% or £15m
Limited Partnership		20,000,000 (1% of LTBA)		20,000,000 (1% of LTBA)
Other collective investment schemes		20,000,000 (1% of LTBA)		20,000,000 (1% of LTBA)

NB The figures in the table above show the largest single exposure to the relevant asset class for each fund type

There are no equity breaches.

Cash Fund

Counterparty and concentration limits applicable to cash managed within the AXA IM Cash Sterling Liquidity Fund are authorised by the Friends Life Investment & ALM Team and defined within the cash expertise guidelines

Management of cash on behalf of the portfolios and the funds has been delegated to the Investment Manager via a mutual investment umbrella fund organised under the laws of Luxembourg

The limits are set along two main dimensions:

- (1) Country Limits; and
- (2) Individual Name Limits

Investments in financial institutions are permitted into issuers deemed national champions (i.e. likely to be supported by their respective governments in a crisis) as proposed by the Investment Manager (following input from AXA Investment Managers Paris (AXA IMP), investment adviser of the AXA IM Cash Sterling Liquidity.

No maximum exposure limits apply to government and government-related issuers in the United Kingdom.

Investment in corporate institutions are permitted subject to a minimum credit rating of A1/P1/AA-, a maximum exposure to individual corporate institutions of 2% and a maximum overall exposure to corporate institutions of nil. Investment in corporate institutions is not permitted in the variable NAV fund.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

The relevant limits for cash exposure are expressed below as a percentage.

	FLWL - With Profit	Limits	FLWL - SANP	Limits
CASH				
COUNTRIES				
Supranational	0.0%	25.0%	0.0%	25.0%
United States	6.9%	25.0%	5.6%	25.0%
United Kingdom	7.3%	25.0%	23.7%	25.0%
France	18.8%	25.0%	15.6%	25.0%
Germany	14.7%	25.0%	12.1%	25.0%
Canada	2.3%	25.0%	1.9%	25.0%
Australia	1.0%	25.0%	0.8%	25.0%
Japan	8.3%	10.0%	6.8%	10.0%
Sweden	4.9%	10.0%	4.0%	10.0%
Netherlands	6.5%	10.0%	5.4%	10.0%
Switzerland	2.6%	10.0%	2.1%	10.0%
Norway	1.6%	5.0%	1.3%	5.0%
Singapore	0.0%	5.0%	0.0%	5.0%
Denmark	0.0%	5.0%	0.0%	5.0%
Spain	0.0%	5.0%	0.0%	5.0%
Italy	0.0%	5.0%	0.0%	5.0%
Other	0.0%	0.0%	0.0%	0.0%
COUNTERPARTY				
Supranational	0.0%	10.0%	0.0%	10.0%
United States	3.1%	7.5%	2.5%	7.5%
United Kingdom	3.8%	7.5%	8.8%	7.5%
France	5.2%	7.5%	4.2%	7.5%
Germany	3.7%	7.5%	3.0%	7.5%
Canada	2.3%	7.5%	1.9%	7.5%
Australia	1.0%	7.5%	0.8%	7.5%
Japan	2.9%	5.0%	2.4%	5.0%
Sweden	1.9%	5.0%	1.6%	5.0%
Netherlands	0.0%	5.0%	3.3%	5.0%
Switzerland	1.6%	5.0%	1.3%	5.0%
Norway	1.6%	3.0%	1.3%	3.0%
Singapore	0.0%	3.0%	0.0%	3.0%
Denmark	0.0%	3.0%	0.0%	3.0%
Spain	0.0%	3.0%	0.0%	3.0%
Italy	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
CASH INSTRUMENTS				
UK Treasury Bills	0.0%	100.0%	0.0%	100.0%
Deposits at bank	-4.7%	100.0%	15.1%	100.0%
Certificates of Deposit	0.0%	100.0%	0.0%	100.0%
Commercial Paper	0.0%	40.0%	0.0%	40.0%
ABS Commercial Paper	0.0%	10.0%	0.0%	10.0%
Floating rate notes	0.0%	20.0%	0.0%	20.0%
Repos	0.0%	20.0%	0.0%	20.0%

NB The first set of figures in the Countries section shows the aggregate cash exposure to each country for each fund type. The second set of figures in the Counterparty section shows the largest single exposure to a counterparty within each country for each fund type.

We have included all working capital counterparty exposure in UK exposure.

The breach for UK cash counterparties in the SANP funds results from deposits held with AXA IM. Please note that investment in a UK Treasury paper in the SNAV has now been excluded from UK cash exposure.

Action: No further action required.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

***1306* Exposure to large counterparties &**

***1312* Exposure to large counterparties**

At the year end, there were no exposures in excess of 5% of the sum of the Insurer's base capital resources requirement and Insurer's long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

***1307* Aggregate value of certain fully secured rights (LTB) &**

***1313* Aggregate value of certain fully secured rights (LTB)**

The Company has rights over collateral covering assets valued at £32,300,000 (2011: £33,600,000).

***1308* Aggregate value of certain investments**

See Note 1301.

***1309* Aggregate value of hybrid securities (LTB)**

The aggregate value of hybrid securities included in lines 46 and 48 is £3,559,290 (2011: £6,600,000).

***1310* Amounts set off**

See Note 1304.

***1313* Aggregate value of certain fully secured rights (LTB)**

See Note 1307.

***1318* Other asset adjustments**

The amounts included in line 101 of Form 13 are as follows:

	2012	2011
	£000	£000
Gross up reinsurers' share of technical provisions classified as investments in Companies Act accounts	2,088,147	2,022,196
Reclassification adjustments	22,243	8,099
	<u>2,110,390</u>	<u>2,030,295</u>

***1319* Maximum counterparty limits**

See Note 1305.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

Financial year ended **31 December 2012**

SUPPLEMENTARY NOTES TO THE RETURN

***1322* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA issued to the firm in February 2010 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27 of Form 19 for the With Profits Fund,

(a) the value of the fund support arrangement assets for a with-profits fund equal to the value of the transfers from the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29th November 2004 to that with-profits fund where:

- (1) the value of the transfers are limited to the lesser of the Segregated Sub- Fund and the value of transfers assessed as necessary in each determination of the realistic value of liabilities of the With Profit Fund so that customers are treated fairly and
- (2) the value to be placed on the transfers is the value determined on a basis consistent with the basis used in determining the realistic value of assets and realistic value of liabilities of the with-profits fund.

(b) the value of such additional amount of the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29 November 2004, not exceeding any balance of that Sub-Fund after deducting any amount determined under (a) above, as is available, not being required for Scheme purposes, and as is required to ensure that the *realistic value of assets* and the value of the fund support arrangement assets defined in INSPRU 1.1.28 A R for each of its *with-profits funds* is at least equal to the *realistic value of liabilities* of that fund. These assets are also included in line 89 of this form.

***1401* Provision for reasonably foreseeable adverse variations**

&

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

The Company holds no investments which will, or may, give rise to a liability in the future and as such no provision for reasonably foreseeable adverse changes has been established.

***1402* Long term and other than long term insurance business assets / liabilities**

&

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

a) Charges on assets

There were no charges on any of the assets of the Company.

b) Provision for capital gains tax

A capital gains tax liability of £nil (2011: £nil) would arise if the Company were to dispose of all of its assets.

c) Contingent liabilities

The aggregate value of contingent liabilities does not exceed 2.5% of the long-term insurance assets.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

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SUPPLEMENTARY NOTES TO THE RETURN

d) Guarantees, indemnities or other contractual commitments with related parties

The aggregate value of guarantees, indemnities or other contractual commitments with related parties does not exceed 2.5% of the long-term insurance assets.

e) Fundamental uncertainties

There were none at 31 December 2012.

***1405* Details of other adjustments to liabilities**

	2012	2011
	£000	£000
Reinsurers' share of technical provisions classified as investments in Companies Act accounts	2,088,147	2,022,196
Other differences in technical liabilities	40,724	63,910
Deferred front end fees	22,740	26,667
Reclassification adjustments	22,243	8,099
	<u>2,173,854</u>	<u>2,120,872</u>

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

The value of non-linked assets in the With Profits Fund increased during the year by £38.6m (2011: £19.1m increase).

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

See Note 1401.

***1502* Other than long term insurance business assets / liabilities**

See Note 1402.

***1507* - Other liability adjustments**

The amount included at line 83 of Form 15 is as follows:

	2012	2011
	£000	£000
Other gross ups	-	(708)

***1601* Basis of foreign currency conversion**

&

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

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

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SUPPLEMENTARY NOTES TO THE RETURN

***1603* Other income and charges**

The amount included at line 21 of Form 16 for other income and charges is for returned unbanked cheques that have been written back.

***1700* Derivative contracts**

Friends Life WL Limited held no derivative contracts as other than long term insurance business assets and Segregated Sub Fund assets at any time during the year and so no Form 17 relating to other than long term insurance business assets and Segregated Sub Fund assets is required.

***1701* Variation Margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is nil. The variation margin of £362k has been included in Form 13 line 78.

***1702* Quasi derivatives**

The aggregate value of rights under contracts or in respect of assets either of which has the effect of derivative contracts exceeded 2.5% of the value of assets at line 89 of Form 13 at 6.5%.

	£000
Fixed Interest Approved	45,705
Fixed Interest Other	258,708
Variable Interest Other	<u>29,097</u>
Total	<u>333,510</u>

There were no quasi derivative liabilities at 31 December 2012.

***1801* Long-term Insurance Capital Requirement shown in Form 18 line 14**

The long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in the fund incorporates the long-term insurance capital requirement in respect of the property-linked business written in the fund where the unit liability is shown in the Non-Profit Fund. This is because the risks of this business continue to be borne by the With-Profit Fund.

***1901* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA issued to the firm in February 2010 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27),

(a) the value of the fund support arrangement assets for a with-profits fund equal to the value of the transfers from the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29th November 2004 to that with-profits fund where:

- (1) the value of the transfers are limited to the lesser of the Segregated Sub- Fund and the value of transfers assessed as necessary in each determination of the realistic value of liabilities of the With Profit Fund so that customers are treated fairly and

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SUPPLEMENTARY NOTES TO THE RETURN

(2) the value to be placed on the transfers is the value determined on a basis consistent with the basis used in determining the realistic value of assets and realistic value of liabilities of the with-profits fund, and

(b) the value of such additional amount of the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29 November 2004, not exceeding any balance of that Sub-Fund after deducting any amount determined under (a) above, as is available, not being required for Scheme purposes, and as is required to ensure that the *realistic value of assets* and the value of the fund support arrangement assets defined in INSPRU 1.1.28 A R for each of its *with-profits funds* is at least equal to the *realistic value of liabilities* of that fund.

These assets are also included in line 89 of Form 13 for the Segregated Sub-Fund.

***1902* Additional amount potentially available for inclusion in Form 19 line 82**

The Value of In-Force business in respect of non-profit business in the Non-Profit Fund is calculated on the actuarial valuation basis set for the firm's embedded value reporting. This basis is not necessarily consistent with the requirements in the Prudential Source Book. The firm's Board has taken the view that this is acceptable given that the amount disclosed in Form 19 Line 82 is not required to back the capital requirements of the With-Profit Fund.

***4002* Other income and other expenditure**

Other income of £0.9m in line 15 and other expenditure of (£0.9m) in line 25 relate to expenses which are initially borne by the non-profit fund and which are then recharged from the with-profit fund. These net to zero.

***4004* - Business transfers-out/in**

On 30 September 2011 the Embassy portfolio of business was transferred to AXA Wealth Limited in accordance with a Part VII scheme. The £4,446m reported in line 32 for 2011 represents the admissible assets transferred.

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

See Note 1601.

***4006* Basis of apportionment between long-term funds**

Separate internal accounts and separate investment reserves are maintained for each fund for which a separate Form 40 is prepared.

Expenses charged by Friends Life Services Limited are charged on a cost basis for work done in distributing or administering policies. In addition there is a separate contract covering investment of assets which is based on the value of assets under management. These expenses are initially borne by the Non-Profit Fund. An explicit expense arrangement is in force between the Non-Profit Fund and the With-Profit Fund. A fixed amount increasing with inflation is payable for each premium paying policy and at half rate for a non premium paying policy for each master policy within the With-Profit Fund. In addition certain other costs are borne by the With-Profit Fund. All

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

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SUPPLEMENTARY NOTES TO THE RETURN

expenses borne by the With-Profit Fund are in accordance with the Court Scheme covering the governance of the fund.

United Kingdom taxation has been allocated based on separate tax calculations for each sub-fund. The With-Profit fund taxation is calculated on a stand-alone mutual company basis. The Segregated Sub Fund taxation is calculated on a 100% life basis as agreed by HM Revenue & Customs. Allocation to the Non-Profit Fund is based on the balance of the total Long Term Fund taxation.

***4008* Management services**

During the financial year ended 31 December 2012, investment management services have been provided to the Company by AXA Investment Managers UK Limited.

Various other management services were provided by Friends Life Services Limited.

***4009* Material connected party transactions**

During the financial year ended 31 December 2012 the Company carried out the following transactions with other companies in the group, which exceed 5% of the Company's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Material transactions with Friends Life Company Limited (formerly AXA Sun Life Plc), a related company were:

	2012	2011
	£000	£000
Reassurance premiums received	82,180	141,540
Reassurance Claims paid	(304,226)	-
	(222,046)	<u>141,540</u>

The large claim was due to the closure of the AXA Wealth Scheme.

***4100* Form not applicable to FLWL**

Form 41 for the Segregated Sub fund has been excluded because the current numbers and prior year comparatives would be nil.

***4200* Form not applicable to FLWL**

&

***4300* Form not applicable to FLWL**

Forms 42 and 43 for the Segregated Sub fund have been excluded because the current numbers and prior year comparatives would be nil.

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SUPPLEMENTARY NOTES TO THE RETURN

4301* Other management expenses

Other management expenses in Line 15 of Form 43 are:

	2012	2011
	£000	£000
Increase of compensation provisions	1,896	1,373
Increase in other provisions	133	2,362
Expense Management Recharges	15,343	2,359
Penalty Charges	23	5
	<u>17,395</u>	<u>6,099</u>

***4401* Basis of valuation of assets**

Assets have been valued in accordance with the valuation rules (GENPRU 1.3) of the General Prudential Sourcebook as applied to non-linked assets.

***4402* Derivatives contracts**

The gross aggregate value of rights under derivative contracts, or in respect of assets which have the effect of a derivative contract, held by the property linked funds, was £78.4m.

The gross aggregate value of liabilities under derivative contracts, or in respect of liabilities which have the effect of a derivative contract, held by the property linked funds, was £0.8m.

***4403* Netting of variation margins**

There was no netting of assets and liabilities to repay variation margins.

***4405* Negative liquidity**

- a) There are no funds whose net asset value is greater than £10,000,000 and where there is negative liquidity ratio exceeding £50,000 in magnitude.
- b) There are no funds whose net asset value is greater than £500,000 and there is a negative liquidity ratio exceeding £500,000 in magnitude.

***4502* Other income and other expenditure**

On 30 September 2011 the Embassy portfolio of business was transferred to AXA Wealth Limited in accordance with a Part VII scheme.

The amount at Form 45 line 26 relates to:

	2012	2011
	£000	£000
In-specie Part VII transfer (unit reserves transferred)	-	4,445,765

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SUPPLEMENTARY NOTES TO THE RETURN

***4803* Redemption Period**

All securities that can be redeemed over a period have been assumed to be redeemed at the latest possible date.

The total value included in Form 49 Line 61 in respect of securities that may be redeemed at different dates at the option of the issuer is £115m.

***4806* Assets used to calculate asset share investment returns**

The investment returns shown in column 5 are calculated using the assets backing policyholders' asset shares, which differ from the assets shown in columns 1 and 2. The returns are shown gross of tax and expenses.

***4901* Source of credit ratings**

Credit ratings from Standard & Poor's, Moody's and Fitch are used. If more than one is available the second highest rating is used. In the absence of all three a prudent internal rating is used.

***5000* Omitted Forms**

Form 50 for the Segregated Sub fund has been excluded because the current numbers and prior year comparatives would be nil.

***5201* Number of group schemes with no member record**

There were 4 group retirement benefit schemes in force at end 2012. For these schemes the number of policyholders/scheme members has been shown as zero on Form 52.

***5203* Miscellaneous Code**

The group retirement benefit scheme has been shown under code 575 Miscellaneous UWP. Benefits payable under the contracts are expressed as an annuity per annum.

***5600* Omitted Forms**

This form has been excluded because the current numbers and prior year comparatives would be below de minimis levels.

***5702* Risk adjusted yield**

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination.

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SUPPLEMENTARY NOTES TO THE RETURN

The yields in accordance with INSPRU 3.1.35R as amended, before and after risk adjustment, are shown below.

Product Group	Non Profit Fund	
	Yield	Risk Adjusted Yield
UK F51 L&GA NP - PHI	2.18%	1.79%
UK F51 L&GA NP – Assurances, Deferred & Immediate Annuities	2.18%	1.79%
UK F51 Pensions NP – Deferred & Immediate Annuities	3.78%	3.29%
UK F53 L&GA	2.18%	1.79%
UK F53 Pension	2.18%	1.79%
Miscellaneous	0.43%	0.43%

***5803* Fund Transfers**

The Form 58 for the Segregated Sub Fund shows a transfer to other funds of £3.954m. This is in accordance with the Scheme, which allows some reduction in the Segregated Sub Fund as the With Profits business goes off the books and also allows some investment return on the Segregated Sub-Fund to be transferred to the Shareholder Fund. The transfer has been made to the Shareholders Fund.

The net position is a transfer from the long term fund of £5.936m. This net figure corresponds to the transfer to (from) non technical account figure on Form 40 Line 26.

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

The entry in line 21 of Form 60 is at least as large as the amount that would be obtained if Forms 11 and 12 were completed. The method used to estimate this value has followed the requirements of Forms 11 and 12 with the use of prudent estimates of the claim values that count as Actuarial Health Insurance.

The gross annual office premiums in force at 31 December 2012 in respect of Class IV business and supplementary accident and sickness insurance amount to £1.192m. The Company is not a mixed insurer.

IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS

Financial year ended 31 December 2012

a) Investment Guidelines

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

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, options, forward foreign exchange contracts, interest rate swaps, credit derivatives, contracts for differences and inflation rate swaps. Derivative instruments which are not listed above may be entered into on a case by case basis with prior approval from the Insurer. Derivatives may only be used when the Investment Manager, in consultation with the Insurer, is satisfied that their usage meets all the necessary regulatory requirements. Where any doubt arises over the proposed use of a derivative, the Chief Investment Officer is contacted and clarification sought prior to executing the proposed derivative contract.

The counterparties through whom such transactions can be made are restricted, as are the counterparty exposures that may be built up using derivatives. Prudent limits have also been set to the extent to which derivatives may be used within a given portfolio.

At the end of 2012, derivatives in the With Profit Fund consisted of interest rate swaps, swaptions, credit default swaps, futures and options. Currency swaps were held in the Non Profit Fund as well as futures backing certain unit-linked contracts.

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

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

c) Derivatives not likely to be exercised

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

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

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

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF FRIENDS LIFE WL LIMITED (FORMERLY WINTERTHUR LIFE UK LIMITED)

As at 31 December 2012

Controller	Shareholding/Voting Rights
Friends Life Limited (FLL) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4096141	100% shareholding in Friends Life WL Limited (formerly Winterthur Life UK Limited)
Friends Life FPL Limited Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4113107	100% holding of the ordinary shares in Friends Life Limited. Friends Life FPL Limited has no interest in FLL's 4.8% preference share class – which are a non voting (therefore non-controlling) class, held by Friends Life Group plc.
Friends Life FPG Limited Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06861305	100% shareholding in Friends Life FPL Limited
Friends Life Group plc Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends Life FPG plc
Resolution Holdings (Guernsey) Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Life Group plc
Resolution Holdco No.1 LP Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 1118	100% shareholding in Resolution Holdings (Guernsey) Limited
Resolution Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.9% shareholding in Resolution Holdco No. 1 LP which exercised 100% of the voting rights at any general meeting. No shareholder owns 10% or more of the shares or votes in Resolution Limited

Name of Insurer: **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

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

VALUATION REPORT

Throughout this report the following notation is used:

the / this Company	denotes	Friends Life WL Limited
AWL	denotes	AXA Wealth Ltd
FLC	denotes	Friends Life Company Ltd

Before 1 June 2001 the Company was known as Colonial Life UK Ltd. On 1 June 2001, following a High Court approval for a scheme under Schedule 2C of the Insurance Companies Act 1982, the long term business of WLUK Ltd (previously Winterthur Life UK Ltd) was transferred into Winterthur Life UK Ltd (previously known as Colonial Life UK Ltd).

In this report all products issued by the Company before 1 June 2001 have been referred to as Colonial policies and constitute the Colonial portfolio. The absence of a suffix indicates that reference is to a product issued by the former Winterthur Life UK Ltd or by this Company after 1 June 2001, which together constitute the Winterthur portfolio.

Before 31 December 2007 pension unit liabilities were reinsured to AWL. From this date onwards these liabilities were retained by the Company, and business directly written in AWL was reinsured to this Company.

On 15 September 2010 Resolution Ltd completed a transaction with AXA UK under which Resolution's subsidiary Friends Life Group plc (formerly Friends Provident Holdings (UK) Ltd) purchased the whole of FLC during 2010, and also agreed to purchase most of this company's business during 2011 at an agreed price.

In accordance with the sale agreement, on 1 October 2011 the Company transferred the business to be retained by AXA UK to AWL in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 14 September 2011. At the same time there was also a Part VII transfer of some of the business directly written in AWL into the Company, and as this business was all previously reassured to this Company, the reinsurance agreement was cancelled.

Following the completion of these two Part VII transfers, the Company, which by then only contained the legacy book of more traditional insurance products, was sold by Winterthur Life UK Holdings Ltd, its immediate holding company to Friends Life Group plc. The sale was effected on 30 November 2011 and the Company was then sold by Friends Life Group plc to a subsidiary company, Friends Life Ltd, on 2 December 2011.

On 25 May 2012, the Company previously known as Winterthur Life UK Limited changed its name to Friends Life WL Limited.

1. Valuation date

- (1) The investigation relates to 31 December 2012.
- (2) The previous investigation related to 31 December 2011.
- (3) No interim investigations have been carried out.

2. Changes to product range in 2012

There were no changes to products during 2012.

Statement relating to with-profits business

The Friends Life WL With-Profits Fund was closed to new business except by increment.

3. Discretionary charges and benefits

(1) Application of Market Value Reduction

During 2012 market value reductions (MVRs) applied on surrender and transfers on UWP business as follows.

Product Description	Period that MVR Applied		Policy Dates of Entry
	From	To	
All Colonial business	n/a	n/a	n/a

For the Winterthur and Irish Life UWP business, the final bonus or MVR is calculated on a policy by policy basis. An MVR might therefore have applied throughout 2012 depending on the individual circumstances of the policy.

Mo MVR has been applied on other business.

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

There were no changes to the premiums on reviewable non-linked protection policies during 2012.

(3) Non-profit deposit administration benefits

The Company has no non-profit deposit administration benefits.

(4) Service charges on linked policies

The policy fees on linked policies changed in 2012 as follows

Product	Change in 2012
Colonial Rainbow and Unity Pensions	3.9%
Winterthur Pensions	2.0%

Policy fees for certain Winterthur pension products depend on the relevant group pension scheme. Increases may be affected by rounding.

(5) Benefit charges on linked policies

There were no changes to benefit charges on linked policies in 2012.

(6) Fund management charges

There were no changes to unit management charges or notional charges to accumulating with-profits policies during 2012.

(7) Unit pricing methods

a) Assets within all linked funds are valued using generally accepted methods according to the category of asset, and subsequent unit pricing complies with published guidance to the extent that such guidance deals with the matter.

i) The matching of assets against liabilities for internal linked funds is performed on a daily basis and all funds are valued daily. For all funds the policyholder charges are calculated and deducted on a daily basis. Where applicable, deductions or credits are made in respect of tax suffered on income and realised gains and tax expected to arise on unrealised gains. Units are allocated to policies by dividing the cash amount awaiting allocation by the offer price, rounding down the number of units to the lower 0.0001 unit. Units are cancelled from policies at the bid price, rounding the proceeds to the nearer 1p.

ii)

Winterthur Portfolio

For Winterthur Life policies where a bid / offer spread exists, the offer price is calculated by multiplying the bid price by an appropriate factor to take account of the bid / offer spread of the fund in question. For policies where there is no bid / offer spread, the unit price is calculated by rounding the net asset value of an asset unit to the nearest three decimal places. The prices calculated by the Company do not include any explicit rounding adjustment.

Colonial Portfolio

In general, prices are rounded to the nearest two decimal places. Where there is an initial charge, this is imposed via a bid/offer spread. In these cases, the offer price for each type and series of unit is calculated by multiplying the bid price by 100 / 95, rounded to the nearest 0.01p.

Specific Colonial Fund Features

Key Fund

Every six months (in April and October) the net income of the fund is used to create additional units, which are credited pro rata, rounding the number of units down to the lower 0.0001 unit. These units are credited to the policies investing in the fund and are then reinvested in the fund.

Managed, Equity, Fixed Interest and Cash Funds

Products which link to these funds are subject to an initial charge of 5%

iii) The Company operates a policy of smoothed equity. The pricing basis for each internal fund which is linked directly to policies is determined after due consideration of the expected net cash flow. The expectation of a continuous net outflow or inflow of funds would require a bid or offer pricing basis to be adopted respectively. Policies invested in the same funds will have the same price basis.

iv) Internal linked funds which invest in segregated assets such as equities and bonds are valued using close of business prices on the previous day, except property which is valued monthly. Dependent on whether an offer or bid pricing basis is being used the assets are valued after adding provision for tax and purchase charges or deducting provision for tax and sale charges as appropriate. Internal linked funds which invest in collective investment vehicles are valued using the prevailing dealing price for that day.

b) Not applicable.

c) Where assets are units in collective investment schemes (CIS) or similar assets, where the CIS is historic priced, the price used to value the Company's fund would be the last CIS published price or where it is forward priced, the price used would be that calculated at the

next pricing point for the CIS. Policyholders will receive a unit price appropriate for the timing of the receipt and method of their instruction and in accordance with their policy terms and conditions.

(8) Tax deductions from unit-linked funds

Life Funds

Tax is provided for on realised capital gains at a rate of 20% immediately on realisation. For this purpose, one-seventh of the unrealised gains in the period on collective investment schemes is treated as a realised capital gain. The tax due is withdrawn from the funds annually after the end of the financial accounting period.

Provision is made in the unit pricing for the potential tax liability on unrealised gains (including gains on collective investment schemes that are not treated as realised gains) at a rate of 20% for funds priced on a bid basis and at a discounted rate for some offer basis funds. No money is removed from the funds in respect of these provisions.

Both realised and unrealised capital gains include an allowance for indexation. Tax is provided for in the unit prices on a daily basis.

Tax relief for losses is given if there are sufficient gains within the same investment fund against which to offset the loss. If there are insufficient gains then the losses are carried forward within the same fund to be utilised at a later date. Credit may be given in the unit price for losses (realised and unrealised) carried forward within the funds at rates of up to 10% (dependent on the amount of losses relative to the value of the fund and the pricing basis of the fund).

Other Funds

The only other funds are pension business, where no tax on capital gains is payable.

(9) Tax provisions for unit-linked funds

See section 3(8).

(10) Discounts on purchases of units

The Company utilises collective investment funds managed by external managers. Where investments into these funds receive a discount on the initial charge quoted by the external manager, the full benefit of this discount is passed on to the policyholder. In respect of discount on management charges, the Company has negotiated rebates with the external managers. In some cases, part of this rebate is retained by the Company as additional margin with the policyholder benefiting from the remainder of the rebate.

In some instances, there may be dilution levies applied by external fund managers on the purchase or sale of units by the Company in the fund managers' funds, in accordance with their stated dilution policy. In such instances, the dilution levy may be reflected in the unit price calculated for the Company's fund and therefore passed on to the policyholder.

4. Valuation basis (other than for special reserves)

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

(1) Valuation methods

General principles and methods used in the valuation

An individual policy valuation has been completed, which does not allow for negative reserves.

The valuation bases have been determined with regard to the nature and the term of the assets available to meet the liabilities valued.

The reserves were determined on a prudent basis in accordance with actuarial principles, taking account of the underlying nature of the contracts.

For all contracts the mathematical reserves have been determined so that on the valuation basis adopted no recourse to additional finance is required whether the policies continue paying premiums, are made paid up, or terminate.

Full allowance has been made in the valuation for the effects of the ceding of premiums and risk under the various reinsurance arrangements in place at the valuation date.

A provision has been made to cover the possibility of default by the reinsurers.

Conventional business

For all non-linked contracts the gross premium valuation method has been used, with an explicit expense reserve. No allowance for future bonuses has been made for conventional with-profits business. Reserves are restricted to a minimum of zero, i.e. there is no allowance for negative reserves.

Unit-linked business

For unit linked contracts, the mathematical reserve is the value of the units allocated to the policies (using the net asset value valuation price) plus a non-unit liability (sterling reserve) determined using discounted cash flow valuation methodology. Negative non-unit reserves are allowed for; however total reserves (unit reserve and non-unit reserve) are restricted to a minimum of the surrender value. Initial units and some accumulation units are actuarially funded, such that the total mathematical reserve for the contract is at least equal to the surrender or transfer value as at the valuation date.

Unitised With-Profits business

For UWP business a reserve relating to future benefit payments is held within the With-Profits Fund.

For the With-Profits Bond, the Irish Life arrangement and Colonial business the reserve is calculated as the greater of:

- a prospective bonus reserve valuation based on a glide path of future bonus rates (for those few cases where regular bonuses are being applied currently), and
- the lower of the reasonable expectation surrender value (based on the shadow fund) and the non-discretionary surrender value (based on nominal units).

Allowance has been made for regular withdrawals where a no-MVR guarantee applies for all policies currently taking regular withdrawals, and for a prudent proportion of policies currently not taking income.

For other UWP business the reserve held is equal to the nominal value of units.

For all accumulating with-profits contracts an additional explicit expense reserve has been established, either in the With-Profits Fund or in the Non Profit Fund.

(2) Valuation interest rates

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in November 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

In line with the above direction, the valuation interest rate for non-profit business in the Non-Profit fund has been derived using a Portfolio Internal Rate of Return calculation.

Product	31 December 2012	31 December 2011
Conventional WP Life:		
Whole Life & Endowment	2.65	2.30
Conventional WP Pensions:		
Deferred Annuities	1.80	2.05
Pure Endowment	2.65	2.90
Other	2.65	2.90
Conventional NP Life:		
Annuities in Payment (WP Fund)	1.60	1.70
Annuities in Payment (NP Fund)	1.35	2.10
Other (WP Fund)	1.60	1.70
Other (NP Fund)	1.35	2.10
Conventional NP Pensions and PHI:		
Annuities in Payment (WP Fund)	2.00	2.10
Annuities in Payment (NP Fund)	3.05	3.20
Other (WP Fund)	2.00	2.10
Other (NP Fund)	1.70	2.90
Unit Linked:		
Life (WP Fund)	1.60	1.70
Life (NP Fund)	1.35	2.10
Pensions (WP Fund)	2.00	2.10
Pensions (NP Fund)	1.70	2.90
Unitised With-Profits:		
Life	1.65	1.95
Pensions	2.05	2.45
Irish Life	0.55	0.95
Index Linked Annuities		
WPF	-1.55	-1.35
NPF	-0.35	-0.35

(3) Risk adjustments to yields

All equities are listed on recognised stock exchanges and are readily marketable. For the purpose of INSPRU 3.1.33R the yield for each equity holding has been determined individually. The yield has been taken as the lower of the audited earnings over the previous twelve months and the expected earnings based on the forecasts at the valuation date, with an

explicit additional risk margin deduction of 0.10% as an aggregate provision that the dividend and earnings will not be maintained.

The dividend yield was subjected to an upper limit of 6.32%, and the overall yield was also subjected to an upper limit of 6.32%. This allows for the risk that the market has assessed the outlying high yielding stocks incorrectly and that these will reduce in future.

A small amount of commercial property is held. In determining the appropriate yield the expected income has been assessed on an individual property basis with full allowance made for expected rental income voids and is subjected to an upper limit of 6.32%.

The yields on UK gilts are taken as the gross redemption yield. No adjustment for credit risk is required. For all other fixed interest securities the following deductions have been made from gross redemption yields.

Rating	Term to redemption (years)		
	0-10 bps	10-20 bps	20+ bps
AAA	16	15	16
AA	48	41	41
A	96	68	63
BBB	205	142	129
BB	394	291	243
B	575	452	399
CCC	1,352	866	722

For bonds rated CC and below, an individual credit risk deduction is calculated. For any bonds rated D, the yield is set to zero. However, the company did not hold any bonds with these ratings at 31 December 2012.

At 31 December 2012 the company held no bonds that were not credit rated. Had there been any, they would have been treated in the same way as bonds with a credit rating of BBB.

For subordinated debt, the credit risk deductions are multiplied by 1.20.

The yield on each stock, net of credit risk deductions, is subject to a maximum of 30% pa.

(4) Mortality

The mortality bases used at end 2012 and end 2011 were as follows.

Product Group	31 December 2012		31 December 2011	
	Males	Females	Males	Females
Whole Life and Life Endowments	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Pure Endowments, Deferred Annuities (pre-vesting)	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Annuities in Payment (Personal and Corporate)	98.9% PCMA00 CMI 2011 [2%] improvements (4) (5)	98.9% PCFA00 CMI 2011 [2%] improvements (4) (5)	98.9% PCMA00 CMI 2011 [2%] improvements (2) (3)	98.9% PCFA00 CMI 2011 [2%] improvements (2) (3)
Deferred Annuities (post-vesting)	98.9% PCMA00 CMI 2011 [2%] improvements (4)	98.9% PCFA00 CMI 2011 [2%] improvements (4)	98.9% PCMA00 CMI 2011 [2%] improvements (2)	98.9% PCFA00 CMI 2011 [2%] improvements (2)

Product Group	31 December 2012		31 December 2011	
	Males	Females	Males	Females
Term Assurance (1)				
- Non-Smokers	66% TM92 ult	66% TF92 ult	80% TM92 ult	90% TF92 ult
- Smokers	126% TM92 ult	108% TF92 ult	150% TM92 ult	165% TF92 ult
- Unknown	114% TM92 ult	120% TF92 ult	100% TM92 ult	105% TF92 ult
PHI	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Unit Linked (non-funding)	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Unit Linked (funding)	75% AM80 ult		75% AM80 ult	

- (1) For Term Assurances an allowance of one third of R6A is made to allow for the additional mortality due to AIDS.
- (2) At end 2011 the core CMI 2011 model was used with the long term improvement factor set to 2% pa.
- (3) At end 2011 U = 2012 was used for all immediate annuities in payment.
- (4) At end 2012 the core CMI 2011 model was used with the long term improvement factor set to 2% pa.
- (5) At end 2012 U = 2013 was used for all immediate annuities in payment.

The complete expectation of life for the annuities in payment is shown in the following table.

Basis	Age 65	Age 75
98.9% PCMA00 CMI 2011 [2%] Improvements	24.6	15.1
98.9% PCFA00 CMI 2011 [2%] Improvements	26.5	16.6

The expectation of life at age 65 for deferred annuities of current ages 45 and 55 is as follows.

Basis	Age 45	Age 55
98.9% PCMA00 CMI 2011 [2%] Improvements	27.7	26.1
98.9% PCFA00 CMI 2011 [2%] Improvements	29.7	28.1

(5) Morbidity

The morbidity bases used at end 2012 and end 2011 were as follows.

Income protection

Inception and recovery rates are based on those given in the CMI Report 12, including unreported claims, modified as follows.

Inception rate modifications

Deferred Period (weeks)	End 2012	End 2011
4	40%	40%
13	90%	90%
26	150%	150%
52	300%	300%

The rates are then further modified, as follows, to take into account the occupational class of the policyholder.

Occupational Class	End 2012	End 2011
1	125%	125%
2	150%	150%
3	200%	200%
4	250%	250%

For females, the rates are multiplied by a further 175%.

For both males and females, the rates are multiplied by a further 115% for prudence.

Recovery rate modifications

Duration of Claim (years)	End 2012	End 2011
1 - 2	65%	65%
3+	85%	85%

For both males and females, the rates are reduced by a further 15% for prudence.

Critical illness

For Lifelink, Serious Illness Plan, LifelinkPlus policies and Serious Illness Plan with wider cover policies, the claim rates detailed below were used to determine projected benefits arising from the diagnosis of one of the specified illnesses. The rates shown are per 10,000 for male non-smokers, male smokers, female non-smokers and female smokers. The rates are the same as those as at 31 December 2011.

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	4.3	7.4	6.2	10.9
35	7.1	12.8	10.1	18.4
45	24.5	45.3	23.8	43.0
55	70.2	129.0	57.0	99.9

(6) Expenses

Gross annual per policy expense levels assumed for specified products are set out below.

With-Profits Fund

For the With-Profits Fund the expenses are determined by the 2001 Scheme. The following table shows the per policy expense assumptions for the premium paying and the non-premium paying business written by the with-profits fund as determined under the Scheme.

Product	End 2012		End 2011	
	Premium Paying	Non-Premium Paying	Premium Paying	Non-Premium Paying
CWP savings endowment	£22.42	£11.59	£21.72	£11.23
CWP target cash endowment	£22.42	£11.59	£21.72	£11.23
CWP pensions	£28.83	£14.80	£27.92	£14.33
Term Assurance	£15.30		£14.81	
Income protection in force	£16.21		£15.70	
Income protection claim in payment		£29.43		£28.51
Annuity		£29.43		£28.51
UWP target cash endowment	£48.65	£36.49	£47.12	£35.34
UWP regular premium pension	£57.24	£42.93	£55.43	£41.57
UWP single premium pension		£42.93		£41.57
UL savings endowment	£48.65	£36.49	£47.12	£35.34
UL target cash endowment	£48.65	£36.49	£47.12	£35.34
UL regular premium pension	£57.24	£42.93	£55.43	£41.57
UL single premium pension		£42.93		£41.57

In addition to the per policy expenses, an assumption of 0.20% pa pre VAT is made for investment expenses. An additional reserve of £1.2m is held in the Non-Profit Fund to allow for VAT on these expenses.

Non-Profit Fund

During 2010, a new Activity Based Costing model was developed to apportion FLWL expenses accurately.

For unit-linked business 70% of the below costs have been assumed in order to make an allowance for the fact that some expenses are not attributable.

The following assumptions have been used at 31 December 2012:

Business	Premium Paying	Non Premium Paying
Group Existing	£70.79	£35.39
Annuities	£16.60	£16.60
Individual Pensions (UWP)	£5.59	£2.80
Individual Pensions (Other)	£94.76	£47.38
Executive Pensions	£867.55	£433.77
Savings	£166.25	£83.13
Protection	£43.32	£21.66

The following assumptions were used at 31 December 2011:

Business	Premium Paying	Non Premium Paying
Group Existing	£60.48	£30.24
Annuities	£21.46	£21.46
Individual Pensions (UWP)	£5.37	£2.68
Individual Pensions (Other)	£69.14	£34.57
Executive Pensions	£551.23	£275.61
Savings	£153.23	£76.61
Protection	£41.48	£20.74

Investment and unit related expenses

The following table shows the explicit additional per policy expense as a percentage of the unit fund used in the December 2012 valuation. These assumptions are unchanged from the December 2011 valuation.

Product	Premium Paying	Non-Premium Paying
Irish Life UWP Bond (1)	0.03%	0.03%
All other UWP (2)	0.10%	0.10%

- (1) An additional administration expense of 0.03% of the fund is allowed for in the valuation of the Irish Life arrangement.
- (2) This represents the investment expense for UWP contracts and is charged to the With-Profit Fund. This amount is allowed for within the bonus reserve valuation element of the mathematical reserve.

For unit linked policies the investment expenses are allowed for by only modelling the net charges due to the company after allowance for external fund management charges and rebates. For this purpose, a weighted average fund management charge, net of investment expenses, is calculated for each policy. The unit fund used as a basis for expense calculations includes any UWP holdings.

For conventional non-profit business, an explicit expense allowance of 12bps of reserves (including 20% VAT) is made to cover investment expenses.

Tax relief

Tax relief at a rate of 20% is assumed on the BLAGAB expenses.

(7) Inflation rate and unit growth rates

The annual unit growth rates assumed for linked business are as follows.

Fund	Gross	Net
Non-deposit investments	3.40%	2.89%
Deposit investments	0.50%	0.40%

The expense inflation assumptions are as follows.

RPI inflation – annuity business : 3.45% pa
RPI inflation – non-annuity business: 3.20% pa

Expense inflation is assumed at a rate of RPI + 1%.

However, expense inflation in the With-Profits Fund is fixed by the Scheme at RPI. An additional reserve of £1.9m is held in the Non-Profit Fund to cover the cost of the difference between the assumed expense inflation rate and the cap imposed by the Scheme.

(8) Future bonus rates

No future bonus rates have been assumed in the gross premium valuation of conventional with-profits business.

For UWP business the following assumptions have been made regarding future bonus rates.

Gross rate	Business
2.00%	Irish Life business with 2% management charge
1.65%	All other Irish Life business
0.95%	With-Profits Bond (post June 2002 premiums)
2.30%	Pension Fund Link group business (post June 2002 single premiums)
0.80%	All other Pension Fund Link group business
2.20%	Pension Fund Link individual business (post June 2002 single premiums)
0.45%	All other Pension Fund Link individual business
0.00%	All other UWP business

These rates are gross of fund management charges. Net of fund management charges, the only non-zero rates are for Pensions Fund Link post July 2002 single premiums, both group and individual.

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

Except where stated below, lapse and surrender rates on all business are set at 0%. Where rates are stated, these are the same throughout the term of the policy.

	Surrender rate	
	2012	2011
Group pensions without surrender penalties	3% pa	3% pa
Personal pensions without surrender penalties	2% pa	2% pa
TIP (without surrender penalties)	4% pa	4% pa
Some unit linked whole life products	4% pa	4% pa

For pension business that is currently premium paying, the reserve is calculated twice: once assuming that premiums continue at the current level, and once assuming that premiums cease immediately. The higher of these two reserves is then taken.

(10) Other material assumptions

No other material assumptions were made.

(11) Derivative contracts

At 31 December 2012 the Company held swaptions with a net market value of £0.7m and interest rate swaps with a net market value of £32.1m to hedge the interest rate risk in connection with with-profits deferred annuities and with-profits pure endowments with GAOs. The treatment of these in the valuation is covered in section 5.

The Company held equity put and call options with a net market value of £11.7m, and short futures contracts which represented a net liability of £0.1m. The short futures contracts combining with long call options were used to replicate put options, so as to reduce the total costs of protection. In the valuation of liabilities, a reserve has been created to eliminate the time value of the options; they have not otherwise been used to back liabilities.

The Company held credit default swaps which represented a net liability of £0.7m. The valuation interest rates take into account the holdings of credit default swaps.

Where a currency hedge exists, this has been paired with the associated asset in order to treat that asset as a sterling-denominated asset for the purpose of allocating to liabilities.

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

No changes have been made since the previous valuation.

5. Options and guarantees

(1) Guaranteed annuity rate options

a) Description of method

For With-Profits pure endowments the reserve for annuity guarantees has been calculated using an interest rate for the option, once in payment, of 2.65%. The mortality basis used was 98.9% PCMA00 or 98.9% PCFA00 for male and female rates respectively, using the core CMI model with the long term improvement factor set to 2% pa for year end 2012. The reserve is calculated assuming that 95% of policyholders purchase annuities at the guaranteed rates.

The total reserve is backed by a combination of payer swaption assets with a strike rate of 8.00%, interest rate swaps and gilts, which were held for the purpose of managing the interest rate risk on the pure endowments with annuity guarantees and the Colonial With-Profits pension deferred annuities.

The total notional value of swaptions held is £96.2m and the market value of these swaptions was £0.7m. The total notional of interest rate swaps held is £231.5m, made up of £53.3m of shorter term payer swaps and £178.2m of longer term receiver swaps. These swaps had a total market value of £32.1m. Together these swaptions, swaps and gilts are held to hedge the interest rate sensitivity across the full profile of the liabilities.

The valuation interest rate used has been based on the risk adjusted yield of the assets backing the liability.

The time value of the swaptions is eliminated by setting up an equivalent reserve.

b) Product details

Product name	Winterthur Pure Endowment
Basic reserve	£26.4m
Spread of outstanding durations	The average outstanding duration is 4.08 years. The maximum outstanding duration is 18.75 years. The distribution of outstanding duration is: 0 – 5 years 51% 5 – 10 years 42% 10 – 15 years 6% 15+ years 1%
Guarantee reserve	£20.9m
Guarantee annuity rate	10% for male aged 65, monthly in advance, guaranteed for 5 years.
Increments allowed	No
Form of annuity	All single life and payable in advance. Frequency can be monthly, quarterly, half-yearly or annual, with guarantee periods of 0, 5 or 10 years; the majority are monthly with a 5 year guarantee. A range of escalation rates applies.
Retirement ages	Retirement ages range from 55 to 75.

(2) Guaranteed surrender and unit-linked maturity values

There are no guaranteed surrender values. The number and unit value of unit-linked policies which contain a maturity guarantee is trivial and no additional reserve was deemed necessary

(3) Guaranteed insurability options

A review of the policies that could exercise these options was carried out during 2009 and showed that there were a trivial number of policies remaining. No additional reserve was deemed necessary at end 2009, and this position has been maintained since then.

(4) Other guarantees and options

The Colonial With-Profits pension deferred annuities have a cash option exercisable at the vesting date. The total mathematical reserve for this business is £168.7m.

No additional reserve is held for the value of the option to take cash as it is far out of the money.

6. Expense reserves

(1) Expense loadings

The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £38.1m, made up of £4.5m in the With-Profits Fund and £33.6m in the Non Profit Fund. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses, explicit allowances for other maintenance expenses and the non-attributable expenses are shown in the tables below.

With-Profits Fund

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit-linked business		£0.4m	£0.6m	£0.3m	£1.3m
All expenses attributable		£1.2m	£2.0m	n/a	£3.2m
Total		£1.6m	£2.6m	£0.3m	£4.5m

Non Profit Fund

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit-linked business		£12.0m	£12.5m	£5.3m	£29.8m
All expenses attributable		£ 0.5m	£ 3.3m	n/a	£ 3.8m
Total		£12.5m	£15.8m	£5.3m	£33.6m

Renewal commissions are not included in these amounts.

(2) Implicit expense allowances

There are no implicit allowances for expenses.

(3) Comparison with Form 43

The expense allowances for the Non Profit Fund of £33.6m differ significantly from the total maintenance expenses of £27.9m shown at line 14 of Form 43.

The Form 43 Line 14 figure of £27.9m includes only £3.1m in respect of external linked investment expenses. This is because, for linked funds invested in unit trusts and OEICs, the Form 43 Line 14 total does not include any investment expenses as these are deducted in the fund managers' unit price and is not accounted for as an expense. An additional reserve is held for the short term expenses associated with the Embassy policy administration platform.

For the With-Profits Fund, the expense allowance of £4.5m is lower than the £5.2m shown at line 14 of Form 43. An additional reserve is held in the Non Profit fund to cover expense overrun in the With-Profits Fund.

(4) New business expense overrun

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

(5) Maintenance expense overrun

A reserve of £1.9m is held to cover the projected expense overruns from the With-Profits Fund which will be borne by the Non Profit Fund.

(6) Non-attributable expenses

The expenses associated with the project to implement Solvency II have been treated as non-attributable expenses within the valuation and an additional expense reserve of £2.0m has been set up in the Non Profit Fund to provide for the expected future costs of completing the project.

Expenses associated with the Embassy policy administration platform have been treated as non-attributable expenses within the valuation; an additional expense reserve of £15.0m has been placed in the Non Profit Fund to provide for the expected future costs of this project.

At 31 December 2011, valuation expenses for unit-linked and UWP business were split between attributable and non-attributable expenses. The attributable expenses were allowed for in the calculation of the non-unit reserves on unit-linked business and UWP business. The non-attributable expenses were compared to future profits expected to emerge from the unit-linked and UWP business, and no additional reserve was deemed necessary.

All other expenses have been treated as attributable.

7. Mismatching reserves

(1) Analysis of reserves by currency

The following table shows the breakdown of the With-Profits Fund Form 14 mathematical reserves (other than liabilities for property linked benefits) by currency, and the value of assets which match these liabilities.

Currency	Assets	Liabilities
Sterling	£838.9m	£724.1m
Euro	£29.7m	£10.5m
Total	£868.6m	£734.6m

The Non Profit Fund mathematical reserves (other than liabilities for property linked benefits) are all denominated in sterling. The corresponding matching assets are also all denominated in sterling, or swapped into sterling using derivatives.

(2) Other currency exposure

Not applicable

(3) Currency mismatching reserve

No reserve is held in respect of currency mismatching, as the Euro assets exceed the Euro liabilities.

(4) Most onerous scenario under INSPRU 3.1.16R

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

(5) Most onerous scenario under INSPRU 3.1.23R

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

(6) Amount of resilience capital requirement

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

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

The expected incidence of asset and liability cash flows is such that a specific reserve in respect of cash flow mismatching is not required.

8. Other special reserves

A reserve of £2.0m is held in relation to Solvency II costs.

A reserve of £15.0m is held in relation to short term costs relating to the Embassy platform.

A reserve of £10.0m is held in relation to a data provision. As part of the purchase by Resolution, increased attention has been paid to the accuracy of the valuation data, and several issues have been identified as a result. Although the position has now improved, the new valuation and reporting processes have not yet been fully embedded. A reserve is therefore being held at 31 December 2012.

9. Reinsurance

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

There has been no reinsurance ceded on a facultative basis to any reinsurer who is not authorised to carry on insurance business in the United Kingdom at any time during the period since the date to which the last investigation related.

(2) Reinsurance treaties

The Company was the cedant in the following reinsurance arrangements where the premium payable exceeded the lesser of £10m and 1% of gross premiums, or the reserve ceded exceeded the less of £10m and 1% of total mathematical reserves, and under which business was in force at the valuation date.

Ten of these treaties are similar in nature, and provide reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurer. These have been shown together under the “Unit fund reinsurance treaties”.

The Canada Life International Re reinsurance treaty

Name of Reinsurer	Canada Life International Re Ltd
Nature and extent of cover	The treaty provides reinsurance cover for annuity business, the risks being 90% reinsured.
Premiums payable	No premium was payable by the Company under this treaty during 2012.
Amount deposited back	None.
Open / Closed to new business	The treaty is closed to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation.
Amount of mathematical reserves ceded	At end 2012 the total mathematical reserves ceded were £386.0m.
Retention by the insurer for new policies being reinsured	No new policies are being reinsured under this treaty. The retention for existing policies is 10%.

Notes

- The reinsurer is not authorised to carry on business in the United Kingdom
- The Company and the Reinsurer are not connected
- Due to the long term nature of the annuity payments there is a credit risk arising under the treaty. The ceded reserves include an allowance for this risk based on the credit rating of the Reinsurer.
- No provision has been made for any liability of the Company to refund amounts of reinsurance commission in the event of lapses or surrender of the contract.
- The treaty does not give rise to an undischarged obligation for the insurer.

Unit fund reinsurance treaties

Names of Reinsurers	<p>Aberdeen Asset Management Life & Pensions Ltd Aviva Investors Pensions Ltd AXA Wealth Ltd Baillie Gifford Life Ltd BlackRock Life Ltd Friends Life Ltd HSBC Life (UK) Ltd Invesco Pensions Ltd Legal & General Assurance (Pensions Management) Ltd Schroder Pension Management Ltd Scottish Equitable plc (trading as AEGON Scottish Equitable) Threadneedle Pensions Ltd</p>
Nature and extent of cover	The treaty provides reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurers. A floating charge agreement is in place with all these Reinsurers to mitigate credit risk.
Premiums/(Claims) payable	<p>A net claim of £(119.5)m was payable by the Company under these treaties during 2012. This is split as:</p> <p>£ 21.4m Aberdeen Asset Management Life & Pensions Ltd £ (0.1)m Aviva Investors Pensions Ltd £ (33.5)m AXA Wealth Ltd £ (1.3)m Baillie Gifford Life Ltd £ 20.9m BlackRock Asset Management Pensions Ltd £ (1.3)m BlackRock Pensions Ltd £ (222.0)m Friends Life Ltd £ (0.2)m HSBC Life (UK) Ltd £ 0.0m Invesco Pensions Ltd £ (3.6)m Legal & General Assurance (Pensions Man) Ltd £ 101.1m Schroder Pension Management Ltd £ (6.1)m Scottish Equitable plc (trading as AEGON) £ 3.9m Threadneedle Pensions Ltd</p>
Amount deposited back	None.
New business	The treaties are open to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation.
Amount of mathematical reserves ceded	<p>At end 2012 the total mathematical reserves ceded were £2,088.1m. This is split as:</p> <p>£ 9.6m Aberdeen Asset Management Life & Pensions Ltd £ 1,601.1m BlackRock Life Ltd £ 8.7m Scottish Equitable plc (trading as AEGON Scottish Equitable) £ 0.4m Aviva Investors Pensions Ltd £ 1.8m Baillie Gifford Life Ltd £ 38.3m Threadneedle Pensions Ltd £ 0.9m HSBC Life (UK) Ltd £ 0.0m Invesco Pensions Ltd £ 29.8m Legal & General Assurance (Pensions Management) Ltd £ 23.8m Schroder Pension Management Ltd £ 372.2m AXA Wealth Ltd £ 1.5m Friends Life Ltd</p>
Retention by the insurer policies being reinsured	No liability in respect of property-linked benefits invested in funds maintained by the Reinsurers is retained by the Company.

Notes

- The Reinsurers are all authorised to carry on business in the United Kingdom.
- The Company reinsures some business to Friends Life Ltd, which is the parent company. The Company is not connected to any of its other Reinsurers.
- There are no material contingencies to which the treaties are subject.
- No provision has been made for any liability of the Company to refund amounts of reinsurance commission in the event of lapses or surrender of the contract.
- The treaties do not give rise to an undischarged obligation for the insurer.

10. Regular bonus

Conventional With-Profits

Name of bonus series	Amount of Mathematical Reserves	Reversionary Bonus Rate for 2012	Reversionary Bonus Rate for 2011	Total Guaranteed Bonus Rate for 2012
Winterthur Life Portfolio	£7.2m	0%	0%	0%
Colonial Life Portfolio	£254.6m	0%	0%	0%
Winterthur Pension Portfolio	£39.4m	0%	0%	0%
Colonial Pension Portfolio	£208.6m	0%	0%	0%

Unitised With-Profits

Name of bonus series	Amount of Mathematical Reserves	Annual Bonus Rate for 2012	Annual Bonus Rate for 2011	Total Guaranteed Bonus Rate for 2012
Homeprovider and Plus Mortgage	£2.3m	0%	0%	0%
With-Profits Bond				
pre 30/06/02 business	£3.3m	0%	0%	0%
post 30/6/02 business	£0.2m	0%	0%	0%
Colonial Savings / Mortgage Plans	£7.2m	0%	0%	0%
Colonial Investment Bond	£1.2m	0%	0%	0%
Old Style Pensions	£3.1m	0%	0%	0%
New Style Pensions				
pre 30/06/02 business:				
Individual	£0.1m	0%	0%	0%
Group (gross)	£0.0m	0.80%	0.80%	0.80%
post 30/06/02 business:				
Individual	£0.4m	1.75%	1.75%	1.75%
Group (gross)	£0.0m	2.30%	2.30%	2.30%
Colonial Pensions	£84.9m	0%	0%	0%
Irish Life Bond (gross)				
Series 1 (2.00%)	£3.4m	2.00%	2.00%	2.00%
Series 2 (1.65%)	£5.3m	1.65%	1.65%	1.65%
Series 4 (2.00%)	£1.8m	2.00%	3.00%	2.00%

Notes

All bonus rates are shown net of fund management charges (FMC) apart from the new style pensions group business and the Irish Life Bond. The FMC for group business varies by scheme. The FMCs for the Irish Life Bond are shown by the series name.

Name of Insurer: **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

IPRU(INS) Rule 9.31(b) - Appendix 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

Introduction

1 (1) Date of Investigation

The investigation relates to a valuation date of 31 December 2012.

(2) Date of Previous Investigation

The valuation date of the previous investigation was 31 December 2011.

(3) Date of Interim valuations

An interim valuation was carried out on 30 June 2012.

Assets

2 (1) The present value of future profits (PVFP) of the non-profits business written in the With-Profit Fund has been calculated on a deterministic basis using a market consistent embedded value approach.

The key economic assumptions underlying the calculation in the base scenario are as follows:

This financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve, before tax
Expense inflation	Price inflation. At the date of investigation a rate of 2.7% per annum was used.
Discount rate	For profits emerging on non-profits business: risk-free rate plus 75 basis points p.a. For release of long-term insurance capital component: risk-free rate plus 75 basis points p.a.

Preceding financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve, before tax
Expense inflation	Derived from an implied inflation curve based on Bank of England gilt yield data. Different assumptions are used for annuity and non-annuity products.
Discount rate	For profits emerging on non-profits business: risk-free rate plus 75 basis points p.a. For release of long-term insurance capital component: risk-free rate plus 75 basis points p.a.

Note: 1 basis point = 0.01%

(2) The With-Profit Fund does not hold any equity shares in any related insurance undertaking – no amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).

(3) No part of the present value of future profits arising from non-profit insurance contracts written outside the With-Profit Fund have been included in the relevant assets for the purposes of INSPRU 1.3.43 R.

(4) The inflation rate assumed in the valuation of PVFP has been set equal between annuities and non-annuities as 2.7% per annum.

(5) Not applicable.

With-Profits Benefit Reserve Liabilities

3 (1)(a) With the exception of some de minimis items which fall within 3(3) below, the With-Profits Benefit Reserve is calculated using a retrospective methodology.

(1)(b) The following table gives a breakdown of the With-Profits Benefit Reserve and the future policy related liabilities by the major product classes.

	£millions	Total	ex-Colonial Deferred Annuities	ex-Colonial Endowments	ex- Winterthur Endowments	Homelink	UWP Pensions	UWP Life	UWP Bonds
	Realistic value of liabilities of fund								
L31	With-Profits benefit reserve/mathematical reserves excluding GAR reserve and resilience reserve	625.2	51.7	313.0	30.3	74.1	127.1	12.8	16.4
	Future policy related liabilities								
L32	Past miscellaneous surplus attributed to With-Profits benefit reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L33	Past miscellaneous deficit attributed to With-Profits benefit reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L34	Planned enhancements to With-Profits benefit reserve	28.6	9.6	8.6	5.6	4.8	0.0	0.0	0.0
L35	Planned deductions for guarantees, options and smoothing from With-Profits benefit reserve	6.0	0.0	5.7	0.1	0.0	0.0	0.2	0.0
L36	Planned deductions for other costs deemed chargeable to With-Profits benefit reserve	5.5	0.0	2.0	0.1	0.2	3.4	0.1	(0.3)
L41	Future costs of contractual guarantees (other than financial options)	103.2	70.3	21.3	7.2	0.3	2.4	0.5	1.1
L42	Future costs of non-contractual commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L43	Future costs of financial options	8.1	0.1	0.0	8.0	0.0	0.0	0.0	0.0
L44	Future costs of smoothing	0.5	(1.1)	1.0	(0.0)	0.3	0.0	0.2	0.0
L45	Financing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L46	Any other liabilities related to regulatory duty to treat customers fairly	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L47	Any other long-term insurance liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L49	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	128.8	78.9	23.2	20.5	5.3	(1.0)	0.5	1.4

- (1)(c) The business not required to be separately disclosed in accordance with 3(3) has aggregate With-Profits Benefit Reserve of £6.7 million and future policy related liabilities are estimated to be £1.4 million. For this business the peak 1 reserve is taken as a proxy for WPBR.
- (2) Not applicable.
- (3) De minimis.
- (4) The classes shown in 3(1) (b) have appropriate regard to materially different guarantees and options.

With-Profits Benefit Reserve – Retrospective method

- 4 (1) For the purposes of calculating the value reported in Form 19 line 31 (i.e. asset shares), the whole of the With-Profits Benefit Reserve is calculated on an individual policy basis.

The WPBR calculation is consistent with the approach used to determine actual payouts on with-profit policies. For the majority of conventional and some unitised products specimen policy asset shares are used, scaled up by the ratio of surrender values of guaranteed benefits on actual policies to specimen policies when appropriate.

- (2) Not applicable.
- (3) The maximum level of maintenance expenses in respect of management services and investment services that can be passed to the With-Profit Fund is set out in Schedule 5 of the 2001 Scheme as amended.

The maximum per policy maintenance expenses in respect of management services are inflated each year in line with the Retail Prices Index. The actual management expenses exceeded the maximum management expenses as at 31 December 2012.

Maintenance expenses in respect of investment services are subject to an overall cap of 0.2% divided by 12 of the With-Profit Fund assets each month. For 2012 the aggregate expenses are calculated as 0.19% of the fund.

- (3)(a) A check was made as at the 31 December 2012 that the actual per policy expenses exceeded the maximum level implied by the costs defined in Schedule 5 of the 2001 Scheme as amended.
- (3)(b) Expense investigations are performed annually.
- (3)(c)(i) No initial expenses were allocated to the With-Profits Benefit Reserve in the financial year in question.
- (ii) The maintenance expense deducted from the With-Profits Benefit Reserve in the financial year in question is £2.9 million. This comprises £1.7 million and £1.2 million for management and investment services respectively.
- (iii) The per policy expenses deducted from the With-Profits Benefit Reserve during the financial year in question are as follows.

Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	22.02	11.00	0.19
Deferred Annuity	51.00	25.50	0.19
Pure Endowment	51.00	25.50	0.19
UWP Bonds	0.00	0.00	0.19

Expenses – ex-Colonial Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	22.02	11.38	0.19
Deferred Annuity	28.31	14.53	0.19
Pure Endowment	51.00	25.88	0.19
Term Assurance	15.02	0.00	0.19
UWP Life	0.00	0.00	0.19
UWP Pensions	0.00	0.00	0.19

- (iv) The maintenance charge in respect of the non-profits business in the With-Profit Fund is £1.5 million. This comprises £0.9 million and £0.6 million for management and investment services respectively. The following table lists the per policy expenses taken from the non-profit policies in the With-Profit Fund during the financial year in question.

Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	22.02	11.00	0.12
Term Assurance	15.02	0.00	0.12
Immediate Annuity	0.00	28.90	0.12
Deferred Annuity	51.00	25.50	0.12
Pure Endowment	51.00	25.50	0.12
Traditional PHI	0.00	0.00	0.12
Unit Linked PHI	15.92	15.92	0.20
Unit Linked Life	47.77	35.83	0.20
Unit Linked Pensions	56.20	42.15	0.20

- (4) No charges were made to the With-Profits Benefit Reserve in respect of the cost of guarantees or the use of capital during the financial year in question.
- (5) The per policy/member charges deducted from the fund for the financial year in question are set out in the first two tables below. The second two tables list the annual fund management charges deducted from the fund.

ex-Winterthur Policy Fees		
	Amount	Escalation Rate
Unit Linked Life	£ 1.50 p.m.	0.0%
Unit Linked PHI	£ 1.50 p.m.	0.0%
standalone rider	£ 0.50 p.m.	0.0%
Personal Pensionplus	£ 2.50 p.m.	0.0%
In-force		0.0%
Paid-up	£ 1.50 p.m.	0.0%
Other Unit Linked Pension (Closed Block)		
In-force	£ 1.67 p.m.	0.0%
Paid-up	£ 1.00 p.m.	0.0%

ex-Colonial Policy Fees		
	Amount	Escalation Rate
Rainbow Plus	£34.47 p.a.	RPI

ex-Winterthur Fund Management Charges	
Unit Linked Life	0.75%
Unit Linked PHI	0.75%
Unit Linked Pension (Closed Block) – Capital Units	4.25%
Accumulation Units	0.75%
Group Personal Pension	Depends on fund selection
Unit Linked Pension (Open Block)	Depends on fund selection
With-Profit Bond	0.95%
Irish Life Bond	
Series 1	0.78%
Series 2	0.80%
Series 3	1.00%

ex-Colonial Fund Management Charges	
Colonial Mortgage & Savings Plans	
Series A	1.20%
Series B	0.50%
UWP Bond	0.50%
Unit Linked Pensions	
Capital Units	4.5%
Accumulation Units (Old World)	1.0%
Accumulation Units (New World & Unity)	0.75%

- (6) The average ratio of claims paid on with-profit insurance contracts to the With-Profits Benefit Reserve at the start of each year for those claims is:

Financial Year 2012	105.4%
Financial Year 2011	108.6%
Financial Year 2010	107.6%

- (7) The annualised investment returns allocated to the With-Profits Benefit Reserve for the financial year in question is set out in the table below:

Product	Gross investment return
Irish Life Bond	10.86%
Life-styling element of policies close to maturity	0.87%
Colonial Deferred Annuities	5.44%
All other business	12.74%

The divergent investment returns reflect the differing equity backing ratios of the investment classes. For Irish Life Bonds, the returns also reflect the fact that investments are Euro denominated.

With-Profits Benefit Reserve – Prospective method

- 5 No part of the With-Profits Benefit Reserve is calculated using a prospective method with the exception of some de minimis amounts which fall under paragraph 3 (3) above.

Costs of guarantees, options and smoothing

- 6 (1) Not applicable.
- (2)(a) For all modelled business, the costs of guarantees, options and smoothing have been valued using a stochastic model based on a market consistent asset model.
- (b)(i) Not applicable.
- (b)(ii) All of the modelled classes of with-profit insurance contracts have been valued on a grouped basis.
- (b)(iii) Contracts are grouped according to their major product features, e.g. term gone and term to go, policyholder age and the extent to which guarantees are in or out of the money.

The total number of policies modelled in this way which were represented by model points are:

	Bonds		Conventional		Life		Pensions	
	Model Points	Policy Count	Model Points	Policy Count	Model Points	Policy Count	Model Points	Policy Count
Colonial Deferred Annuity			290	6,622				
Colonial Life UK	53	107	885	47,564				
Irish Life	65	394						
Winterthur Life UK	43	196	171	2,287	307	974	329	14,251

The results from the stochastic model using grouped data are validated against the sum of the results of a number of stochastic runs, each using parts of the individual data. An approximate (upward) adjustment has been made to the cost of guarantees, options and smoothing to allow for the estimated grouping error.

(2)(c) Unmodelled business represents approximately 1% of the With-Profits Benefit Reserve. The unmodelled classes are allocated to the modelled product classes that have similar characteristics with regard to the cost of guarantees, options and smoothing. For new-style pension unitised with-profit, the cost of guarantees is estimated using the relationship of actual fund to shadow fund for similar products. (For the Retirement Benefit Schemes, cost of guarantees, options and smoothing is now modelled as at the investigation date).

(3) The valuation model has been simplified and no longer models the full projected balance sheet in each scenario. Thus some management actions previously assumed to occur based on the projected solvency position, such as a reduction in equity backing ratio (EBR) under stress and adding to or subtracting from asset shares, are no longer modelled. One of the consequences is that the costs of both planned enhancements and planned deductions on Form 19 have reduced materially, though the net effect on solvency is relatively small. This better reflects the expected extent of future enhancements to and deductions from asset shares, given the strategy for the fund of maintaining a stable EBR for asset shares.

(4)(a)(i) The following costs have been valued using a full stochastic approach:

- contractual guarantees under all policy classes resulting from a basic sum assured and guaranteed regular bonuses declared on or before the valuation date;
- contractual guarantees on unitised with-profit contracts resulting from the exercise of options on market value reduction free dates;
- contractual guarantees under ex-Colonial deferred annuities resulting from a basic annuity and guaranteed regular annuity declared on or before the valuation date;
- costs of smoothing under all policy classes resulting from payments greater or less than With-Profits Benefit Reserve resulting from restrictions placed on the rate at which bonus rates can change from year-to-year; and
- where applicable, guaranteed annuity options on ex-Winterthur pure endowments.

A policy is deemed to be in-the-money if the mathematical reserve exceeds the asset share and out-of-the-money if the asset share exceeds the mathematical reserve. The extent to which a policy is in/out-of-the-money varies both across and within lines of business. On average, the ratio of the mathematical reserves to the asset shares is about 228% for policies in-the-money and 76% for policies out-of-the-money with the overall ratio for all policies being about 100%.

(ii) The nominal interest rate model used is Barrie and Hibbert's proprietary Libor Market Model Plus (LMM+). This is calibrated exactly to the current risk-free yield curve. The volatilities have been selected to provide a close fit to a range of swaption-implied volatilities.

Equity excess returns are modelled using is Barrie and Hibbert's proprietary Stochastic Volatility Jump Diffusion (SVJD) model. This model is calibrated to the full implied volatility surface and so captures the effects of both term and moneyness.

Property is modelled as a separate asset class. The volatility of property returns is not easily observed within the market. A best estimate initial volatility of 15% pa has been assumed for property total return.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2012. Sample rates are shown in the table in (iii) below.

Sample volatilities are shown below for the main asset classes. These are derived from the asset model output and show the at-the-money implied volatilities for Equities and 10-Year tenor Swaptions as well as the excess return volatility for Property. The equivalent figures for 31 December 2011 are shown in parentheses ().

Volatility over period (years)	Equity option ATM IV	Property	10-Year Swaption ATM IV
5	24% (29%)	15% (15%)	23% (22%)
10	26% (29%)	15% (15%)	18% (18%)
20	28% (31%)	15% (15%)	16% (15%)

The correlations assumed between the main assets classes are:

	6 Year Bond Return Index	Equity Total Return	RPI	Property Total Return	15 Year Corporate Bond Return Index
6 Year Bond Return Index	1.00	0.12	0.17	0.11	0.46
Equity Total Return	0.12	1.00	0.01	0.33	0.22
RPI	0.17	0.01	1.00	0.09	-0.18
Property Total Return	0.11	0.33	0.09	1.00	0.05
15 Year Corporate Bond Return Index	0.46	0.22	-0.18	0.05	1.00

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

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

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

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

		0.75			
<i>n</i>	<i>K</i> <i>Duration (n)</i>	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	0.90%	2.59%	3.37%	3.59%
1	Risk-Free Zero Coupon Bond	£956,037	£681,782	£437,006	£291,041
2	FTSE All Share Index (<i>p</i> =1)	£110,862	£252,976	£348,066	£427,985
3	FTSE All Share Index (<i>p</i> =0.8)	£108,563	£223,997	£276,473	£312,177
4	Property (<i>p</i> =1)	£31,270	£104,111	£180,346	£258,570
5	Property (<i>p</i> =0.8)	£29,627	£81,624	£123,444	£164,575
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£8,829	£18,731	£19,973	£39,448
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£8,207	£11,459	£6,363	£10,362
8	15yr Corporate Bonds (<i>p</i> =1)	£13,452	£28,527	£35,291	£55,642
9	15yr Corporate Bonds (<i>p</i> =0.8)	£12,587	£18,884	£14,486	£18,534
10	Portfolio 1 (<i>p</i> =1)	£68,408	£172,227	£254,231	£329,979
11	Portfolio 1 (<i>p</i> =0.8)	£66,509	£147,350	£192,512	£227,969
12	Portfolio 2 (<i>p</i> =1)	£58,544	£148,342	£218,707	£283,272
13	Portfolio 2 (<i>p</i> =0.8)	£56,838	£126,172	£162,763	£191,465
14	Portfolio 3 (<i>p</i> =1)	£30,583	£85,472	£137,530	£195,490
15	Portfolio 3 (<i>p</i> =0.8)	£29,332	£68,503	£92,856	£119,416
	Sterling Receiver Swaptions	<i>L</i> = 15			
16		17.68%	10.68%	8.93%	7.81%

		1.00			
<i>n</i>	<i>K</i> <i>Duration (n)</i>	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	£214,173	£399,600	£519,930	£617,111
3	FTSE All Share Index (<i>p</i> =0.8)	£209,767	£354,733	£414,130	£452,987
4	Property (<i>p</i> =1)	£133,846	£236,184	£333,350	£426,375
5	Property (<i>p</i> =0.8)	£128,930	£193,098	£237,528	£279,963
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£80,021	£98,801	£106,898	£145,870
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£75,530	£66,276	£44,028	£49,443
8	15yr Corporate Bonds (<i>p</i> =1)	£91,532	£117,006	£131,344	£165,999
9	15yr Corporate Bonds (<i>p</i> =0.8)	£86,894	£82,852	£64,638	£66,511
10	Portfolio 1 (<i>p</i> =1)	£163,678	£305,169	£409,394	£503,491
11	Portfolio 1 (<i>p</i> =0.8)	£159,364	£263,089	£313,220	£352,510
12	Portfolio 2 (<i>p</i> =1)	£148,302	£271,530	£363,435	£446,199
13	Portfolio 2 (<i>p</i> =0.8)	£144,174	£231,675	£272,959	£304,095
14	Portfolio 3 (<i>p</i> =1)	£110,662	£193,815	£265,708	£340,614
15	Portfolio 3 (<i>p</i> =0.8)	£106,471	£156,825	£184,111	£213,380
	Sterling Receiver Swaptions	<i>L</i> = 20			
16		19.43%	13.03%	11.18%	9.50%

	<i>K</i>	<i>1.50</i>			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	£544,114	£749,454	£904,993	£1,023,376
3	FTSE All Share Index (<i>p</i> =0.8)	£533,269	£667,617	£725,366	£756,692
4	Property (<i>p</i> =1)	£521,430	£604,290	£709,590	£815,765
5	Property (<i>p</i> =0.8)	£509,172	£514,681	£530,425	£556,360
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£500,359	£497,300	£505,027	£529,559
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£487,150	£393,290	£299,431	£260,692
8	15yr Corporate Bonds (<i>p</i> =1)	£501,040	£501,509	£510,794	£541,431
9	15yr Corporate Bonds (<i>p</i> =0.8)	£488,001	£401,804	£315,548	£280,463
10	Portfolio 1 (<i>p</i> =1)	£518,751	£650,467	£777,454	£891,825
11	Portfolio 1 (<i>p</i> =0.8)	£506,869	£567,722	£602,370	£634,532
12	Portfolio 2 (<i>p</i> =1)	£508,484	£613,216	£720,272	£821,267
13	Portfolio 2 (<i>p</i> =0.8)	£496,144	£529,346	£549,437	£571,747
14	Portfolio 3 (<i>p</i> =1)	£502,984	£546,804	£620,557	£707,068
15	Portfolio 3 (<i>p</i> =0.8)	£489,944	£456,748	£446,247	£460,558
	Sterling Receiver Swaptions	<i>L</i> =25			
16		21.06%	15.19%	13.08%	10.74%

- (iv) Initial UK equity yield assumed 3.72 %
Initial UK property yield assumed 4.30%
- (v) No asset classes outside the UK are modelled separately.
- (vi) The following table shows the distribution of outstanding maturity payments by duration and product class.

	ex-Colonial Deferred Annuities	ex-Winterthur Pure Endowment	ex-Colonial Endowment	ex-Winterthur Endowment	Homelink	ex-Colonial Pure Endowment	UWP Life/ Pension	UWP Bond	Total
2013-2017	46.7%	67.0%	70.2%	88.2%	98.0%	50.6%	26.2%	33.8%	59.0%
2018-2022	37.5%	30.9%	20.8%	11.8%	1.8%	37.9%	30.7%	27.6%	26.5%
2023-2027	13.1%	2.2%	6.0%	0.0%	0.2%	7.8%	20.7%	19.8%	9.2%
2028-2032	2.6%	0.0%	1.9%	0.0%	0.0%	3.7%	16.0%	5.6%	3.9%
2033-2037	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	6.4%	12.7%	1.3%
2038-2041	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The nominal interest rate and equity models are both able to represent both term and moneyness. We therefore do not need to use an average moneyness to derive a market consistent valuation of the liabilities.

- (vii) We have checked that the asset model reproduces the current asset values for the different types of assets modelled when the future income, gains and losses are projected and discounted to the valuation date.
- (viii) The valuation is based on 2,000 simulations of the asset model. Tests show this to be more than adequate to allow convergence of the model output.
- (b) None of the costs of guarantees, options and smoothing have been valued using the market costs of hedging.

- (c) None of the cost of guarantees, options and smoothing has been valued using a series of deterministic projections with attributed probabilities.
- (5)(a) The management actions in the projection of assets and liabilities are consistent with the requirements of the 2001 Scheme as amended and the Principles and Practices of Financial Management. The overall aim of the management actions is to fund the realistic liabilities from the resources of the With-Profit Fund and the Segregated Sub-Fund, subject to the overriding requirement to meet the firm's contractual obligations.

Regular Bonus

Regular bonuses in the valuation for each modelled bonus series have been derived from the gross redemption yield on long dated gilts, with deductions for guaranteed interest rates, tax, expenses, shareholder transfers, and a contingency margin to reflect the extent of existing guarantees. The target bonus rate is constrained to zero if the asset shares are not at least 133% of the guaranteed benefits at that point in the projection for that bonus series. The bonus rate in a given year is targeted at this sustainable level, but is constrained to move by no more than 1% upwards or downwards from the previous year's rate.

Terminal Bonus

The model determines a scale of terminal bonus rates for maturing policies (surrendering policies for bonds) at each half-year. These are also used to derive rates for death and surrender. Target payout ratios are fixed to 100% for maturities (and bond surrenders). Terminal bonus rates are set for a cohort of similar policies in the same bonus series. For a given group of policies, the payout on an identical maturing policy is restricted to move by:

- a) if target payout is more than three 10% movements away from the previous payout, make one movement such that three consecutive movements of this size would move to the target payout,
- b) otherwise, a maximum of 10% in either direction for each half-year period.

Finally, actual payout ratios are constrained to a 70% - 140% range.

Market value reduction (MVR)

For unitised with profits business, where a policy is assumed to surrender, and the face value of units is not guaranteed, and where the asset share is below the face value of the units, an MVR is applied so that the payout is equal to the asset share.

Asset allocation

The asset mix of the With-Profits Fund is assumed to remain constant throughout the projection.

Capital Support

The Segregated Sub-Fund protects the ex-Colonial conventional With-Profits business from the asset share reductions. These reductions occur where the inherited estate falls outside of the boundaries specified in the PPFM, and aims to bring the inherited estate back within the set boundaries. Transfers are therefore made from the Segregated Sub-Fund into the With-Profit Fund

when an asset share reduction is triggered in the With-Profit Fund, except to the extent that the reduction is reversing previous asset share enhancements.

Once the Segregated Sub-Fund transfers have been injected into the With-Profit Fund, they cannot be recovered.

From 2007 onwards, the excess of the Segregated Sub-Fund over the minimum of £38 million and 3.711% of the regulatory reserves of the ex-Colonial conventional With-Profits business is transferred to the shareholder fund. Once the Segregated Sub-Fund is exhausted, the ex-Colonial conventional With-Profits business asset shares may be reduced for the purpose of managing the scale of the inherited estate as described above.

This is assessed outside of the model using results from the scenario testing.

- (b) The following table shows the equity backing ratio at the valuation date and the best estimate at two future dates for the specified scenarios

Scenario	31 Dec 2012	31 Dec 2017	31 Dec 2022
Risk-Free Rate unadjusted	50%	50%	50%
Risk-Free Rate increased by 0.41% p.a.	50%	50%	50%
Risk-Free Rate reduced by 0.41% p.a.	50%	50%	50%

Note: Equity backing ratio includes equities and property. The equity backing ratio is assumed to be constant in line with strategy, and the rate above is the long term target ratio.

The following table shows the regular bonus rates for the three scenarios.

Scenario / Product Class		31 Dec 2012	31 Dec 2017	31 Dec 2022
Risk-Free Rate unadjusted	UWP Pensions	0.0%	0.1%	0.5%
	UWP Life	0.0%	0.0%	0.1%
	UWP Bonds	0.0%	0.0%	0.1%
Risk-Free Rate increased by 0.41% p.a.	UWP Pensions	0.0%	0.2%	0.7%
	UWP Life	0.0%	0.0%	0.2%
	UWP Bonds	0.0%	0.0%	0.2%
Risk-Free Rate reduced by 0.41% p.a.	UWP Pensions	0.0%	0.0%	0.3%
	UWP Life	0.0%	0.0%	0.1%
	UWP Bonds	0.0%	0.0%	0.1%

N

Note:

The regular bonus for the unitised with-profit bonds is the average of the bonus rates for the Winterthur Bond and the Irish Life Bond. In practice if a theoretical regular bonus rate is less than 1% then a regular bonus rate of 0% would be declared (see Practice B.6.7 of the Principles and Practices of Financial Management).

- (6) The lapse assumptions for material product classes are as follows:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	8.0%	7.8%	5.8%	3.8%
CWP target cash endowment	surrender	8.0%	7.8%	5.8%	3.8%
UWP savings endowment	surrender	20.0%	13.2%	5.0%	5.0%
UWP target cash endowment	surrender	20.0%	13.2%	5.0%	5.0%
UWP bond	surrender	5.0%	6.0%	6.0%	6.0%
CWP pension regular premium	surrender	2.0%	2.0%	2.0%	2.0%
CWP pension single premium	surrender	2.0%	2.0%	2.0%	2.0%
UWP individual pension regular premium	surrender	3.0%	3.0%	3.0%	3.0%
UWP individual pension single premium	surrender	3.0%	3.0%	3.0%	3.0%

For the guaranteed annuity options, a mortality basis of 107.5% of PCMA00 with CMI 2011 (1.25%) improvements has been assumed for males (2011: 107.5% of PCMA00 with CMI 2011 (1.25%) improvements).

A mortality basis of 107.5% of PCFA00 with CMI 2011 (1.25%) improvements has been assumed for females (2011: 107.5% of PCFA00 with CMI 2011 (1.25%) improvements).

For the guaranteed annuity options, an 80% take-up rate is assumed for in-the-money options and 0% otherwise.

- (7) For whole-of-life UWP bonds with market value reduction free date guarantees, the options are assumed to be fully exercised when they are at least 15% in-the-money. The option is assumed not to be taken up when the guarantee is at- or out-of-the-money. Linear interpolation is used to determine the take-up rate where the option is between 0% and 15% in-the-money.

Financing costs

- 7 The 2001 Scheme as amended which governs the With-Profit Fund provides for a transfer from the Shareholders Fund to the With-Profit Fund of such amount, if any, as is necessary to ensure that the aggregate of the assets allocated to the With-Profit Fund as at a valuation date and of the amount so transferred, having had regard to any transfer to be made from the Segregated Sub-Fund to the With-Profit Fund, is not less than:

- the amount of the mathematical reserves; together with
- such amount as the Board shall consider necessary to enable all liabilities, whether actual, prospective or contingent but excluding those liabilities under any policies allocated to the With-Profit Fund, which in each case are properly attributable to the With-Profit Fund and which are not provided for in the mathematical reserves to be discharged out of the With-Profit Fund in accordance with the provisions of the 2001 Scheme as amended as and when they fall due; and

- the aggregate cost of all bonuses; and
- such amount as the Board and the Actuarial Function Holder shall consider in light of regulatory requirements is necessary to be able to meet and may be necessary to meet, on the basis of a range of normally expected outcomes for the With-Profit Fund, prior to the next valuation date the reasonable benefit expectations of policyholders, to the extent not already taken into account as at a valuation date.

Any amount so transferred to the With-Profit Fund, together with an appropriate investment return, are transferable to the Non-Profits Fund should there be sufficient statutory surplus within the With-Profit Fund. The appropriate investment return will take into account the investment return used within the calculation of asset shares or other measures determined by the company.

Other long-term insurance liabilities

8 Form 19 Line 46 is nil.

Form 19 Line 47 is nil.

Realistic current liabilities

9 The amount of the realistic current liabilities included in line 51 of Form 19 is £45.6 million. The realistic current liabilities are identical to the regulatory current liabilities. This amount includes the following:

10 Other Creditors including net claims outstanding of £24.8 million.

11 Current and deferred tax of £13.4 million.

12 Derivative assets with negative value of £7.4 million.

Risk capital margin

10(a) The risk capital margin as at the valuation date is £6.0 million.

The individual stresses comprising the risk capital margin event are as follows:

- A fall in the market value of equities of 20% and a fall in market value of properties of 12.5%.
- Fixed interest yields are assumed to rise by the amounts shown in the table below. The percentage change in yields is 17.5%.

Currency	Long term yield (annualised)	Nominal rise in yields
Sterling	2.32%	0.41%

(iii) A widening of credit spreads.

- The total fall in bond asset values (i.e. gilts and corporate) is 1.4% and the average change in spreads is 0.35%.

- b) Not applicable.
 - c) De minimis.
 - d) Not applicable.
 - e) Not applicable.
- (iv) A fall in termination rates in each year of the projection of 32.5%, assuming the market and credit risk stress scenarios have occurred. The aggregate realistic value of liabilities changes by 0.42% under this scenario.
- (v) The stochastic model assumes that the persistency and credit risk events are independent.
- The present value of the future profits in respect of the non-profits business in the With-Profit Fund has been calculated on economic assumptions consistent with the above risk capital margin stress event.
- (b)
- (i) The management actions assumed in the risk capital margin calculation follow the same rules as those described in 6(5)(a). Management actions previously calculated by the old model (i.e., asset share recharges and miscellaneous surplus distributions, derivation of the equity backing ratio, and injection of capital support from the Segregated Sub-fund) are now allowed for indirectly by adjusting the risk capital margin, based on results of scenario testing.
 - (ii) The impact of the change in management actions on the risk capital margin is a reduction of £4.0 million.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) The risk capital margin is covered by assets in the Segregated Sub-fund and transfers from the Shareholder fund as allowed for in the 2001 Scheme. The assets chosen to back the risk capital margin represent a proportionate share of the assets in those funds, primarily bonds.
 - (ii) In respect of support provided by the Segregated Sub-fund, assets would be transferred into the With-Profit Fund in the form of a permanent transfer.

Tax

11. The treatment of tax under the With-Profits Benefit Reserve, future policy related liabilities and realistic current liabilities are detailed below.

With-Profits Benefit Reserve

Prior to 2001 the life business tax rates were based on the following methods:

- For ex-Colonial business the full marginal tax rates for a mutual fund were applied to each component of investment income. The tax rate on capital gains (both realised and unrealised) was adjusted to reflect the deferral of tax on unrealised gains, and;

- For ex-Winterthur business an average tax rate was calculated for the fund as a whole.

From 2001 onwards tax is deducted from asset shares on the basis of the With-Profit Fund being treated as a standalone mutual life insurance company. Any required assumptions on rates of taxation are based on the rates applicable at the relevant time for a UK mutual life company, and are applied to investment returns and expenses in full regardless of the actual tax paying position of the With-Profit Fund. In applying this method, any mismatch between the assumptions and the actual tax payable will accrue to the inherited estate.

However, where the With-Profit Fund has experienced significant losses an alternative method may be used provided that it comes within an acceptable degree of approximation. Tax credits are only applied to the asset shares where they are reasonable. Any difference between the actual tax liability and the assumed tax liability (taking into account the assumptions made in the calculation of asset shares) falls to the inherited estate.

There are no charges to the With-Profit Fund for liabilities to tax arising from the Firm making transfers from the With-Profit Fund to shareholders.

Future Policy Related Liabilities and Realistic Current Liabilities

No allowance is made for tax in respect of the assets not backing the With-Profits Benefit Reserve.

Derivatives

12. UK Sterling payer swaptions are held for the purpose of hedging interest rate risk. These have maturity dates ranging from 2013 to 2034 and tenors ranging from 20 years to 26 years. All swaptions have a strike rate of 8.0%. They have a total notional value of £96.2 million and a total market value of £0.7 million.

Interest rate payer and receiver swaps are held for the purpose of hedging interest rate risk. They have maturity dates ranging from 2013 to 2059 and fixed rates from 2.78% to 4.44%. The receiver swaps have a total notional of £178.2 million and total market value of £38.4 million. The payer swaps have a total notional of £53.3 million and total market value of -£6.1 million.

Equity call options and sold equity futures are held together for the purpose of hedging equity risk. The call options are on FTSE 100, have strikes between 4100 and 4650 and expiry dates ranging from 2013 to 2014. Total notional value is £45.2 million and total market value is £11.3 million. The short futures exposures are £9.5 million (DJ Eurostoxx 50) and £69.3 million (FTSE 100).

Equity put options are also held for the purpose of hedging equity risk. The put options are on FTSE 100, have strikes between 2800 and 3850, and expiry dates ranging from 2013 to 2014. They have total notional value of £84.5 million and market value of £0.4 million.

Single name credit default swaps are held to buy protection against the default risk of a set of matching corporate bonds held in the asset portfolio. They have a notional of £86.6 million and market value of -£0.7 million.

Analysis of Change in Working Capital

13

	£million
Working Capital as at 31 December 2011	0.0
Opening zeroisation impact	(1.4)
(a) investment return on the opening working capital	(0.2)
(b) mismatched profits and losses on assets backing the future policy related liabilities (may include associated assumption changes);	6.3
(c) assumption changes – economic	0.6
(c) assumption changes - non-economic	0.0
(c) assumption changes - policyholder actions	0.0
(d) other variances – economic	(3.2)
(d) other variances – non-economic	2.8
(e) impact of new business	0.0
(f) changes in other liabilities of lines 47 and 51 of Form 19;	(5.0)
(g) modelling changes and opening adjustments	19.4
Allocate F19 L68 excess to planned enhancements	(19.3)
Working Capital as at 31 December 2012	0.0

As explained in 6(3) the valuation model has been simplified so that it no longer dynamically targets a working capital position of zero, but instead the planned enhancements are increased outside of the model. This is the reason for the allocation of the F19 L68 excess of £19.3 million to planned enhancements.

Item (f) primarily relates to an additional £5 million transfer of assets from the FLWL with-profit fund to the FLWL non-profit fund in respect of annuity transfers on vesting, with the non-profit fund providing the annuity for maturing with-profit policyholders.

Optional disclosure

14

Not applicable.

Name of Insurer **Friends Life WL Limited (formerly Winterthur Life UK Limited)**

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

Peter Jonathan Shelley performed the with-profits actuary function up to the date of his retirement on 31 December 2012. He was requested to furnish the insurer with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and the Company Secretary of Friends Life Group plc has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the insurer or the insurer's group.

2. Remuneration

In respect of 2012 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £136,729.81.

3. Pension contributions

Up to the date of his retirement, Mr Shelley was a contributing member of the defined contribution Friends Pension Plan.

Name of Insurer **Friends Life WL Limited (formerly known as Winterthur Life UK Limited)**

IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE

Financial year ended 31 December 2012

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 and effective from 2 February 2010 and 14 November 2012; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the Company has continued to comply subsequently and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3;
- (f) we have, in preparing the return, taken and paid due regard to:
 - (i) advice from the actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the Company to perform the with-profits actuary function in accordance with SUP 4.3.16AR; and

Signed on behalf of Friends Life WL Limited

J.S. Moss

Director

L. J'Afari-Pak

Director

V. Hames

Secretary

19 March 2013

Name of Insurer **Friends Life WL Limited (formerly known as Winterthur Life UK Limited)**

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Financial year ended 31 December 2012

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statement Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 19, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ('the Forms');
- the statement required by IPRU(INS) rule 9.29 ("the statement");
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36;
- the certificate required by IPRU(INS) rule 9.34(1); and

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement, and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by directions issued under section 148 of the Act referred to in supplementary notes 1322, 1901 and 5702. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statements and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Name of Insurer **Friends Life WL Limited (formerly known as Winterthur Life UK Limited)**

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Financial year ended 31 December 2012

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 19 March 2013. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

Opinion

In our opinion:

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

Ernst & Young LLP

Statutory Auditor

London

19 March 2013